

**MEMORANDUM**

TO: All Attorneys Who Practice in the United States Bankruptcy Court, Northern District of Ohio

FROM: The Hon. Pat E. Morgenstern-Clarren, Chief Bankruptcy Judge

DATE: 20 November 2012

SUBJECT: Impact of FY 2013 Federal Budget Cuts on Our Court Operations

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At the Federal Bar Association State of the Court luncheon in September, I explained in broad strokes how the fiscal year 2013 budget cuts would impact the operations of the United States Bankruptcy Court for the Northern District of Ohio, and promised to provide updates as they became available. This is to follow up on that promise. Although the information here is specific to our district, the budget cuts described and the resulting changes are similar to those being experienced by bankruptcy courts across the country.

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A few words of background. Historically, the Northern District of Ohio has ranked in the top 10 of the 94 judicial districts in terms of the number of bankruptcy cases filed. In 2012, that ranking fell slightly to 12<sup>th</sup> based on 27,713 case filings.

Most of our court's budget (about 92%) is allocated to pay clerk's office personnel. These are the individuals district-wide who serve as intake personnel, case administrators, supervisors, Help Desk staffers, courtroom deputies, electronic court reporters, and information technology staff, as well as personnel in finance, procurement, human resources, and administration of court operations. We are fortunate to have talented and dedicated people in these positions.

**Fiscal Years 2011 and 2012**

The federal government's fiscal year starts on October 1. For FY 2011, which began on October 1, 2010, our budget was cut by 7.6% to \$8 million. We had 100 clerk's office staff on board that year across our five offices.

Last year—for FY 2012, which began on October 1, 2011—our budget was cut another 10%. When that cut was combined with a further reduction due to fewer filings, we received \$7.5 million. We had to reorganize operations and reduce the number of staff from 100 to 86. By asking the clerk's office staff to do more with less, combined with continuing careful

stewardship of federal funds, we stayed within our budget and even managed to return \$250,000.00 in unexpended funds to the Administrative Office, the seventh year in a row in which we have done so.

### **Fiscal Year 2013**

We have not yet received the final budget allotment for FY 2013, which started on October 1, 2012. We presently anticipate another cut of 10.2 % which, when combined with an additional reduction based on fewer filings, will drop our budget to \$6 million. This cut is unrelated to sequestration and will take effect regardless of whether sequestration is implemented. (As you may know, sequestration is the so-called “fiscal cliff” where automatic budget cuts will go into effect on January 2, 2013, unless Congress acts otherwise.) In other words, it is a projected 10.2% cut plus the possibility of an additional 24% cut if sequestration takes effect.

To address this FY 2013 cut, we will have to make more changes in both the personnel and operations areas:

Personnel: We must again reorganize, this time eliminating the equivalent of about 12 more positions across the district by January 11, 2013. We will accomplish this through a combination of offering buy-outs for early retirements and regular retirements, as well as by abolishing some positions. As a result, we will go from 86 staff to 74. We have to reassess the level of service we can provide to the public with this further reduction in personnel, and that analysis is ongoing. We are also focusing on the impact that these decisions have on morale in the clerk’s office.

Operations: We will eliminate or severely reduce funding for these expenses—tenant alterations to our five court locations, cyclical building maintenance, personnel training, travel, supplies, and participation in the public transit subsidy program. We anticipate using the available operational funds to pay for software contracts and equipment maintenance.

### **Fiscal Years 2014 and 2015**

In FY 2014, we anticipate another cut in the range of 10% and yet another similar cut in FY 2015, again leaving aside sequestration. If that projection turns into reality, we will have to abolish more positions.

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As noted, this situation is not unique to our Court. While this update by necessity is still somewhat general, I hope nevertheless that the information is useful to you and your clients in understanding how the United States Bankruptcy Court for the Northern District of Ohio continues to restructure to operate within the funds allocated to us, and how that process is expected to continue in future budget cycles.