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Catholic schools feel funds are safe from Chapter 11 filing

But courts in other states have included them in archdiocese property

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Falling enrollments and changing demographics have forced closures, mergers and increased reliance on parish funds for the survival of southeastern Wisconsin's Catholic elementary and secondary schools over the last decade.

Now, the schools face more uncertainty with the archdiocese's filing on Tuesday for Chapter 11 bankruptcy reorganization.

Archbishop Jerome ListECKI said Tuesday that parishes and schools would not be affected by the legal maneuver, given their status as separate corporate entities. Even high schools with long-term leases on buildings owned by the archdiocese should not be affected, he said.

However, courts in other states have split on whether individual parish and school property could be counted as part of their affiliated archdiocese's assets and liquidated in bankruptcy proceedings.

When the Portland diocese went through bankruptcy, a judge found that the schools were part of the diocese and could be sold off to pay settlements. In that case, a separate settlement was reached that did not affect the schools. In Spokane, Wash., a bankruptcy judge also determined the schools were part of the diocese and accessible. In that case, a federal district court judge reversed the finding.

Brother Bob Smith, president of Messmer Catholic Schools in Milwaukee, likened the archdiocese's educational operation to a consortium, uniting the independent operations of a vast variety of schools over a range of communities.

The archdiocese helps Catholic schools with issues such as athletic competitions, legal liability issues, staff training and pooling services for cost savings, but has little involvement in daily or even annual school operations, he said.

"I'm sad anytime anybody has to go through something like this because the people who are most affected are the employees," Smith said. "But, in terms of what we do, no, it won't affect us."

Other Catholic school leaders in the Milwaukee area said they also felt they could support the contention that their funds and facilities are separate from those of the archdiocese.

"If the crux of the question is are our assets combined in all of this, no, not at this point," said the Rev. Paul Hartmann, president of Catholic Memorial High School in Waukesha. "We have our own finance committee. We have our own budget process. We have our own audit process."

The archdiocese maintains health care and pension plans that parish and school employees can join. Listeki said the pension plans are protected in a separate trust.

The schools also do not rely on archdiocese funds for their operations. In fact, it's the other way around, with the schools regularly contributing money to the archdiocese, school officials said.

"They do award grants and things like that from some of their endowments, but there's no ongoing support of parishes or schools," said Dean Weyer, business manager for the St. Bernard and St. Pius X parishes in Wauwatosa, which recently announced plans to merge efforts to create a new school in the fall.

In the 10-county archdiocese, there are 116 elementary and 14 high schools as of 2010, down from 143 elementary schools and 14 high schools a decade before, according to archdiocese reports.

Even though school officials say that they think they will be protected from the financial undertaking facing the archdiocese over the next year or two, they also said the proceedings could have an indirect impact on the communities they serve.

"Certainly, we're concerned about how something like this will affect people's confidence," said Hartmann, who also is judicial vicar for the archdiocese. "We're an institution that has to do annual fund raising and has to be responsible to our families and community."

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