

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA

**COURT BUDGET INFORMATION FROM
CHIEF JUDGE JAMES K. COACHYS**

Chief District Judge Young has written to the Indiana State Bar Association describing the potential impact of the ‘fiscal cliff’ on District Court operations. The ‘fiscal cliff’ refers to automatic budget cuts scheduled to take effect January 2, 2013, unless Congress acts. Falling off the fiscal cliff will result in sequestration of funds otherwise budgeted for all federal agencies.

This memo shares information about the budget challenges facing the Bankruptcy Court, which would only be compounded if Congress fails to address the ‘fiscal cliff’, and which will persist into the future even if Congress reaches some resolution on the immediate crisis. 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. In fact, I have patterned this memo on a similar one by Chief Bankruptcy Judge Pat Morgenstern-Clarren in the Northern District of Ohio – a court experiencing very similar challenges.

Historically, the Southern District of Indiana has ranked in the top 15 of the 94 judicial districts in terms of the number of bankruptcy cases filed. For fiscal year 2011 (concluded September 30th, 2011), the District ranked 15th with 24,727 cases. In fiscal year 2012, the District dropped slightly, to 16th with 21,909 total filings.

Most of our Court’s budget (about 90% this year) is allocated to pay Clerk’s office personnel. These are the individuals district-wide who serve as intake personnel, case managers, courtroom deputies, supervisors, IT staff, as well as personnel in finance, procurement, and human resources.

Fiscal Years 2011 and 2012

The Court’s fiscal year starts on October 1st. For FY2011, which began October 1, 2010, the Court’s funding actually increased by about \$305,000. We had 73 staff in the Clerk’s office. By the end of that fiscal year, in anticipation of declining budgets, we cut four positions to reduce staffing to 69.

For FY 2012 our budget was cut by 13% to just under \$5.5 million. By the end of the fiscal year, we had reduced staff by five positions, to 64 – a 7% cut in staff.

Fiscal Year 2013

We have not yet received the final budget allotment for FY2013 but are operating under a continuing resolution. However, a new staffing formula for the Bankruptcy Clerk’s offices,

combined with last year's decline in filings, produce a projected shortfall of nearly half a million dollars. Given the size of that shortfall, we are moving quickly to eliminate positions and will have cut six by early January 2013 – reducing Clerk's office staff to 58.

In addition, we are eliminating or severely curtailing funding for cyclical building maintenance, personnel training, travel, and supplies.

Fiscal Years 2014 and 2015

In FY2014, we anticipate another cut in the range of 10% and a similar cut in FY2015, leaving aside any further cuts resulting from sequestration. If these projections turn into reality, we will have to abolish more positions.

This situation is not unique to our Court. I hope that the information is useful in understanding how this Court continues to restructure to operate with the amounts allocated to us, and how that process is expected to continue in future budget cycles. However, be assured that we are doing our utmost in these extremely challenging times of declining resources to continue providing prompt and efficient service to you and your clients.

December 12, 2012

/s/ James K. Coachys
Chief Bankruptcy Judge