



## A Brief History of Ohio Corruption

When it comes to corruption, *it's always Groundhog Day in Ohio*. The same kind of scandals pop up over, and over, and over again. Although exhausting, this should not come as a surprise: with no new laws enacted to shine a light on dark money and end corruption, of course the same kinds of scandals happen year after year. Until we get the reforms we need, Ohio voters and taxpayers will continue to be sitting ducks for unscrupulous corporations, lobbyists and lawmakers looking to line their own pockets and get special advantages.

Common Cause Ohio has put together this brief history of a few of Ohio's most well-known scandals. We assure you there have been plenty of others over the years. You will notice some of the same characters pop up in these schemes to misdirect tax-payer dollars or provide special perks.

At the end of this overview, we also share a prescription: the reforms needed to put an end to Ohio's embarrassing cycle of corruption and make sure these recurring nightmares of schemes and scandals are ended once and for all.

## The Pancaking Scheme



### Summary

In 1996, Ohio Senate president Stanley Aronoff, former Ohio House Speaker Vernal Riffe, and several others were indicted on misdemeanor charges for failing to

properly disclose payments made and received.<sup>1</sup> The investigation centered on honoraria paid to lawmakers by lobbyists and business groups in excess of \$500 between 1991 and 1993.<sup>2</sup> At the time, speaking engagement payments over \$500 were required to be disclosed if they came from a single source. The scheme involved lawmakers collecting two or more \$500 checks for attending the same event and then stacking them like pancakes to sidestep the disclosure requirements.

### Key Figures<sup>3 4</sup>

- Stanley Aronoff, Ohio Senate President
- Vernal Riffe, Former Ohio House Speaker
- Eugene Watts, Ohio State Senator
- Thomas Strussion, Lobbyist
- Paul Tipps, Lobbyist
- Neil Clark, Lobbyist, who was arrested in July 2020 for his role in the Householder/House Bill 6 scandal and later committed suicide
- McDonald and Companies Securities Inc.
- Limited Inc.
- Climaco, Climaco, Seminatore, Lefkowitz, Garofoli Law Firm of Cleveland

### Outcome

After a seven-month investigation, special prosecutor James E. Meeks announced that the Franklin County prosecution had no jurisdiction over the probe and sent the issue back to the legislature's ethics committee.<sup>5</sup> Both Aronoff and Riffe were later indicted on a charge of filing a false disclosure statement regarding honoraria payments. Riffe denied any wrongdoing, later pleading guilty to two misdemeanor charges stemming from the case.<sup>6</sup> Aronoff pleaded guilty and was sentenced to community service, which he fulfilled by giving lectures to students on government ethics.<sup>7</sup> The scandal led to ethics reforms including the creation of the Joint Legislative Ethics Committee. In addition, there was a \$75 aggregate limit set on gifts and a \$75 aggregate limit on meals and beverages from a single source each year. There was also a strict prohibition placed on speaking fees.

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<sup>1</sup> Candisky, C. (1996, February 29). Investing firm is Indicted: Honorariums Case. *The Columbus Dispatch*, 01A.

<sup>2</sup> Leonard, L. (1994, March 16). Lobbyists Violated Law, State Reports: Unreported Honorariums. *The Columbus Dispatch*, 01B.

<sup>3</sup> Riskind, J. & Leonard, L. (1994, February 9). Attorney General's Probe of Lobbyists May End This Week. *The Columbus Dispatch*, 05B.

<sup>4</sup> Bradshaw, J. (1997, July 9). Investigators Added in State Ethics Probe. *The Columbus Dispatch*, 04B.

<sup>5</sup> Candisky, C. (1995, January 27). Honorariums Probe Clears Legislators. *The Columbus Dispatch*, 01C.

<sup>6</sup> Candisky, C. (1996, July 2). Ailing Riffe Pleads Guilty, Receives Fine. *The Columbus Dispatch*, 01A.

<sup>7</sup> Candisky, C. (1997, February 27). Law Firm, Partner Convicted in Honorarium Flap. *The Columbus Dispatch*, 01E.

## Coingate



### Summary

The scandal involved a \$50 million investment in rare coins and memorabilia by a prominent GOP fundraiser, Thomas Noe, on behalf of the Ohio Bureau of Workers' Compensation.<sup>8</sup> Despite dropping out of college, Tom Noe was appointed to the Ohio Board of Regents by Governor Bob Taft in 1999 to a full 9-year term. In 2005, the *Toledo Blade* broke the story that beginning in 1998, Thomas Noe, former Lucas County Republican Party Chair, close friend of Gov. Bob Taft, and a major GOP donor, was allowed to invest \$50 million in rare coins.<sup>9</sup> The investment led to problems with accounting after a portion of the funds and several coins went missing. At the same time, Noe was running an illegal scheme to funnel money into GOP campaigns. It was also discovered that Mr. Noe regularly picked up the tab for members of Governor Bob Taft's office and others at a downtown Columbus steakhouse which came to be known as the "Noe Supper Club."

### Key Figures

- Tom Noe of Thomas Noe INC, GOP fundraiser and coin dealer
- Capitol Coin LTD (subsidiary of Thomas Noe INC)
- Brian Hicks, Lobbyist and former Chief of Staff to Governor Bob Taft
- Bob Taft, Ohio Governor

### Outcome

Thomas Noe was found to have stolen \$13.7 million from the investment fund and was convicted of 29 charges including racketeering, theft and forgery and sentenced to 18 years in prison. It also led to Governor Bob Taft becoming the first—and only—Ohio governor to be convicted of a crime after pleading no contest to four ethics misdemeanors related to failing to report gifts from influential GOP donors and lobbyists.<sup>10</sup> Incidentally, one of those lobbyists was Curt Steiner, who was a spokesman in 2019 for Generation Now, the nonprofit linked to Householder and used as a conduit

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<sup>8</sup> Siegel, J. (2018, February 4). Two Ohio Scandals That Helped Democrats in the Past. *The Columbus Dispatch*.  
<https://www.dispatch.com/story/news/politics/state/2018/02/05/two-ohio-scandals-that-helped/15278562007/>

<sup>9</sup> Wilkinson, M. & Drew, J. (2005, April 3). Ohio Agency Sinks Millions into Rare Coins: State Gives Investment Business to Prominent Local Republican. *The Toledo Blade*.  
<https://www.toledoblade.com/news/state/2005/04/03/Ohio-agency-sinks-millions-into-rare-coins>

<sup>10</sup> Eder, S & Drew, J. (2005, August 19). Taft Declared Guilty: Judge Scolds Governor, Orders Him to Apologize. *The Toledo Blade*. <https://www.toledoblade.com/frontpage/2005/08/19/Taft-declared-guilty.html>

for dark money in the current HB 6 bribery scandal.<sup>11</sup> The former chief of staff to Governor Bob Taft, Columbus lobbyist Brian Hicks, and his assistant, Cherie Carroll, were also convicted of ethics violations. After the conclusion of a multi-agency investigative task force that brought charges against 21 people, a total of 19 were convicted. Following the case, the Bureau of Workers' Compensation overhauled its board of directors in an attempt to improve oversight.

## Senator Roy Ray and Ohio Edison



### Summary

In 1998, it was reported that State Senator Roy Ray, a Republican from Akron, had earned more than \$120,000 as a private financial consultant for the Ohio Edison power company during their merger deal.<sup>12</sup> Six months after Ray received his last consulting check from the utility, he sponsored a bill allowing Ohio power companies—including Ohio Edison, a FirstEnergy company—to charge their customers for billions in past investments, a majority of which were in nuclear power plants. Under Ohio law at the time, Ray was required to disclose the income from his consulting firm, but not the names of his clients.<sup>13</sup> After the attention that he received, Senator Ray promised to recuse himself from future votes on matters that directly affect clients. However, Ray had already voted on several bills favoring Ohio Edison, as well as voted on key appointments to the Public Utilities Commission of Ohio (PUCO). In spite of the ethics controversy, Senator Roy Ray breezed to re-election that same year and was later termed out in 2001.

### Key Figures

Roy Ray, Ohio State Senator

Ohio Edison Power Company (merging with Centerior in 1997 to form FirstEnergy)

### Outcome

Despite calls for reform, the only major change happened the following year, when in 1999 Ohio legislators passed a bill to close the records of the Legislative Service Commission (LSC), the very state agency that provided records demonstrating that

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<sup>11</sup> McGovern, M. (2020, September 2). *MEMO: Twenty Years of Ohio GOP Corruption*. Progress Ohio. <https://progressohio.org/2020/09/memo-twenty-years-of-ohio-gop-corruption/>

<sup>12</sup> State Senator's Consulting Work Draws Criticism: Legislation Would Benefit Former Client. (1998, May 14). *The Columbus Dispatch*, 03C.

<sup>13</sup> Roy Ray's Lapse: Contract With Ohio Edison Invites Review. (1998, May 31). *The Columbus Dispatch*, 02B.

Ohio Edison helped write Roy Ray's pro-utility bill. Now, over 20 years later, Ohio's bill-writing records remain closed to public scrutiny, and FirstEnergy stands accused of bribing lawmakers to pass favorable legislation.

## ECOT (Electronic Classroom of Tomorrow)



### Summary

Rumored to have been conceived on the back of a Waffle House napkin in Columbus, the Electronic Classroom of Tomorrow or ECOT, grew to be Ohio's largest online charter school.<sup>14</sup> Over the course of nearly twenty years, since its inception in 2000, the for-profit online school took in an estimated \$1 billion in state taxpayer money by dramatically inflating the number of students attending.<sup>15</sup> Conservative founder Bill Lager and other ECOT officials contributed more than \$2 million to political party

committees and candidates, including Ohio ex-Speakers Clifford Rosenberger and Larry Householder.<sup>16</sup> Despite the overwhelming evidence that the school was falsifying attendance data, GOP Auditor Dave Yost, who received more than \$29,000 from ECOT affiliates, actually gave the school accounting awards. There were allegations that then-state Senator Keith Faber, who took more than \$30,000 from ECOT officials, continually fought and watered down legislation aimed at regulation and oversight.<sup>17</sup> Finally, in January of 2018, it became public that the entire operation was a massive Ponzi scheme and ECOT was forced to close its doors.

### Key Figures

- Bill Lager, Founder of Altair Learning Management and ECOT
- Educational Service Center of Lake Erie West, sponsor of ECOT

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<sup>14</sup> Rich, M. (2016, May 18). Online School Enriches Affiliated Companies if Not Its Students. *The New York Times*.

<https://www.nytimes.com/2016/05/19/us/online-charter-schools-electronic-classroom-of-tomorrow.html>

<sup>15</sup> Meckler, L. (2018, October 20). How the demise of an online charter school is roiling Ohio politics. *The Washington Post*.

[https://www.washingtonpost.com/local/education/how-the-demise-of-an-online-charter-school-is-roiling-ohio-politics/2018/10/20/1e9f55d2-c1d7-11e8-b338-a3289f6cb742\\_story.html](https://www.washingtonpost.com/local/education/how-the-demise-of-an-online-charter-school-is-roiling-ohio-politics/2018/10/20/1e9f55d2-c1d7-11e8-b338-a3289f6cb742_story.html)

<sup>16</sup> Dyer, S. (2018, April 23). *How the ECOT Scandal Turned Potentially Criminal*. Innovation Ohio.

<https://innovationohio.org/front-page/how-the-ecot-scandal-turned-potentially-criminal/>

<sup>17</sup> Chow, A. (2016, April 14). *Ohio Lawmakers Consider Reforms for Online Charter Schools*. Ideastream Public Media.

<https://www.ideastream.org/news/education/2016-04-14/ohio-lawmakers-consider-reforms-for-online-charter-schools#stream/0>

- Dave Yost, Ohio State Auditor, now the Attorney General. He has been subpoenaed to testify in the case against Larry Householder and Matt Borges.<sup>18</sup>
- Neil Clark, Lobbyist, who was arrested in July 2020 for his role in the Householder/House Bill 6 scandal and later committed suicide

## Outcome

After years of reporting delays, incomplete and inaccurate financial statements, and other issues hindering work, a final report issued by the Auditor of State in 2018 included multiple findings questioning costs that were not ultimately accounted for. In early May of 2022, a Franklin County Common Pleas Judge issued judgments against Altair Learning Management, IQ Innovations, and Third Wave Communications, totaling more than \$161.6 million.<sup>19</sup> In June 2022, the Auditor ordered the shuttered school to repay over \$117 million in funds that the school was deemed ineligible to have received. Criminal charges have still not been filed, however, legal proceedings against ECOT, Lager, and others involved continue to this day.

## Borges/Deters Pay-To-Play Scheme



### Summary

This 2004 scandal revolved around a pay-to-play scheme involving a Cleveland stockbroker named Frank Gruttadauria, the preferential treatment he was receiving from the Office of State Treasurer Joe Deters, and contributions made to the Hamilton County GOP to support Deters' successful 2002 statewide re-election campaign.<sup>20</sup> A grand jury cleared Deters of any wrongdoing, although convicted of misdemeanor charges were his chief of staff, Matthew Borges, as well as Deters' fund-raiser, Eric Sagun.<sup>21</sup> Republican lobbyist Andrew Futey also pleaded guilty to complicity in the improper use of a public office, a first-degree misdemeanor.<sup>22</sup>

<sup>18</sup> Bischoff, L. (2023, January 6). Ohio AG Says he's being Subpoenaed - Yost will be Called in HB 6 Corruption Case. *The Columbus Dispatch*, A1.

<sup>19</sup> Ohio Auditor of State. (2022, June 28). *Findings for Recovery of \$117 Million-Plus Issued Against Defunct Electronic Classroom of Tomorrow*. <https://ohioauditor.gov/news/pressreleases/Details/5965>

<sup>20</sup> Sheban, J. (2004, April 6). Deters Inquiry Continues: Grand Jury Considers Treasurer's Fund Raising; Stockbroker Convicted of Bribes May Testify. *The Columbus Dispatch*, 01B.

<sup>21</sup> Hallett, J. & Niquette, M. (2004, July 28). 2 Plead Guilty in Probe of Treasurer: Ex-Deters Staffers Fined; Misdemeanors Related to Donations. *The Columbus Dispatch*, 01C.

<sup>22</sup> Niquette, M. (2004, July 31). Lobbyist Admits Guilt in Probe of Treasurer. *The Columbus Dispatch*, 01B.

## Key Figures

- Joseph Deters, Ohio State Treasurer
- Matthew Borges, Deters' Chief of Staff, now on trial for his role in the Householder Enterprise/House Bill 6 conspiracy
- Eric Sagun, Deters' Fund-Raiser
- Frank Gruttadauria, Cleveland stockbroker and GOP donor
- Andrew Futey, Lobbyist

## Outcome

The consequences to taxpayers aren't always clear, but in 2002, an analysis by the Cleveland Plain Dealer found that Ohio's \$6.9 billion portfolio underperformed when compared with neighboring states and similarly sized states.<sup>23</sup> Prosecutors reached deals with three brokerages to pay a total of \$9.74 million in fines to avoid criminal prosecution.<sup>24</sup> The Hamilton County GOP was ordered to forfeit a \$50,000 donation from Mr. Gruttadauria. Frank Gruttadauria served time on unrelated fraud charges and was released from prison in July of 2009. Joe Deters later resigned as treasurer in 2005 and returned to his old job as the "tough on crime" Hamilton County prosecutor. He held that position until just recently when Governor Mike DeWine appointed him to the Ohio Supreme Court to fill the vacancy caused by Justice Sharon Kennedy's election as chief justice.<sup>25</sup> Matthew Borges had his record expunged and would go on to be a top advisor for Dave Yost and John Kasich and, eventually, Ohio Republican Party chairman from April of 2013 to January 2017. Today he is standing trial for his involvement in the HB 6 bribery scandal.

## A Prescription for Change

Without meaningful changes in the law, shenanigans are certain to continue. In fact, already in 2023, there is evidence that the same kind of lobbying pressure campaign resulted in the passage of a bill that distorts Ohio's energy policy while disproportionately benefitting a utility industry. The Washington Post reports how a dark money group with ties to the natural gas industry helped Ohio lawmakers push House Bill 507, a bill that redefines natural gas as "green energy."<sup>26</sup>

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<sup>23</sup> Smyth, J. C. (2002, September 6) State Treasury's Yield Lags Behind Others'. *The Plain Dealer*, A1.

<sup>24</sup> Niquette, M. (2004, August 13). GOP Told to Forfeit Donation: \$50,000 Was Supposed to go to State Treasurer in Hamilton County. *The Columbus Dispatch*, 01B.

<sup>25</sup> Chow, A. (2022, December 22). *Joe Deters Appointed to the Ohio Supreme Court*. The Statehouse News Bureau.

<https://www.stateneews.org/government-politics/2022-12-22/joe-deters-appointed-to-the-ohio-supreme-court>

<sup>26</sup> Joselow, M. (2023, January 17). How dark money groups led Ohio to redefine gas as 'green energy'. *The Washington Post*.

<https://www.washingtonpost.com/climate-environment/2023/01/17/ohio-natural-gas-green-energy/>

If Ohio is ever going to wake up and break out of this cycle of corruption, we need structural reforms, including but not limited to the following:

- Requiring transparency and disclosure of political advertisements to “shine a light on dark money” in elections
- Giving the public access to records at Ohio’s bill-writing agency, the Legislative Service Commission
- Ensuring that members of the Public Utilities Commission of Ohio (PUCO) and the panel that nominates them to be conflict free
- Strengthening transparency in lobbying so that the public is able to “follow the money”

[Common Cause Ohio](#) has been a leading voice for government accountability for five decades, and works toward transparency and putting power back in the hands of Ohioans. **See how we’re shining a light on dark money as we continue to follow the [House Bill 6/Householder Enterprise Racketeering Trial](#).**