

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: 23 September 2013

SUBJECT: Fiscal Year 2014 Budget Update

This is the next in a series of memos concerning the impact of the budget cuts and sequestration on operations in the United States Bankruptcy Court for the Northern District of Ohio. For earlier information, please see the memos of November 20, 2012 and April 5, 2013 on our web site.

Fiscal Years 2011, 2012, and 2013

As discussed in my earlier memos, our budget for FY 2011 was cut by 7.6% to \$8 million. For FY 2012, our budget was cut another 10% which, when combined with an additional reduction due to fewer case filings, resulted in a budget of \$7.5 million. We reorganized the clerk's staff to reduce the number of positions from 100 to 86 to stay within the funding.

In FY 2013, our budget was again cut, this time to just under \$6.5 million. We reduced the clerk's office staff from 86 to 74. In the process, we lost the people who filled these positions:

Six case administrators, one courtroom deputy, two automation specialists, one financial analyst, and the director of administrative services. These individuals, collectively, had 251.5 years of experience with the court.

We also eliminated or severely reduced almost all of the programs that would have been covered by our operating funds, including tenant alterations, cyclical building maintenance, personnel training, travel, supplies, and participation in the public transit subsidy program.

Even with those changes, we would have had to impose a multi-day unpaid, involuntary furlough on our employees. We were able to avoid that only with the financial assistance of the District Court, an act for which we again thank them.

Fiscal Year 2014

Fiscal year 2014 begins on October 1, 2014, and the funding outlook remains both uncertain and grim. We anticipate that our budget will be cut yet again, this time to about \$4.9 million. Knowing that another severe cut was forthcoming, we have already taken these major steps: (1) used a special program put in place by the United States Judicial Conference to release 8,680 usable square feet of space in the Howard M. Metzenbaum Courthouse in exchange for a \$250,000.000 budget credit to be used in FY 2014 and FY2015; and (2) eliminated another 10 positions. This time, we lost the people who filled these positions:

One or more case administrators in each office, the remaining intake clerk, the position of Deputy Clerk in Charge in the Cleveland office, and the district wide training and personnel specialist. These individuals, collectively, had 137 years of experience with the court.

These cuts alone will not be enough. We have to continue what we did last year by eliminating or drastically reducing all amounts that would have been spent on operations.

Even these changes will leave us with insufficient funds to meet our payroll. We are in the process of identifying how we will manage this shortfall.

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In the meantime, we recently authorized the clerk's office to take these additional cost-saving steps:

(1) The clerk's office will no longer quality control proofs of claim filed by creditors for such errors as missing signatures, incorrect case numbers, and the like. This responsibility rests with the panel trustees, standing trustees, and debtors' counsel, as appropriate.

(2) As of January 1, 2014, the clerk's office will no longer provide in-person training to attorneys for electronic case filing (ECF). Instead, anyone needing training will be able to acquire it through an online CM/ECF training program. The Ohio Supreme Court has approved CLE credits for this program.

(3) At the moment, chapter trustees may submit unclaimed funds either manually or through an Automated Clearing House direct debit feature. Going forward, all funds must be transmitted electronically.

More cutbacks in the service that we are able to provide with our ever-shrinking resources will be announced in the months ahead.