

Bankruptcy document: Most Milwaukee abuse claims will receive no money

Marie Rohde | Feb. 18, 2014
Milwaukee

The Milwaukee archdiocese will walk away from bankruptcy relatively unscathed if its proposed reorganization plan is accepted by Judge Susan V. Kelley.

Although it was lawsuits brought by 570 alleged childhood victims of clergy sex abuse that forced the archdiocese into bankruptcy court, a close reading of the 337-page document shows that the vast majority of those claims will get no financial compensation from a \$4 million fund for survivors.

Most other creditors in the case will be paid, although some will get less than they say they are due.

The archdiocese has no plans to reduce its annual \$24 million operating budget or sell any property. It will have to put some property up as collateral to "borrow" \$2 million from the controversial cemetery perpetual care trust fund -- the same \$57 million fund church officials fought to keep out of the bankruptcy case that is now being appealed.

Meanwhile, the price tag for bankruptcy legal fees that the archdiocese must pay will be at least \$18 million. Already, \$12.5 million has been paid and another \$4.5 million in bills has accrued. The archdiocese estimates it will cost another \$1 million to complete the bankruptcy under the plan.

If the plan is not adopted, litigation could continue for another five years, cost another \$14 million and mean that each individual survivor who filed a claim would have a separate trial, according to the archdiocese.

The judge has scheduled a hearing with lawyers for the claimants at 10:30 a.m. Central time Tuesday.

Monica Barrett is among the 80 percent of abuse claims that the archdiocese says is not eligible for compensation. Barrett said she was sexually abused in 1968 at the age of 8 by William Effinger, one of the archdiocese's most prolific abusers.

"They said I was his first victim and that they would not have had noticed that he was an abuser," said Barrett, who filed a lawsuit in state court in the 1990s.

Barrett's state case was dismissed after the Wisconsin Supreme Court issued a pair of decisions that found that the church was not responsible for the actions of abusive priests. Later, another decision opened the door to lawsuits if victims could show that church officials knew about sexual abuse but allowed priests to continue to work in areas where they would come into contact with children.

Before Barrett's case was dismissed, the church mounted an aggressive defense, deposing former boyfriends and others about what she had told them of the abuse.

"I had told very few people about the abuse," Barrett said. "They went to all these people and told them. They wanted to depose my daughter, who was only 11 or 12 at the time."

She likened the conduct of the archdiocese in the bankruptcy case to that of predators.

"They lure the victim in by saying, 'Come forward, and we will treat you fairly and put an end to all this,' and then they do this," she said. "They are revictimizing the victims."

Lawyers representing the majority of the survivors for nearly a decade said it is unlikely they will accept the plan. Kelley has the authority to "cram down" -- force the plan to be accepted by unwilling claimants -- but an appeal is likely.

The archdiocese says only 128 of the claims are eligible for compensation and could receive approximately \$27,000 per person. The other survivors will get no financial settlement, but the archdiocese may provide therapy to some or work with others to get responsible parties to pay for therapy.

Milwaukee is one of 11 U.S. dioceses to file for bankruptcy as a result of sexual abuse allegations. Lawyers representing survivors say elsewhere they received average payments of \$400,000.

In 2006, 10 California victims of two abusive priests from Wisconsin received \$16.65 million, about half from the Milwaukee archdiocese and half from its insurers. To pay that settlement, the archdiocese took out a mortgage of more than \$4 million against its headquarters, the Cousins Center. In bankruptcy, the archdiocese asserted that the mortgaged property, originally a high school seminary, belongs to the separately incorporated board of the defunct high school.

The archdiocese must pay its own lawyers and those approved by the court to oversee the interests of the claimants. Lawyers Jeff Anderson and Michael Finnegan of St. Paul, Minn., have long represented the bulk of the survivors but have received no payments from the archdiocese, they say.

The proposed plan attacks the lawyers for driving up costs: "The Anderson firm purchased unprecedented amounts of advertising to convince hundreds of people to file claims that the Anderson firm knew were subject to legal objections, raising unfounded hopes that the abuse survivors would receive a large financial recovery."

The archdiocese had been ordered by the bankruptcy court to search diligently for victims and notify them of their right to make a claim. The archdiocese bought ads in 48 print publications. Most of the Anderson ads were in the electronic media.

Anderson countered: "They are the ones who challenged every claim. They are the ones who moved assets out of the estate."

The archdiocese electronically filed a 337-page reorganization plan with the bankruptcy court at about 10 p.m. Thursday. Earlier that morning, Archbishop Jerome ListECKI announced the plan on a politically conservative radio talk show and posted a letter on the archdiocesan website.

The survivors who would receive nothing under the archdiocesan plan are:

- 84 who agreed to settlements before the bankruptcy was filed (they had already received \$702,000);
- 165 claims that "have no factual basis for fraud" (they may get therapy from the archdiocese);
- 95 who claim to have been abused by religious order priests (they are not eligible for therapy, but the archdiocese may work with the survivors to obtain it from the orders);
- 43 abused by laypersons (the archdiocese will assist in seeking therapy costs from others);

- 51 claims that were dismissed or disallowed earlier (the archdiocese "in its sole discretion" may provide therapy).

"The archdiocese sold property, liquidated investments and eliminated approximately 40 percent of its staff and operations by 2008," according to a statement in the plan. "Since that time the archdiocese has been operating at reduced levels which have adversely impacted the scope of the religious and charitable work the archdiocese is able to accomplish."

Peter Isely, the Midwest director of the Survivors Network of those Abused by Priests, said Listecky is sending a message to the survivors.

"Money communicates what is of value to the archdiocese," Isely said, noting that some abusive priests were paid \$20,000 to leave without appealing their dismissal to the Vatican. "What [Listecky] is doing is punishing the victims. It's because survivors have stood up and exposed so much here. He is saying, 'You will be dismissed for that.' "

Isely noted that the \$4 million proposed for the survivor compensation fund is less than the \$4.6 million offered during mediation before the bankruptcy was filed. That's deliberate, he said, but it will not end the fight.

"We're a long ways from being finished," Isely said.

A status conference is scheduled for March 12 in bankruptcy court.

Check back with NCRonline.org for developments as they happen.

[Marie Rohde is a freelance journalist in Milwaukee.]

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