

Long Island Diocese Bankruptcy Exit Is Rare Success Amid Delays

By Randi Love

Deep Dive

- Bankrupt dioceses struggle to reach abuse litigation deals
- Effect of Supreme Court's Purdue decision added new wrinkle

When a Long Island-based Catholic diocese's restructuring plan was approved by a court, it became only the fifth religious organization—out of nearly two dozen—in five years to reach a deal to end its bankruptcy.

Diocese bankruptcies are spurred by litigation alleging decades-old child sex abuse by clergy members. The Chapter 11 cases are often drawn out amid negotiations with abuse claimants and frustrated insurers over compensation and abuse-preventing protocols. In June, the US Supreme Court introduced another factor with its *Harrington v. Purdue Pharma LP* decision barring litigation shields for people and entities with ties to a bankrupt company without creditor consent.

"Clients are feeling these delays are intensifying their anguish and psychological injuries," said Judie A. Saunders, a partner at ASK LLP, who represents clergy abuse survivors outside of the bankruptcies. "They feel misinformed."

The Roman Catholic Diocese of Rockville Centre's plan, which was approved in early December and includes a more than \$320 million settlement of over 600 sex abuse claims, offers a roadmap for 16 other dioceses and religious orders in bankruptcy.

Rockville nearly ended its own bankruptcy without a resolution following multiple failed settlement attempts but ultimately landed a deal after a judge allowed two state court sex abuse cases to move forward, increasing the risk of a large financial judgment against the diocese. Ramped-up pressure, like that seen in Rockville's bankruptcy, may be the key to expediting other dioceses' cases, attorneys and academics say.

“These cases don’t settle in mediation unless there’s pressure on the insurers, unless there’s pressure on the diocese, unless there’s pressure on the parishes,” said Jeff Anderson of Jeff Anderson & Associates, who represents survivors in multiple diocese cases. “Absent pressure on all three of them, all they do is sit on their hands and delay and deny.”

Lawyers representing the dioceses didn’t immediately respond to requests for comment or declined to comment.

Below is a rundown of the status of diocese bankruptcies filed in the past five years.

California

Santa Rosa : This diocese, which filed in March 2023, is in mediation with claimants, insurers, and parishes.

Oakland : Working to obtain approval to poll claimants on its plan, the diocese has proposed a settlement of at least \$117 million for abuse survivors. The Oakland diocese, which filed in May 2023, and an unsecured creditors’ committee representing sex abuse claimants have clashed over allegations of hidden assets and accurate valuations of property and claims.

San Francisco : The diocese, which filed in August 2023, is in mediation and intends plans to file plan documents in February.

The **Franciscan Friars of California** , a December 2023 filer, plans to begin mediation in the spring, according to a spokesperson.

Sacramento : The diocese filed in March and is in mediation.

San Diego : The diocese, which filed in June, plans to submit its reorganization documents in mid-February. The window to file a claim is open until Feb. 3.

New York

Rochester : This diocese, which filed in 2019, recently submitted its plan proposal, including a settlement worth at least \$126 million for sex abuse claimants.

Buffalo : The February 2020 filer has yet to submit a plan proposal but is in mediation.

Rockville Centre : The Long Island diocese is the first in New York to secure court approval of its bankruptcy plan and is the first overall to do so since the Supreme Court ruled on *Purdue*. The diocese included a provision to avoid triggering *Purdue*’s nonconsensual third-party release ban by having more than 100 parishes, which were vying for the litigation shield, also file for bankruptcy.

Syracuse : After filing in June 2020, this diocese was recently approved to begin soliciting creditor votes for its proposed plan, which includes a \$100 million settlement of abuse claims. The court required an amendment to a provision requiring claimants to actively opt out of proposed litigation releases for parishes, among others.

Unlike Rockville, parishes aren't required to file for bankruptcy under this plan. Bankruptcy professionals are watching to see if "this 'opt out' strategy meets the 'creditor consent' requirement for non-debtor releases in the Purdue Pharma case," Marie T. Reilly, a professor at Penn State Law, said in an email.

Albany : This March 2023 filer hasn't submitted a plan but was approved for mediation in early 2024.

Ogdensburg : Claims can be submitted until Jan. 17 for this case, which began in July 2023. No plan has been filed.

All the Rest

Minnesota : The Diocese of St. Cloud's December 2020 plan confirmation, just under six months after it filed, established a \$22.5 million trust for clergy abuse claimants.

Guam : The Archdiocese of Agana's October 2022 plan included a trust worth at least \$43.2 million. Further contributions hinged on the sale of the January 2019 filer's real estate properties.

Pennsylvania : The Harrisburg diocese's February 2023 plan approval created an \$18.25 million trust to pay abuse claimants. It filed in February 2020.

New Jersey : The Diocese of Camden, which filed in 2020, secured plan confirmation in March. The case is at the US Court of Appeals for the Third Circuit in part due to insurers' appeal, in light of *Purdue*, of the \$87.5 million settlement.

Louisiana : The Archdiocese of New Orleans and an unsecured creditors' committee filed competing plans in September. The diocese offered \$62.5 million in September while the committee's proposal includes an \$80 million settlement from the diocese. Up to \$910 million from insurers and nonbankrupt affiliates could be added.

Connecticut : The Norwich diocese, which filed in 2021, is in mediation, trying to resolve issues in a plan proposal that has yet to be filed.

Maryland : Mediation was approved in the Archdiocese of Baltimore bankruptcy in July. No documents have been filed, but court records show a plan is due in January.

Vermont : The Burlington diocese, which filed in September, listed about 30 sex abuse claimants in its financial statements. A plan will be filed in late January, according to court papers.

—With assistance from James Nani.

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