

QUESTIONS AND ANSWERS

Owning and Atoning for the Sin of Clergy Abuse

Q: How did the Diocese get in this situation?

We are in this situation because of grievous sins committed by individual priests and a small number of deacons and lay employees in our diocese. It is these evil acts that brought us to this place – not the victim-survivors of sexual abuse seeking to be heard.

Q: Why are there so many new claims?

In 2019, the California Legislature approved AB 218, a bill that lifted the statute of limitations for three years on child sex abuse litigation and allowed victim-survivors 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.

In all, more than 250 claims were filed against the diocese in this period alleging sexual abuse by a member of the clergy or other employee. Almost half of these involve allegations from the 1970s or earlier; more than 80 percent involve allegations from the 1980’s or earlier; and only six claims allege abuse that occurred after the diocese’s reforms and improved safeguards in 2002.

Q: Can’t the diocese sell assets or make other cuts to settle the lawsuits?

The diocese has made serious cuts and reductions in expenses over several years. It is anticipated we will have to sell assets as part of the bankruptcy process, but seeking a court-supervised reorganization is the only way we can address these claims and continue the work of the diocese.

Q: Can’t insurance pay for these claims?

The diocese has limited insurance coverage remaining from previous decades when the abuse in the claims was alleged to have occurred, but a significant number of claims fall in periods where there is no insurance available to address those matters.

Q: When will the diocese file for bankruptcy?

It is essential that our filing be prepared thoroughly and accurately. The court correctly insists on extensive information and preparation, and this takes time. At this time, we anticipate the filing will occur in March of 2024.

Q: What does this mean for my parish or school?

The parishes in our diocese are incorporated separately – they are distinct financial and legal entities from the diocese itself, and they operate independently. It is only the legal and financial entity of the diocese that is seeking bankruptcy protection – not the parishes.

The same is true for the diocesan Catholic high schools (St. Francis High School in Sacramento and St. Patrick/St. Vincent in Vallejo). It is our belief that the parish and school corporations and others – like the corporations that run Catholic cemeteries, the Catholic Foundation, or social service agencies -- would be largely unaffected by the diocese filing a bankruptcy petition.

We do know, however, that in filings by other dioceses, creditors have challenged the status of these separate corporations. That is why we have advised our pastors that if a bankruptcy filing did take place, they would need to prepare for such challenges and seek independent legal assistance.

A committee has been established by the parishes to represent them in working with their own legal counsel on any issues that may arise, and to keep them informed as the diocese's bankruptcy progresses.

Q: How much will this cost?

Bankruptcy is a costly and lengthy process, but Chapter 11 does provide a framework to bring all parties together to resolve difficult claims fairly and finally, with the supervision of the bankruptcy court. A bankruptcy permits a filing entity to deal with all issues and liabilities collectively rather than one at a time.

Importantly, in the context of a diocesan bankruptcy, victim-survivors 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 would be exhausted by the first cases that proceed to trial, leaving nothing for the many other victim-survivors still waiting for justice.

Q: How will the work of the diocese continue after a filing?

In a bankruptcy filing, the diocese would continue its regular business 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 compensation 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. The diocese would continue its normal business operations, but expenses and decisions outside the normal scope of business would have to be approved by the court. This would allow the diocese to continue the

programs and ministries it provides to parishes and the poor while working with creditors to satisfy its obligations.

Q: What will a bankruptcy mean for sexual abuse victim-survivors?

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. Victim-survivors of sexual abuse would be represented in this process, typically by attorneys who have filed the claims, as well as by a committee. The intent is to provide fair compensation to the greatest extent possible for all victim-survivors who have not yet had their case heard in court or reached a settlement. Without a structured process of this kind, it is possible that any remaining funds available to victim-survivors could be exhausted in the first cases to go to trial, leaving nothing for all the other claims waiting to be heard.

Q: Is filing a way to hide assets from victim-survivors?

No. The Chapter 11 process is extremely transparent and public. All the assets the filing entity has are disclosed. The creditors -- as well as the public -- see all that we have and all the funds available to work with creditors in resolving claims.

Q: Are the funds I donated going to pay settlements?

Everything our diocese does, buys or owns is paid for by the contributions of the Faithful. This includes settling cases and trying to provide some sense of compensation to those who were betrayed by priests they were taught to trust. So, 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. In a bankruptcy filing, the bankruptcy court would decide which funds are or are not part of the process, but it is our expectation that if we were to file, the court would follow a well-established path in these matters.

Q: What about my donation to the Annual Appeal?

Funds donated to the Annual Appeal are considered restricted for the specific purposes for which they were collected. They are not part of the bankruptcy proceeding and cannot be used to resolve debts or claims.

Q: How long will this process take?

Each bankruptcy case is different, and it is difficult to predict how long an individual proceeding might take. In most previous cases involving Catholic dioceses, the process has taken two to three years to be completed.

Q: What can the Faithful do?

Bishop Soto has asked everyone in the diocese to pray, persistently, for the victim-survivors of clergy sexual abuse. The pain caused by the sins committed against these innocent victim-survivors 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.