

Ohio Corruption Scandal Smells A Lot Like Rove and Delay's Texas

by Richard Freeman and Edward Spannaus

The stink of Karl Rove/Tom DeLay-style corruption is getting worse, as more dirt emerges around the Ohio "Coingate," or "pay to play" scandal (see last week's *EIR*). Ohio is beginning to look more and more like Texas, as run by Bush political guru Karl Rove and House Majority Leader Tom DeLay on behalf of the George Shultz-directed Bush machine. It also bears strong similarities to the way DeLay runs the U.S. House of Representatives as a one-party dictatorship, and how he threatens lobbyists that they also have to "pay to play"—by forking over large campaign contributions to Republicans, while cutting off contributions to Democrats.

Additionally, investigators are continuing to examine the links between the Coingate scandal and the theft of the Presidential election last November for the Bush-Cheney ticket in Ohio.

Tom Noe, the rare-coin dealer and top Republican operative who was Rove's man in northwest Ohio, was also, along with his wife, the dominant influence in the Republican Party in Toledo and surrounding Lucas County. His wife, Bernadette, chaired both the Lucas County Board of Elections and the Republican Party.

As Democratic State Sen. Teresa Fedor told the June 20 *Toledo Blade*: "Connect the dots. Bernadette Noe was the head of the [Lucas County] Board of Elections. There is no mistake that Lucas County had the highest [percentage] of provisional ballots rejected in Ohio. Tom Noe was chairman of the Bush-Cheney campaign in northwest Ohio, a Pioneer."

On Election Day 2004, there was chaos and confusion in Lucas County, as the situation has been described to this news service. Voters who had lived and voted in the same place for years were told that they were not registered, and that they had to vote with provisional ballots—treated as second-class citizens. Then, many hundreds of provisional ballots were not counted.

That Noe allegedly robbed funds from the public Ohio Bureau of Workers' Compensation—he was entrusted with \$50 million in funds to manage, but cannot account for \$10-12 million of it—is no accident, based on the looting pattern of the Shultz-Rove-Cheney machine. The Bureau's responsibility is to provide compensation to workers who are out of work because they were injured on the job. The Rove-Cheney

machine has tried to loot trillions of dollars from Social Security, through its infamous "privatization," but has been blocked. This same apparatus has allowed airlines and other corporations to underfund their pension plans by tens of billions of dollars, and then dump the underfunded pensions onto the U.S. government's Public Benefit Guaranty Corporation.

This political machine is characterized by overt corruption and thievery, plundering public bodies of funds that are committed to the general welfare. Indeed, Tom Noe used a convicted drug-money launderer in his operations to allegedly steal public money and funnel it into the Cheney-Bush 2004 campaign.

Paying To Play

The expanding "Coingate" scandal revolves around Ohio Bureau of Workers' Compensation funds which were handed over to Noe to invest in rare coins and other "collectibles," and to other private fund managers who invested, and lost, state monies in hedge funds and other speculative operations.

Indicative of how the corruption worked, is the revelation by the June 26 *Cleveland Plain Dealer*: A survey of the financial management firms that were contracted to manage Bureau funds since 1997, shows that almost all of their campaign contributions (and those of their parent companies, which were included in the survey) went to the Republicans. "Almost two-thirds of the 212 companies hired by the Bureau to invest its money gave a total of nearly \$5 million to Republicans and their causes, while virtually ignoring the Democrats [contributing only \$292,000 to Democrats]," the *Plain Dealer* reported.

These data include only contributions to candidates for statewide office, and to the Republican and Democratic Federal election committees in Ohio. They do not include contributions to national Federal campaigns. Nor would the data include off-the-books contributions which many observers believe were used to finance vote-suppression operations around the November 2004 elections.

An earlier report by the *Toledo Blade*, examining a smaller group of the private financial managers handling Bureau funds, showed that 88% of their contributions went to Republicans.

Slush Fund

As one state legislator put it in a discussion with *EIR* on June 23: “The Bureau’s funds were used as a slush fund for the Republicans. The Republicans told people, ‘The Democrats are the party of losers, give to the Republicans.’ They became arrogant. They became an oligarchy and ruled through rhetoric. Tom Noe is a poster-child for one-party rule gone wrong.”

Prior to a 1996 change in Ohio law, organized by “free enterprise” Republicans, the Bureau’s Office of Workers’ Compensation Fund managed its own money in-house, and was restricted to investing strictly in bonds. The law change loosened the standards, so that the funds could be invested in stocks, real estate, and rare coins. Instead of the internal management of the Workers’ Compensation Fund, the monies were parcelled out to external money managers.

In 1997, the first year this change went into effect, there were five external managers managing Workers’ Compensation funds; but once this lucrative contract became known, the number of external managers swelled to 156. The Republican Party encouraged many of these firms to skim off a portion of the fees they earned from managing the funds, into the Republican Party, modelled on the mechanisms that Tom DeLay has used in Texas, to make it a one-party state.

Alleged Theft of Funds

Noe is now the subject of multiple state and Federal investigations, both criminal and civil. Federal authorities have an ongoing investigation into the possible means by which Noe allegedly laundered tens of thousands of dollars into the Bush-Cheney 2004 election campaign. This is a criminal violation. A Federal grand jury is subpoenaing witnesses in this probe.

Parallel, and complementary to the Federal probe, is the investigation of the Lucas County and Franklin County (which includes Columbus) Offices of the Prosecutor into Noe’s inability to account for \$10-12 million of Bureau of Workers’ Compensation funds. The distinct possibility has been raised that Noe diverted some of this money into the Bush-Cheney campaign.

On May 26, state law enforcement officials, acting on behalf of the two prosecutor’s offices, raided Noe’s Vintage Coins and Collectibles, in suburban Toledo. Prosecutors are still trying to find out what became of \$10-12 million of the \$50 million of Bureau funds entrusted to Noe to manage. The affidavit underlying the search warrant charges that Noe committed widespread criminal activity. If it proves to be true, the affidavit presents a vivid picture of Noe’s outright stealing, siphoning off, and squandering of Bureau of Workers’ Compensation funds.

The Affidavit reports these scams:

- The “1-cent” coin deal: “According to records pertaining to Numismatic Professionals [a Noe Vintage Coin subsidiary], and obtained by state authorities, a coin assigned identi-

fication number NP44032749 was purchased at a cost of \$122,9000.00 on or about Nov. 20, 2001. Subsequent inventory records from Numismatic Professionals indicate that this coin was sold to ‘One Time Customers’ on or about Sept. 10, 2002, for *one cent*—incurring a net loss of \$122,989.99. Based upon the education, training, and experience of this Affiant as well as that of other officials involved with this investigation, the latter transaction constituted a theft offense believed to involve BWC [Bureau of Workers’ Compensation] property” (emphasis in original).

- Two additional incidents involve coins worth \$300 and \$540, each of which was sold for *zero cents*.

And the Affidavit goes on to list more such items. By these, and similar and repeated criminal means, Ohio BWC funds were looted. This may be the start of the answer to the question: Where did Noe get funds to launder into the Bush campaign?

‘Poster-Boy for One-Party Rule’

But with his filching of funds, Noe (like those in his network) became arrogant. Exemplifying this are the stunning entries into the May 26 search warrant, involving the case of Mark Chrans, a convicted drug-money launderer, whose \$850,000 debt was written off by Noe, using BWC funds.

In the early 1980s, Chrans had sold rare coins specifically to launder \$30,000 in drug money, for which operation he received \$3,000 as payment from a cocaine dealer. In 1986, Chrans pleaded guilty to fraud and perjury charges, stemming from this case in U.S. District Court in Springfield, Ill. He served one year in prison.

In the early 1990s, police found in Chrans’s car, two plastic bags with mushrooms containing psilocybin, a hallucinogenic drug. In 1992, Chrans pleaded guilty to a felony charge. He was fined, but somehow a deal was made, so that he got three years’ probation.

In 1998, Chrans’s life was falling apart: He filed for bankruptcy, claiming to possess only \$300 in clothing, a \$1,500 car, and a little cash. However, right at that moment, the convicted drug-money launderer Chrans got a contract from Noe to manage a subsidiary of Vintage Coins that Noe had set up, called Visionary Rare Coins, which, according to the affidavit, was for “the express purpose of assisting [a Noe subsidiary company] with the purchase and sale of BWC investments.”

Noe started sending Chrans \$25,000 a month as advance payments *from State of Ohio money*. According to the affidavit, eventually, “Noe and/or his related business entities lent or fronted Mr. Chrans \$835,000 to \$850,000 of BWC funds.”

At one point, Chrans’s coin transactions allegedly went bad. He stated he could not pay the money back. Noe simply wrote it off as a bad business debt. Yet, Chrans was an employee of Noe’s BWC contract. This was Ohio Bureau of Workers’ Compensation money. An accounting of where the money went has not yet been made.