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California diocese considers bankruptcy in wake of abuse settlements

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In his role with U.S. bishops' committees over the years, Bishop Stephen Blaire of Stockton, Calif., has frequently urged members of Congress not to cut programs that help the poor.

Now, the bishop, who has led the diocese of Stockton since 1999, is speaking closer to home about how his diocese -- while facing financial burdens -- must continue its ministries and its outreach to the local poor.

Blaire, chairman of the U.S. bishops' Committee on Domestic Justice and Human Development, detailed the financial situation of the diocese in two recent letters to Catholics in the diocese that were read during weekend Masses at 35 parishes and 14 mission churches.

The most recent letter, read during the Sept. 7-8 weekend Masses, announced the diocese's plans to consider filing for bankruptcy. The diocese has been paying for multiple clergy sexual abuse lawsuit payments and is running out of funds for future settlements.

By 2010, it had settled 22 sex abuse lawsuits at a cost of $18.7 million. Currently, the diocese is making payments on three sexual abuse lawsuits and has one suit pending.

The decision facing Stockton comes on the heels of an announcement made in a letter to Catholics in the diocese of Gallup, N.M., from Bishop James Wall during the weekend Masses of Aug. 31 and Sept. 1 stating that diocese's plans to file for Chapter 11 bankruptcy protection.

If the Stockton diocese goes through with declaring bankruptcy, it will be the 10th diocese to do so as a result of the costs of clergy sexual abuse lawsuits. In 2004, the archdiocese of Portland, Ore., was the first to file for bankruptcy.

"We continue to investigate our options, and no final decisions have been reached," Blaire said in the letter, but he also stressed that "options other than filing for bankruptcy protection have not emerged."

"It appears likely to me that the diocese will need to reorganize financially under the protection of the bankruptcy court," he added.

The bishop wrote to diocesan Catholics in June informing them that the funds used to settle sexual abuse lawsuits have been almost depleted and that the diocese had "no apparent way to meet the expenses of pending lawsuits and possible future claims."

In that letter, he said that since his arrival in the diocese 14 years ago he has tried to settle abuses cases when possible and to "heal the deep wounds caused to our church and our diocese by the evil of sexual abuse."

"Today, the cash reserves from which these payments are made are all but gone" he wrote, and the remaining cash "is a small fraction of what is needed to face pending lawsuits as well as any new claims."

He said decisions made by the diocese "will not impact the solvency or operations of the parishes," and he stressed that the "hard work you have done to build and run your parish should not be jeopardized by the actions or inactions of the diocese in decades past."

In the September letter, he reiterated that diocesan parishes, Catholic high schools, Catholic cemeteries, a retreat center, Catholic Charities and entities organized as separate corporations would not be subject to the possible bankruptcy filing.

The bishop said these separate organizations "need to have an understanding of the decision-making process and the possible claims that may be made by creditors of the diocese so they can be prepared in whatever way necessary."

He noted that the diocese not only serves 250,000 Catholics but also serves others within its six counties, including the poor and vulnerable.

Blaire, who was attending the U.S. bishops' Administrative Committee meeting Tuesday and Wednesday in Washington, told Catholic News Service that the diocese needs to "be able to continue carrying on our ministries in the diocese and to the poor."

"The diocese at the moment is operating within a budget," he said Wednesday. "We're able to carry out our ministries and it looks very much like we will be able to continue to do that during the whole bankruptcy procedure."

He said the diocese may have to "reorganize and restructure" in the future but it will do so "in a way that enables us to continue our responsibilities to minister to the people of our diocese and also to meet our responsibilities to victims who need to be compensated."

The bishop said he has tried to keep Catholics -- already used to the notion of bankruptcy since the city of Stockton declared bankruptcy last summer -- informed of diocesan proceedings.

He said he and diocesan leaders met with pastors and parish financial council representatives in early September to explain the situation.

"It was hard for them to understand all that makes up this bankruptcy procedure because it's complicated, but they were supportive." He said the meeting "actually concluded on a very positive note about the ministries that we must continue and continue to be engaged in."

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