

THE SUPREME COURT *of* OHIO



Attorney Registration Fund
Annual Report **2006**

ANNUAL REPORT OF
THE SUPREME COURT *of* OHIO
ATTORNEY REGISTRATION FUND

SUMMARY OF ACTIVITY FOR FISCAL YEAR 2006
AND REPORT ON ALLOCATIONS FOR FISCAL YEAR 2007

OCTOBER 2006

PRESENTED TO:

CHIEF JUSTICE THOMAS J. MOYER
JUSTICE ALICE ROBIE RESNICK
JUSTICE PAUL E. PFEIFER
JUSTICE EVELYN LUNDBERG STRATTON
JUSTICE MAUREEN O'CONNOR
JUSTICE TERRENCE O'DONNELL
JUSTICE JUDITH ANN LANZINGER

PRESENTED BY:

STEVEN C. HOLLON, ADMINISTRATIVE DIRECTOR
RICHARD A. DOVE, DIRECTOR OF ATTORNEY SERVICES

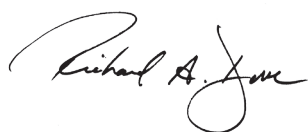
The Supreme Court of Ohio

To: Chief Justice Thomas J. Moyer and Justices
Members of the Ohio Bar
Members of the Public

This Annual Report on the Attorney Registration Fund provides a summary of the activity of the Attorney Registration Fund for Fiscal Year 2006 (July 1, 2005 – June 30, 2006), and sets out budget allocations from the fund as approved by the Court for Fiscal Year 2007 (July 1, 2006 – June 30, 2007).

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 regular biennial audit of the Supreme Court of Ohio.

Respectfully submitted,



Richard A. Dove, Esq.
Director of Attorney Services



Steven C. Hollon, Esq.
Administrative Director

I. ATTORNEY REGISTRATION 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 the discipline of persons admitted 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 those rules, other than those related to the bar admissions process, are deposited in the Attorney Registration 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 retired status, and each non-Ohio attorney working fulltime in Ohio for a nongovernmental Ohio employer 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 working for a nongovernmental Ohio employer (corporate status) is required to pay a \$300 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.

In Fiscal Year 2006, the Supreme Court imposed monetary sanctions on attorneys who failed to register timely with the Court. Gov. Bar R. VI imposes a late registration fee of \$50 on any attorney who fails to register with the Court prior to or within 90 days of the due date for the registration. An attorney who remains unregistered more than 90 days after the due date is summarily suspended from the practice of law and must register, pay all outstanding registration fees, and pay a \$200 reinstatement fee in order to be reinstated to the practice of law.

ATTORNEY REGISTRATION FUND

All registration, late registration, and reinstatement fees are paid into the Attorney Registration Fund (fund). The fund also receives revenue from a variety of 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, 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 for the following purposes: (1) to fund the disciplinary process; (2) to support the activities of the Clients' Security Fund, the Commission on Continuing Legal Education, and the Board on the Unauthorized Practice of Law; (3) to fund any activity considered necessary by the Supreme Court for the government of the bar and the judiciary of Ohio; and (4) to fund any activities related to the administration of justice.

Schedule 1 of this Report contains a summary of fund expenditures for Fiscal Years 2005 and 2006 and allocations for Fiscal Years 2006 and 2007.¹

¹ Schedule 1 includes figures for Fiscal Year 2005 expenditures and Fiscal Year 2006 allocations that are adjusted from those contained in the 2005 Annual Report on the Attorney Registration Fund. The Fiscal Year 2005 expenditure adjustments reflect the expenditure or nonexpenditure of encumbered funds after the close of Fiscal Year 2005. The Fiscal Year 2006 adjustments reflect budget reallocations that were made during Fiscal Year 2006.

II. SUMMARY OF FUND ACTIVITY IN FISCAL YEAR 2006

In Fiscal Year 2006, \$8,009,153 was expended from the Attorney Registration Fund.²

DISCIPLINARY-RELATED EXPENSES

In Fiscal Year 2006, \$4,380,416 (54.69 percent) of total fund expenditures was used to fund the disciplinary process established by the Court in Gov. Bar R. V. Of this amount, \$2,042,808 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office. A total of \$752,615 was expended by the Board of Commissioners on Grievances & Discipline to fund the operation of the board. An additional \$1,556,808 was expended by the board to reimburse local bar association certified grievance committees for disciplinary related activities. The Supreme Court Reporter of Decisions expended \$28,185 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 Registration 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 2006, \$302,660 was expended by the Board of Commissioners of the Clients' Security Fund for its operation. In addition, the Supreme Court allocated \$1,350,000 to the Clients' Security Fund Trust Fund to replenish that fund. Together, these amounts represent 20.63 percent of Attorney Registration Fund expenditures.

In Fiscal Year 2006, the board expended a total of \$946,967 from the Trust Fund to reimburse 102 eligible claimants. As of June 30, 2006 there were 289 claims pending representing a potential liability to the fund of \$3,203,275. For more information regarding claims against the Clients' Security Fund, please 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 responsible for delivering services to Ohio attorneys and assisting the Court in the exercise of its constitutional responsibility to regulate the practice of law in Ohio. A total of \$926,076 was expended for the Attorney Services Division in Fiscal Year 2006. These moneys, which represent 11.56 percent of total fund expenditures, support the Office of Attorney Services (\$136,333), the Attorney Registration & CLE Section (\$283,327), the Commission on Continuing Legal Education (\$149,350), the Commission on Certification of Attorneys as Specialists (\$12,234), the Commission on Professionalism (\$91,711), and the Board on the Unauthorized Practice of Law (\$253,121). A significant portion of the division's increase in expenditures during Fiscal Year 2006 is attributable to the first-time reimbursements made to bar associations for their indirect costs incurred in investigating and prosecuting claims related to the unauthorized practice of law.

² The figures in the narrative portion of this report may not correspond to those in Schedule 1 due to rounding.

DISCRETIONARY GRANTS

The remaining \$1,050,000 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, 2006, the Court awarded grants of \$550,000 to the Ohio Legal Assistance Foundation and \$500,000 to the Ohio Lawyers Assistance Program. These grants represent 6.87 percent and 6.24 percent, respectively, of the expenditures from the fund.

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.

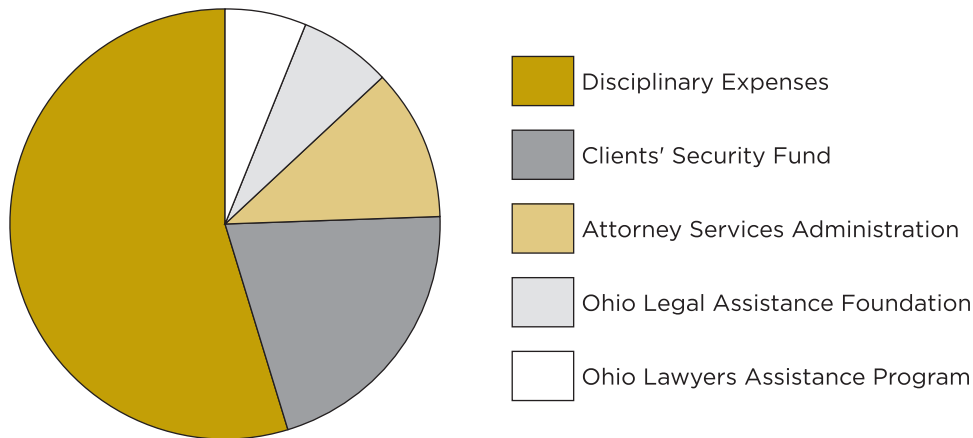


Figure 1 FY 2006 Expenditures

FUND INCOME AND BALANCE

The fund realized income of \$13,377,904 in Fiscal Year 2006 from the following sources: (1) biennial registration fees (\$12,579,926); (2) late registration fees (\$303,000); (3) reinstatement fees (\$132,600); (4) reimbursement of costs (\$86,769); and (5) investment income (\$275,609). The fund had an estimated average monthly cash and investment balance of \$10,974,680

III. REPORT ON ALLOCATIONS FOR FISCAL YEAR 2007

In June 2007, the Supreme Court allocated \$7,993,616 from the fund for the fiscal year beginning July 1, 2007. The allocations are made to eleven entities representing fourteen separate funds or activities.

DISCIPLINARY-RELATED EXPENSES

The Court allocated \$4,628,681 (57.9 percent of total fund allocations) to support the operation of the disciplinary process. This figure includes separate allocations of \$2,211,317 to fund the Office of Disciplinary Counsel, \$887,364 to fund the operation of the Board of Commissioners on Grievances & Discipline, \$1,500,000 to reimburse certified local grievance committees for their work in investigating and prosecuting disciplinary matters, and \$30,000 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 \$338,914. An additional \$1,200,000 is allocated to replenish that entity's Trust Fund and ensure a sufficient fund balance. These allocations represent 19.25 percent of the total fund allocations.

ATTORNEY SERVICES ADMINISTRATION

A total of \$925,821 (11.58 percent of total fund allocations) was allocated to fund the activities of the Attorney Services Division of the Supreme Court. This allocation includes: (1) \$311,738 to the Attorney Registration Section; (2) a total of \$290,707 to the Board on the Unauthorized Practice of Law, including \$122,707 to fund the Board's operating costs and \$168,000 to reimburse bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law; (3) \$142,545 to support the activities of Commission on Professionalism; (4) \$153,831 to supplement the budget of the Commission on Continuing Legal Education, which largely is funded from fees charged to sponsors of CLE activities and sanctions imposed against noncomplying attorneys; and (5) \$27,000 to support the activities of the Commission on Certification of Attorneys as Specialists.

DISCRETIONARY GRANTS

The Court approved a grant of \$400,000 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 \$500,000 to the Ohio Lawyers Assistance Program for alcohol, substance abuse, and mental health intervention programs. Together, these grants represent 5 percent and 6.25 percent, respectively, of the fund allocations for Fiscal Year 2007.

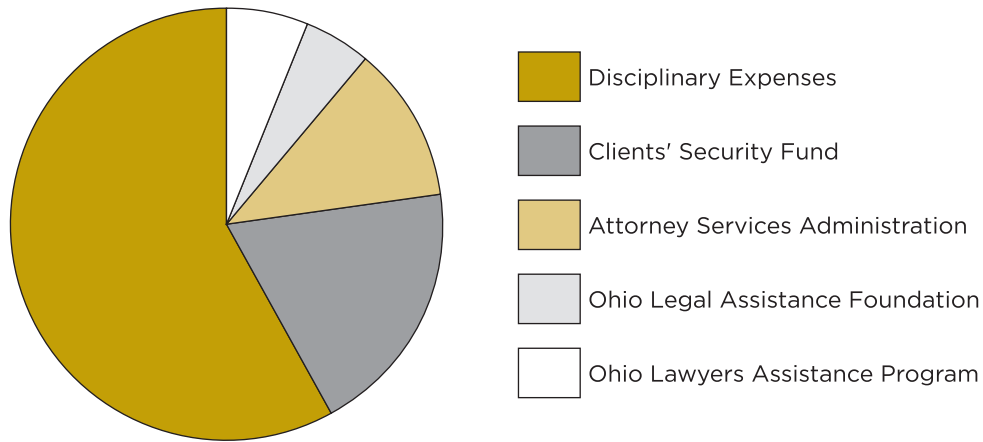


Figure 2 FY 2007 Allocations

IV. FUND BALANCE AND PROJECTIONS

On June 30, 2006 the fund had a balance of \$9,426,323. In Fiscal Year 2007, the fund is projected to realize income of \$373,699 (including fees, reimbursements, and interest income) and expend an estimated \$7,993,616. On June 30, 2007, the fund will have an estimated balance of \$1,806,406.

V. AUDIT

As noted previously, the Auditor of State conducts a complete audit of the fund on a biennial basis. The audit of the fund 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 the biennial period ending June 30, 2003. No material noncompliance or reportable conditions in internal control were reported involving any funds of the Court, including the fund.

The next audit of the fund will cover the two years from July 1, 2003, through June 30, 2005. The Auditor of State has not scheduled the audit as of the date of this report.

VI. INVESTMENT POLICY

All attorney registration fees are deposited directly into a bank lockbox maintained by Fifth Third Bank where they are invested in financial instruments. Fifth Third Bank was selected to maintain the fund's lockbox through a competitive bid process.

The fund's moneys are managed in a conservative, risk-averse 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 and other United States government obligations such as treasury bills, notes, and bonds; the Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; and the Government National Mortgage Association.

The daily annualized yield on the fund's investment equaled 2.51 percent as of June 30, 2006.

VII. SUMMARY

The Attorney Registration Fund allows the Supreme Court to maintain an effective and efficient system for regulating all 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 2007.

VIII. COMMENTS AND INQUIRIES

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

Office, Board, Commission	FY 2005 Expenditures	FY 2006 Allocations	FY 2006 Expenditures	% of FY 2006 Allocations Expended	FY 2007 Allocations	% of Total FY 2007 Allocations
Office of Disciplinary Counsel						
-Operations Budget (Total)	\$1,946,203	\$2,131,662	\$2,042,808	95.83%	\$2,211,317	27.66%
Board of Commissioners on Grievances and Discipline						
-Operations Budget (Total)	\$811,225	\$858,025	\$752,615	87.71%	\$887,364	11.10%
-Reimbursement of Certified Local Grievance Committees	\$1,766,111	\$1,700,000	\$1,556,808	91.58%	\$1,500,000	18.76%
Clients Security Fund						
-Operations Budget (Total)	\$302,742	\$330,287	\$302,660	91.64%	\$338,914	4.24%
-Trust Fund	\$1,250,000	\$1,350,000	\$1,350,000	100.00%	\$1,200,000	15.01%
Office of Reporter of Decisions						
-Publication of Legal Notice in Discipline Cases	\$23,109	\$32,000	\$28,185	88.08%	\$30,000	0.38%
Office of Attorney Services						
-Operations Budget (Total)	\$113,555	\$178,278	\$136,333	76.47%	\$0	0.00%
Attorney Registration Section						
-Operations Budget (Total)	\$240,987	\$391,928	\$283,327	72.29%	\$311,738	3.90%
Board of Commissioners on the Unauthorized Practice of Law						
-Operations Budget (Total)	\$114,567	\$113,474	\$100,131	88.24%	\$122,707	1.54%
-Reimbursement of Expenses		\$163,000	\$152,990	93.86%	\$168,000	2.10%
Commission on Professionalism						
-Operations Budget (Total)	\$0	\$155,676	\$91,711	58.91%	\$142,545	1.78%
Commission on Continuing Legal Ed.						
-Operations Budget (Supplement)	\$145,000	\$149,350	\$149,350	100.00%	\$153,831	1.92%
Commission on Certification of Attorneys as Specialists						
-Reimbursement of Expenses	\$85,567	\$86,520	\$12,234	14.14%	\$27,200	0.34%
Ohio Legal Assistance Foundation						
-Grant	\$650,000	\$650,000	\$550,000	84.62%	\$400,000	5.00%
Ohio Lawyers Assistance Program						
-Grant	\$525,000	\$500,000	\$500,000	100.00%	\$500,000	6.25%
TOTAL	\$7,974,066	\$8,790,200	\$8,009,152	91.11%	\$7,993,616	100%



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