



Questions and Answers: Owning and Atoning for the Sin of Clergy Abuse

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How can there be so many new cases?

In 2018, the California Legislature approved AB 218, a bill that lifted the statute of limitations for three years on child sex abuse litigation and allowed victims to file suits regardless of when the abuse occurred. That three-year “window” for filing cases that otherwise would have been barred closed on Dec. 31, 2022.

Of the claims we know of so far, approximately half relate to allegations from the 1970s or earlier; almost 80 percent relate to allegations from the 1980s or earlier; and five claims allege abuse that occurred after the diocese’s reforms and improved safeguards in 2002. While this does not diminish the evil that was done, it does convey some hope that the measures we have taken to safeguard the young and vulnerable are working.

Who will pay for these claims?

The Diocese, as in the past, will pay for the claims from funds that are available to be used for such purposes. Very little insurance coverage remains to cover abuse that occurred in past decades.

Can the diocese pay these claims?

We currently have a balanced operating budget and sufficient funds to continue our normal operations.

However, it must be recognized that the value of diocesan assets available to resolve claims, including any available insurance coverage, may not be sufficient to cover the liability associated with these new claims. This situation would render the Diocese as “insolvent”.

Will the diocese have to file for bankruptcy?

I do not yet have a definitive count of claims, nor have we discussed any proposals from plaintiffs’ legal counsel. Depending on the total expense required to resolve these claims, it is possible the diocese could be rendered insolvent. If this occurs, a reorganization under Chapter 11 of the Bankruptcy Code is one option that would have to be considered. Chapter 11 is a financial reorganization process that allows the filing entity to continue its operations while attempting to resolve its liabilities.

Bankruptcy is a costly and lengthy process, but it does provide a framework to bring all parties together under the supervision of the bankruptcy court to resolve claims with the resources available.

Importantly, in the context of a diocesan bankruptcy, victims of clergy sexual abuse would be represented in a bankruptcy proceeding, and a fund would be established to be distributed as fairly as possible. Without such a process, diocesan funds might be exhausted by the first cases that proceed to trial, leaving nothing for the many other victims still waiting for justice.

How did the Diocese get in this situation?

We are in this situation because of grievous sins committed by individual priests, deacons and religious, and a smaller number of the laity in the diocese. It is these evil acts that brought us to this place – not the victims of sexual abuse seeking justice.

What does this mean for my parish or school?

The parishes in the diocese are incorporated separately, and a Catholic elementary school is a ministry of its parish. Parishes are distinct financial and legal entities from the diocese itself, and they operate independently. The same is true for the diocesan Catholic high schools, St. Francis High School in Sacramento and St. Patrick/St. Vincent in Vallejo.

If the diocese were to be rendered insolvent and I decide to pursue bankruptcy, it would only be the diocesan corporation that would be filing. It is my expectation that the parish and school corporations would be largely unaffected by the diocese filing a bankruptcy petition.

The two non-diocesan high schools—Christian Brothers and Cristo Rey in Sacramento, and Jesuit in Carmichael—would not be included in a filing as they are owned and operated by their respective corporations. We expect this would also be the case for the corporations that run Catholic Funeral & Cemetery Services, The Catholic Foundation, and social service agencies would be largely unaffected by the diocese filing a bankruptcy petition.

How would the work of the Diocese continue after a filing?

In a bankruptcy filing, the Diocese would continue its regular operations while giving creditors time to come forward with their claims and negotiate a fair plan of compensation. Chapter 11 bankruptcy is a reorganization, with the goal of negotiating a plan to compensate to the extent possible those who are owed money while the Diocese continues functioning.

A bankruptcy filing would allow representatives of the Diocese, the claimants, and the creditors to attempt to reach agreement on how much of the Diocese's existing obligations can be paid, and establish a reorganization plan. If no agreement can be reached, the Bankruptcy Court would decide. The Diocese would continue its normal business operations, but expenses and decisions outside the normal scope of operations would have to be approved by the court. This would allow a diocese to continue the programs and ministries it provides to parishes and the poor while working with creditors to satisfy its obligations.

Can the Diocese sell real estate or liquidate other holdings in order to pay claims?

Yes, it is anticipated that the diocese will need to liquidate financial investments and real property assets that are available to satisfy the claims.

Will the Vatican help pay these claims?

That is not an option. In fact, dioceses all over the world support the Vatican, which is an independent entity. There are no Vatican funds available to us in this situation.

What would a bankruptcy mean for sexual abuse victims?

In a Chapter 11 filing, the bankruptcy court supervises the process in which whatever funds are available to claimants and creditors are distributed as fairly as possible. Victims of sexual abuse would be represented in this process, typically by attorneys who have filed the claims. The intent is to provide compensation to the greatest extent possible for all victims who have not yet had their case heard in court or reached a settlement. Without a

structured process of this kind, it may be that any funds available to victims would be exhausted in the first cases to go to trial, leaving nothing for all the other claims waiting to be heard.

Is filing bankruptcy a way to hide assets from victims?

No. The Chapter 11 process is extremely transparent and public. All the assets a filing entity has are put on the table and creditors – and the public – see all the assets available to resolve claims.

Are the funds I donated going to pay settlements?

Everything the diocese manages, buys, or owns is paid for by the contributions of the Faithful. This includes settling cases and trying to provide some sense of justice to those who were betrayed by those they were taught to trust. So yes, aside from insurance coverage, lawsuit settlement payments are made with funds that began as donations from the People of God.

It is important to remember that other funds related to the diocese are held in trust for specific purposes designated by the donors. This includes the work of The Catholic Foundation, which is another corporation separate from the diocese itself. These and other similar funds are considered “restricted” and generally are not part of a bankruptcy process. If the diocese were to pursue a bankruptcy filing, the bankruptcy court would decide which funds are or are not part of the process, but it is my expectation that if I were to file, the court would follow a well-established path in these matters.

Will funds from the Annual Catholic Appeal be used to pay these claims?

No, the Annual Catholic Appeal donations are considered restricted funds, and the ACA is an effort of The Catholic Foundation, which is a separate legal entity that would not be a part of any bankruptcy proceeding or other resolution process. The Annual Catholic Appeal primarily funds the social service ministries of the local Church and would continue to do so.

When will Bishop Soto decide whether to file for bankruptcy?

The determination of our potential liabilities will occur over the next several months as we develop an accurate accounting of our case volume and learn more about the individual claims. The Alameda County Court is asking each diocese in that special proceeding to enter into a court-supervised mediation process which will also yield information as to the potential amount of our liabilities. Therefore, a clearer picture of our solvency or insolvency should appear by this summer.

How can the Faithful help?

I have asked everyone in the diocese to pray, persistently, for the victims of clergy sexual abuse. The pain caused by the sins committed against these innocent victims is unending, and so our prayers for their healing must be unending as well.

Parishioners also can help by working every day to help ensure these horrible sins are not repeated. We must make the protection of the young and vulnerable a cornerstone of who we are as People of God. Parishioners, school parents and others can seek out the Safe Environment Program in their parish and commit to being a vigilant advocate for the safety of the young and vulnerable.

I recognize these are not all the questions you may have, and more are sure to arise as the situation becomes clearer. We will continue to update and inform the people of our diocese in the coming months.