

Sex-abuse scandal puts parish assets in jeopardy

By Steve Woodward
Winston-Salem Journal (OR)
RELIGION NEWS SERVICE
February 5, 2005

The 450 families of St. Mary Our Lady of the Dunes Catholic Church in Florence, Ore., have no doubt that the parish belongs to them.

The congregation dates to at least 1949, when the parish priest in Reedsport made monthly trips to Florence to celebrate Mass in people's homes. Since then, the church has been housed in an American Legion hall, the upstairs of Cooper's Mercantile Store and a 20-by-50-foot donated building that had to be trucked to the site in 1953. Parishioners have pledged \$1.9 million toward a major building expansion, said Ken Janowski, fund-raising chairman.

There's just one problem: The parish might not actually exist as a separate legal entity, because the archdiocese holds the title for its property. If that's the case, St. Mary's could see \$1.5 million in property, cash and savings used to help settle a staggering \$534 million in claims against the bankrupt Archdiocese of Portland for alleged clergy sexual abuse of at least 72 men and women.

As a result, the building expansion, which had already gone out to bid, is on indefinite, and perhaps permanent, hold.

That's why St. Mary's, 123 other parishes, 24 missions and 44 Roman Catholic schools in western Oregon - as well as the archdiocese itself - are scrambling to prove that parishioners never intended for their money to be used for any purpose other than to build and operate their parishes and schools.

What happens to these church assets in Oregon will be closely watched nationally as diocese after diocese comes to grips with how to pay huge sums in sex-abuse claims. The Diocese of Tucson, Ariz., has already joined Portland in declaring bankruptcy, and others are also said to be considering that option.

In Oregon, the parishes have undertaken "an unprecedented factual inquiry" into their histories, Douglas Pahl, an attorney for a group of 67 parishes, told Bankruptcy Judge Elizabeth Perris at a Dec. 28 hearing.

Each parish is combing through property, financial and contribution records, as well as collecting written and oral histories, to document the intentions of the people who built the parishes.

The archdiocese is expected to present the Bankruptcy Court with a list of 10 parishes that it intends to use as test cases.

By April 4, the archdiocese must be prepared to argue that, based on the test cases, those parishes have a strong enough legal existence to claim that they have a right to their own assets. A court hearing is scheduled for May 9.

If the archdiocese's arguments fall short, the judge could rule that all assets registered in the archdiocese's name belong unequivocally to the archdiocese. Such a ruling would make available to sex-abuse claimants about \$400 million in parish, school and cemetery real estate and more than \$100 million in cash and investments. At that point, the archdiocese could argue that it holds those assets in trust not for the parishes, but for individuals or organizations that donated toward specific purposes, such as a building fund.

Creditors of the archdiocese first raised the ownership issue in August, a month after the archdiocese became the first in the United States to file for bankruptcy in the wake of the national clergy sex-abuse scandal.

Since then, the court has granted the archdiocese three delays in the ownership proceedings, the latest after church officials said they must consult property and finance records that fill at least 72 file drawers scattered among the archdiocese's East Portland Pastoral Center, its archive center and parishes throughout western Oregon.

The archdiocese acknowledges that it holds legal title to hundreds of millions of dollars in parish and school assets. But it contends that it holds the assets strictly in trust for the benefit of parishes, according to both civil trust law and church law. Roman Catholic law recognizes parishes as separate entities. The archdiocese also argues that the Bankruptcy Court is prohibited from ruling on the property issue because the decision would illegally entangle the court in interpretation of religious law.

In November, the committee that represents sex-abuse plaintiffs asked the court to throw out several of the archdiocese's arguments, including the independence of the parishes and questions about the court's jurisdiction.

"Does the Catholic Church have the right to impose its internal rules on the state of Oregon and the United States of America?" Albert N. Kennedy, the attorney for the committee that represents sex-abuse plaintiffs, asked during a Dec. 28 hearing. "That really is the threshold issue here."