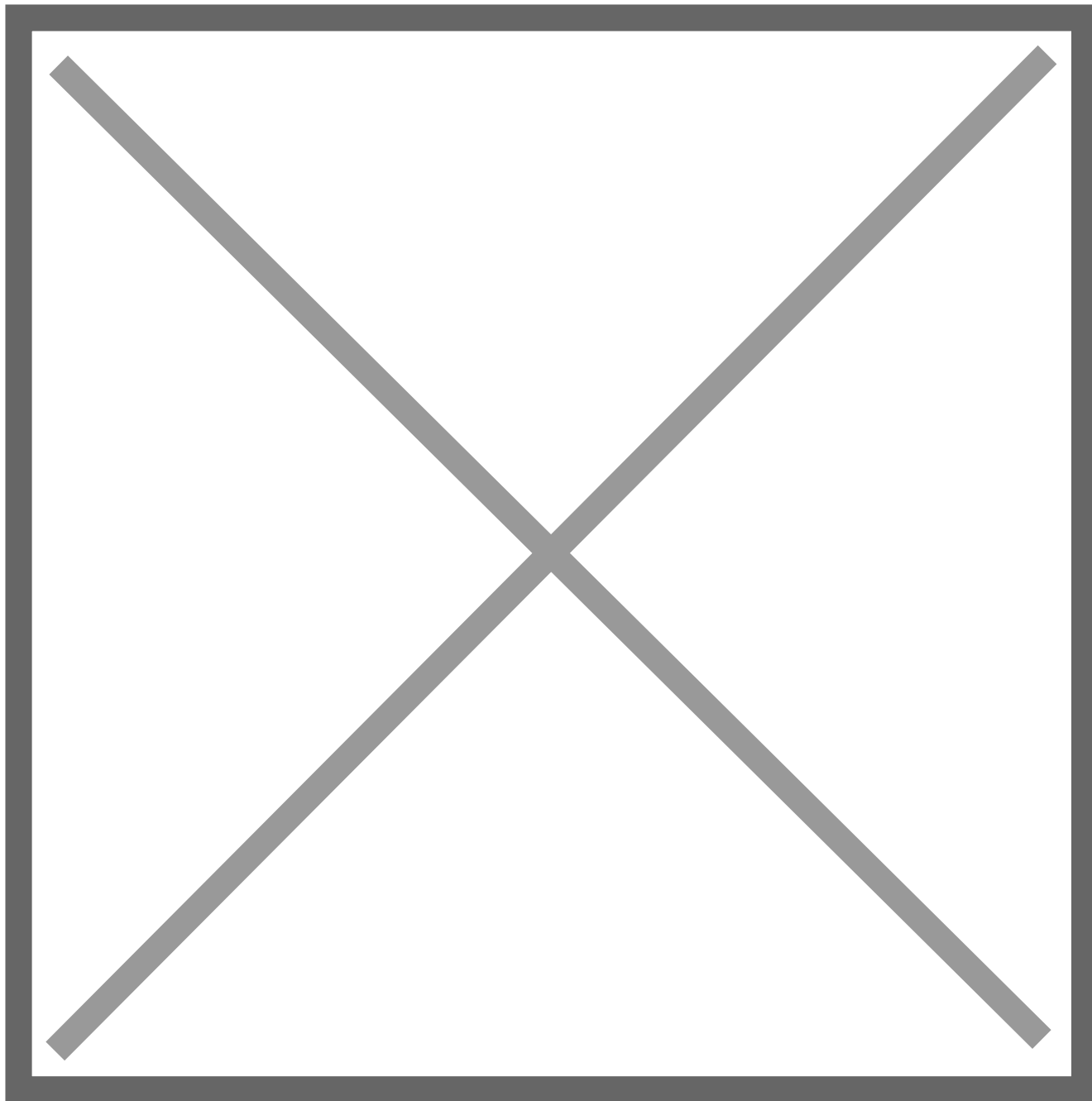


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Then-Msgr. John McDermott, now bishop of the Diocese of Burlington, Vt., gestures during his homily at the annual Catholic Schools Week Mass at the Cathedral of St. Joseph in Burlington Jan. 31, 2024. In a ruling made July 28, 2026, a bankruptcy judge permitted abuse survivors to pursue the inclusion of Vermont's Catholic parishes and schools in settling claims against the Diocese of Burlington, which has been in bankruptcy proceedings since September 2024. (OSV News/Vermont Catholic/Cori Fugere Urban)

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Burlington, Vt. — August 10, 2026

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A judge has permitted abuse survivors to pursue the inclusion of Vermont's Catholic parishes and schools in settling claims against the Diocese of Burlington, which has been in bankruptcy proceedings since September 2024.

However, several of the parishes had earlier challenged that effort in a federal district court, saying that imposing such liability on parishes, rather than the "alleged offending priests," is unconstitutional.

The survivors' committee is now seeking to have the bankruptcy court enforce an automatic stay that was previously issued by the state superior court on multiple suits brought by survivors against individual parishes. The committee is also asking the court to have the parishes' challenge declared a violation of both the stay and the bankruptcy code.

The case highlights the ongoing issue of determining to what extent parishes, schools and affiliated Catholic entities may be held financially liable in settling abuse claims against dioceses.

In June, the survivors' committee moved to add the Diocese of Burlington's parishes and schools to the settlement, arguing the diocese sought to shield more than \$400 million in assets by transferring the funds to parish trusts in 2006. Those assets have

more recently been valued up to \$500 million.

The committee stressed that the diocese, which under Vermont law is a corporation sole, holds that its parishes are "unincorporated associations," but the parishes "are not registered with the Vermont Secretary of State."

U.S. Bankruptcy Judge Heather Cooper granted the committee's motion July 28, saying that "more clarity about the rights of the parties and what constitutes estate property could help the ongoing efforts to reach a global settlement in this case."

While noting "for that reason, some litigation is necessary," Cooper also warned "its cost may eventually outweigh the benefit if no settlement is reached."

Quoting a 2020 bankruptcy case involving the Archdiocese of Santa Fe, New Mexico, Cooper added that "as one Court has recognized, 'Debtor, the parishes and the abuse victims will be the poorer for it.'"

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Cooper's decision doesn't mean the diocese's 68 Catholic parishes and 12 schools are automatically responsible for paying into the settlement, stressed legal scholar Marie Reilly, professor emerita at Penn State Dickinson Law and an expert in diocesan bankruptcies.

"The only thing the court decided was that the committee can have (legal) standing to sue the parishes and the charitable trusts," she told OSV News.

Reilly also said that Cooper's decision "doesn't mean the 2006 transfers are invalid."

"No one has decided that yet," Reilly said.

She explained that the legal term "colorable," used by Cooper to describe the survivors' claim, indicates that "if everything that's been alleged" about the asset transfers "is true, there's a chance that they (the survivors' committee) could prevail."

Reilly, who examined court documents for both sides in the case, also noted the asset transfers were made two decades ago, and were both "publicly recorded" and "covered by the press."

She also pointed out that at the time of the transfers, "Vermont had yet to change its statute of limitations law on child sex abuse," which "didn't happen until 2019."

At the time of its bankruptcy filing, the Diocese of Burlington faced 31 lawsuits, with the number exceeding 100 by 2025.

Prior to the filing, the diocese had settled 20 cases for a total of more than \$4.5 million following the 2019 removal of the statute of limitations, using both regular operating funds and unrestricted investments, according to Bishop John McDermott's September 2024 affidavit.

Attorneys for the Diocese of Burlington declined to comment to OSV News. A request for comment from the attorney representing the seven diocesan parishes who challenged the survivors' committee in federal court has not yet been returned.