



THE SUPREME COURT *of* OHIO

2013



Attorney Services Fund
Annual Report



THE SUPREME COURT *of* OHIO

ATTORNEY SERVICES FUND ANNUAL REPORT

Summary of Activity for Fiscal Year 2013
and Report on Allocations for Fiscal Year 2014

OCTOBER 2013



PRESENTED TO

MAUREEN O'CONNOR

CHIEF JUSTICE

PAUL E. PFEIFER

TERRENCE O'DONNELL

JUDITH ANN LANZINGER

SHARON L. KENNEDY

JUDITH L. FRENCH

WILLIAM M. O'NEILL

JUSTICES

PRESENTED BY

STEVEN C. HOLLON

ADMINISTRATIVE DIRECTOR

SUSAN B. CHRISTOFF

DIRECTOR OF ATTORNEY SERVICES

OFFICE OF ATTORNEY SERVICES

PREPARED BY

SUSAN B. CHRISTOFF
DIRECTOR OF ATTORNEY SERVICES

LORI GILBERT
ATTORNEY SERVICES SPECIALIST

TERESA McCOY
ATTORNEY SERVICES SPECIALIST

LEI MOORE
ADMINISTRATIVE ASSISTANT

JODIE MARMON
CLE SPECIALIST

DENISE SPENCER
CLE SPECIALIST

BARBARA WHITE
ATTORNEY SERVICES SPECIALIST

TAMMY WHITE
ATTORNEY SERVICES MANAGER

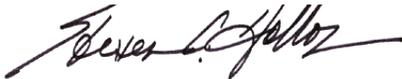
THE SUPREME COURT *of* OHIO

To: Chief Justice Maureen O'Connor and Justices
Members of the Ohio Bar
Members of the Public

This Annual Report on the Attorney Services Fund provides a summary of the activity of the Attorney Services Fund for Fiscal Year 2013 (July 1, 2012 – June 30, 2013), and sets out budget allocations from the fund as approved by the Supreme Court for Fiscal Year 2014 (July 1, 2013 – June 30, 2014).

The report includes a review of the fund's balance and projections, audit information, and investment policy. This information is provided for informational purposes only and is not to be considered a final or complete audit or financial statement of fund activity during the period covered in the report. The Auditor of State conducts an audit of the fund as part of the regular biennial audit of the Supreme Court of Ohio.

Respectfully submitted,



Steven C. Hollon, Esq.
Administrative Director



Susan B. Christoff, Esq.
Director of Attorney Services



I. Attorney Services Fund; Registration Requirements and Fees

Article IV of the Ohio Constitution vests plenary authority with the Supreme Court of Ohio to regulate all aspects of the practice of law in Ohio, including admission to the practice of law, the discipline of persons admitted to the practice of law, and all other matters relating to the practice of law. In furtherance of this responsibility and in order to maintain an independent and self-funded regulatory system, the Supreme Court assesses and collects various fees and other moneys pursuant to the Supreme Court Rules for the Government of the Bar of Ohio. All moneys collected pursuant to the rules, other than those related to the bar admissions process, are deposited in the Attorney Services Fund.

Biennial Registration Requirements and Fees

Rule VI of the Supreme Court Rules for the Government of the Bar of Ohio (Gov.Bar R. VI) imposes a biennial registration requirement on each attorney practicing law in the state of Ohio. Each attorney licensed to practice law in the state, except for attorneys who are on inactive or retired status, and each non-Ohio attorney registered for corporate status must register with the court on or before the first day of September in each odd-numbered year. Each active attorney and each non-Ohio attorney registered for corporate status is required to pay a \$350 registration fee at the time of his or her biennial registration. Registration fees are reduced or waived for attorneys who are admitted to practice in the second year of the registration biennium. Revenues from attorney registration fees are significantly lower in odd-numbered fiscal years because attorneys are required to register with the Supreme Court during even-numbered fiscal years.

The Supreme Court imposes monetary sanctions on attorneys who fail to register timely. Gov.Bar R. VI imposes a late registration fee of \$50 on any attorney who fails to register by the due date. An attorney who remains unregistered more than sixty days after the due date is summarily suspended from the practice of law and must register, pay all outstanding registration fees, and pay a \$300 reinstatement fee in order to be reinstated to the practice of law.

Attorney Services Fund

All registration, late registration, and reinstatement fees are paid into the fund. The fund also receives revenue from other sources pursuant to the Rules for the Government of the Bar, including cost reimbursements from disciplined attorneys, civil penalties and costs assessed against persons who are found to have engaged in the unauthorized practice of law, registration fees collected from out-of-state attorneys wishing to seek permission to appear pro hac vice in Ohio tribunals, and income from the investment of moneys deposited in the fund.

Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the fund are used to (1) fund the disciplinary process; (2) support the activities of the Clients' Security Fund, the Commission on Continuing Legal Education, and the Board on the Unauthorized Practice of Law; (3) fund any activity considered necessary by the Supreme Court for the government of the bar and the judiciary of Ohio; and (4) fund any activities related to the administration of justice considered necessary by the Supreme Court.

Schedule 1 on page 7 of this report contains a summary of fund expenditures for Fiscal Years 2012 and 2013 and allocations for Fiscal Year 2014.¹

¹ Fiscal Year 2013 Budget Allocations were restated to cover expenses in the amount of \$1,264 related to Gov. Jud. R. II proceedings ("Disciplinary Procedure").

II. Summary of Fund Activity in Fiscal Year 2013

In Fiscal Year 2013, \$8,484,938 was expended from the Attorney Services Fund.

Disciplinary-Related Expenses

In Fiscal Year 2013, \$5,085,817 was used to fund the disciplinary process established by the court in Gov.Bar R. V and Gov. Jud. R. II, "Disciplinary Procedure." This is 59.94 percent of total fund expenditures in FY 2013. Of this amount, \$2,592,366 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office. A total of \$724,148 was expended by the Board of Commissioners on Grievances & Discipline to fund the operation of the board. The board expended an additional \$1,740,814 to reimburse local bar association certified grievance committees for disciplinary related activities. Further, \$1,264 was expended for costs related to proceedings under Gov. Jud. R. II, "Disciplinary Proceedings." The Supreme Court reporter of decisions expended \$27,225 to publish legal notices in newspapers of general circulation upon the court's issuance of a disciplinary order, as required by Gov. Bar R. V, Section 8(D)(2).

Clients' Security Fund

Since 1985, the Supreme Court has allocated moneys from the Attorney Services Fund to compensate clients who are victims of theft, embezzlement, or misappropriation by dishonest attorneys. The Clients' Security Fund is established in Gov.Bar R. VIII and is administered by an independent board of commissioners appointed by the court. By rule, the board may award a client up to \$75,000 to reimburse the client financial losses incurred as a result of the misconduct of his or her attorney. In Fiscal Year 2013, \$350,272 was expended by the Board of Commissioners of the Clients' Security Fund for its operation. In addition, the Supreme Court allocated \$1,400,000 to replenish the Clients' Security Fund Trust Fund. Together, these amounts represent 20.63 percent of Attorney Services Fund expenditures.

In Fiscal Year 2013, the board expended a total of \$1,142,572 from the trust fund to reimburse 168 eligible claimants. As of June 30, 2013, there were 344 claims pending, representing a potential liability to the fund of \$1,772,492. For more information regarding claims against the Clients' Security Fund, see the most recent annual report prepared by the Board of Commissioners of the Clients' Security Fund.

Attorney Services Administration

The Attorney Services Division of the Supreme Court is composed of the Office of Attorney Services and the Office of Bar Admissions. These two offices are charged with supporting the court in the exercise of its constitutional responsibility to regulate the practice of law in Ohio. The Office of Attorney Services is responsible for registering attorneys each biennium, maintaining attorney and judge attorney registration and continuing legal education records, and registering out-of-state attorneys who will be seeking permission to appear pro hac vice in Ohio tribunals.

A total of \$663,849 was expended for the Attorney Services Division in Fiscal Year 2013. These moneys, which represent 7.82 percent of total fund expenditures, supported the operations of the Office of Attorney Services (\$558,396), the

Commission on Certification of Attorneys as Specialists (\$1,894), the Commission on Professionalism (\$23,188), and the Board on the Unauthorized Practice of Law (\$2,704). Further, \$77,667 was expended on reimbursement of expenses related to investigation and prosecution of unauthorized practice of law matters.

Discretionary Grants

The remaining \$985,000 in expenditures from the fund represented grants to two nonprofit organizations that assist the Supreme Court in providing oversight of the Ohio bench and bar and in the administration of justice. In Fiscal Year 2013, the court awarded grants of \$330,000 to the Ohio Legal Assistance Foundation and \$655,000 to the Ohio Lawyers Assistance Program. These grants represent 3.89 percent and 7.72 percent respectively, of the fund expenditures.

The Ohio Legal Assistance Foundation is established pursuant to statutory authority and has, as its primary responsibility, the duty of administering and allocating various funds for Ohio's legal aid programs. These programs provide direct civil legal assistance to low income Ohioans who qualify for services. The moneys contributed from the fund to the foundation are used for pro bono development and enhancement, technology enhancement and support, and performance assessments of legal aid programs.

The Ohio Lawyers Assistance Program provides intervention and monitoring assistance to Ohio lawyers, judges, and law students who are suffering from alcoholism, substance abuse, or mental illness. In addition to moneys allocated from the fund, the program receives contributions from the Ohio State Bar Association, the Ohio Bar Liability Insurance Company, and other entities.

FIGURE 1: Fiscal Year 2013 Expenditures



Fund Income and Balance

The fund realized income and revenue of \$2,249,358 in Fiscal Year 2013 from the following sources:

- Biennial registration fees, including late fees, reinstatement fees, and fees collected pursuant to Gov. Bar R. XIV (“Certification of Attorneys as Specialists”) (\$1,274,554)
- Reimbursement of costs (\$139,685)
- Net investment income (net of banking fees charged and earnings credits to offset fees) (\$8,361)
- Revenue collected pursuant to Gov. Bar R. X (“Attorney Continuing Legal Education”) (\$613,188)
- Revenue collected pursuant to Gov. Bar R. XII (“Pro Hac Vice Admission”) (\$213,570).
- The fund had an estimated average monthly cash and investment balance of \$10,213,784.

III. Report on Allocations for Fiscal Year 2014

The Supreme Court allocated \$9,119,346 from the Attorney Services Fund for the fiscal year beginning July 1, 2013. The allocations are made to 10 entities representing 13 separate funds or activities.

Disciplinary-Related Expenses

The court allocated \$5,370,721 (58.89 percent of total fund allocations) to support the operation of the disciplinary process. This figure includes separate allocations of \$2,655,147 to fund the Office of Disciplinary Counsel; \$874,574 to fund the operation of the Board of Commissioners on Grievances & Discipline; \$1,800,000 to reimburse certified local grievance committees for their work in investigating and prosecuting disciplinary matters; and \$41,000 to the reporter of decisions for publication of disciplinary orders issued by the Supreme Court.

Clients’ Security Fund

The operation of the Clients’ Security Fund is funded by an allocation of \$376,265. An additional \$1,400,000 is allocated to replenish that entity’s trust fund and ensure a sufficient fund balance. These allocations represent 19.48 percent of the total fund allocations.

Attorney Services Administration

A total of \$937,360 (10.28 percent of total fund allocations) was allocated to fund the activities of the Attorney Services Division of the Supreme Court. This includes:

- \$712,060 to the Office of Attorney Services.
- \$17,000 to support the operation of the Board on the Unauthorized Practice of Law, and an additional \$95,550 to reimburse bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law.
- \$86,950 to support the activities of the Commission on Professionalism.
- \$25,800 to support the activities of the Commission on Certification of Attorneys as Specialists.

Discretionary Grants

The court approved a grant of \$350,000 to the Ohio Legal Assistance Foundation for its work in supporting the delivery of civil legal services to indigent persons. The court also awarded a grant of \$685,000 to the Ohio Lawyers Assistance Program for alcohol, substance abuse, and mental health intervention programs. Together, these grants represent 3.84 percent and 7.51 percent respectively, of the fund allocations for Fiscal Year 2014.

FIGURE 2: Fiscal Year 2014 Allocations



IV. Fund Balance and Projections

On June 30, 2013, the fund had a balance of \$7,427,788. In Fiscal Year 2014, the fund is projected to realize income of \$16,403,519 (including fees, reimbursements, and interest income) and expend an estimated \$9,119,346. On June 30, 2014, the fund will have an estimated balance of \$14,711,961.

V. Audit

The Auditor of State conducts a complete audit of the Attorney Services Fund on a regular basis. The audit occurs at the same time as the audit of other funds that are appropriated to or collected by the Supreme Court. The most recent audit of the court was for FY 2012, at which time the auditor reported no instances of noncompliance or internal control weaknesses and issued a clean audit. The next audit of the Attorney Services Fund will be due at the completion of the biennium for Fiscal Years 2013 and 2014.

VI. Investment Policy

Attorney registration fees are deposited directly into a bank lockbox maintained by U.S. Bank, where they are invested in financial instruments.

The fund's moneys are managed in a conservative, risk-adverse manner through investments made in compliance with the Uniform Depository Act, as set forth in Ohio Revised Code Chapter 135, and amended by the Investment Reform Act of 1996. These and other state and federal laws require that the fund's moneys not be placed at risk in the marketplace through investments in derivatives, reverse purchase agreements, or any method of leveraging.

The fund's investments are primarily in federal money market accounts such as Commercial Paper and chosen because it carries higher interest repayment rates than bonds and avoids high insurance bank charges. Investment income is net of fees charged and does not include earnings credit for balances held to offset fees. Interest income was lower as compared to the previous fiscal year, due in large part to the current economic climate. The fund continues to seek more optimal investment options, as permitted by statute.

VII. Summary

The Attorney Services Fund allows the Supreme Court to maintain an effective and efficient system for licensing attorneys and regulating post-admission aspects of the practice of law, consistent with its responsibility under the Ohio Constitution. The fund also provides important financial resources to organizations that aid in the provision of legal services to the poor and assist lawyers who are suffering from alcoholism, substance abuse, or mental illness. All activities supported by the fund are invaluable in ensuring the public's continued trust and confidence in our legal system.

The fund is in a solid financial position and it is expected that it will maintain that position throughout Fiscal Year 2014.

VIII. Comments and Inquiries

Any comments and inquiries regarding this report or the fund may be directed to Steven C. Hollon, Administrative Director, or Susan B. Christoff, Director of Attorney Services, Supreme Court of Ohio, 65 South Front Street, Columbus, Ohio, 43215-3431.

SCHEDULE 1

Fund Expenditures FY 2012 and 2013/Allocations FY 2014

Office, Board, Commission	FY 2012 Expenditures	FY 2013 Allocations	FY 2013 Expenditures	% of FY 2013 Allocations Expended	FY 2014 Allocations	% of Total FY 2014 Allocations
Office of Disciplinary Counsel						
Operations Budget (Total)	\$2,487,103	\$2,738,118	\$2,592,366	94.68%	\$2,655,147	29.12%
Board of Commissioners on Grievances & Discipline						
Operations Budget (Total)	\$835,360	\$865,015	\$724,148	83.72%	\$874,574	9.59%
Reimbursement of Certified Local Grievance Committees	\$1,633,140	\$1,800,000	\$1,740,814	96.71%	\$1,800,000	19.74%
Clients' Security Fund						
Operations Budget (Total)	\$371,173	\$386,112	\$350,272	90.72%	\$376,265	4.13%
Trust Fund	\$1,400,000	\$1,400,000	\$1,400,000	100.00%	\$1,400,000	15.35%
Office of Reporter of Decisions						
Publication of Legal Notice in Discipline Cases	\$28,569	\$41,000	\$27,225	66.40%	\$41,000	.45%
Office of Attorney Services						
Operations Budget (Total)	\$586,853	\$689,708	\$558,396	80.96%	\$712,060	7.81%
Board on Unauthorized Practice of Law						
Operations Budget (Total)	\$5,803	\$24,000	\$2,704	11.27%	\$17,000	.19%
Reimbursement of Expenses	\$29,052	\$136,500	\$77,667	56.90%	\$95,550	1.05%
Commission on Professionalism						
Operations Budget (Total)	\$14,172	\$61,550	\$23,188	37.67%	\$86,950	0.95%
Commisson on Certification of Attorneys as Specialists						
Operations Budget (Total)	\$626	\$25,550	\$1,894	7.41%	\$25,800	.28%
Ohio Legal Assistance Foundation						
Grant	\$330,000	\$330,000	\$330,000	100.00%	\$350,000	3.84%
Ohio Lawyers Assistance Program						
Grant	\$655,000	\$655,000	\$655,000	100.00%	\$685,000	7.51%
General/Miscellaneous						
Supplement Admissions Fund	\$250,000	\$0	\$0	0.00%	\$0	
Special Disciplinary Counsel	\$389	\$0	\$1,264	0.00%	\$0	
TOTAL	\$8,627,240	\$9,152,553	\$8,484,938	92.71%	\$9,119,346	100.00%





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65 South Front Street Columbus, Ohio 43215-3431