

Diocese of Scranton

QUESTIONS AND ANSWERS ABOUT DIOCESAN FINANCES

Introduction

The paramount concerns of the Catholic Church are the spiritual well-being of its members and bringing the faith taught by Jesus Christ to the entire world. Of course, the Church must have financial resources to accomplish its mission, and it has a duty to manage these resources wisely. This can be a challenging task, as any business manager or head of the family household can attest. Economic conditions, the changing nature of the population, cultural attitudes and a host of other factors can affect the financial status of any institution, including the Church.

The financial structure of the Diocese of Scranton is directly connected with its governance which is established by the Code of Canon Law. The Code is a collection of rules that were approved in 1983 and are applicable for the universal Church. Many people may not be fully aware of how this structure operates, or they may have misconceptions about the finances of the Church. This brochure is intended to provide the faithful in the Diocese of Scranton with a better understanding of the financial operation of the Diocese.

What is a diocese?

A diocese is a portion of the people of God which is entrusted for pastoral care to a Bishop with the cooperation of his priests so that, adhering to the Bishop and gathered to him in the Holy Spirit through the gospel and the Eucharist, it constitutes a particular church in which the one, holy, Catholic and apostolic Church of Christ is truly present and operative. A diocese can be viewed as a communion of local parish churches, just as the universal church is a communion of particular churches.

While I belong to the Diocese of Scranton, I live my life as a Catholic in a parish. What is a parish?

A parish is a definite community of Christian faithful established on a stable basis within a particular diocese; the pastoral care of the parish is entrusted to a pastor as its own shepherd under the authority of the diocesan Bishop.

What rights do members of a parish have?

Membership in a parish begins with baptism. With membership come certain rights, namely, the right to the Word, sacraments, education, and pastoral care.

What obligations do members of a parish have?

Members of a parish have the obligation to support education and programs for evangelization, worship and works of charity, the upkeep of parish buildings and grounds, just wages for parish employees and support of the clergy. The parish cannot exist without the financial support of its members.

What are the Bishop's rights and obligations regarding the material goods of a parish?

According to the law of the Church, it is the responsibility of the Bishop to supervise carefully the administration of all the goods which belong to parishes which are subject to him. It is his responsibility to see to the organization of the entire administration of the parish's goods by issuing instructions in accord with the laws of the Church.

Are all parishes mandated to have a finance council and, if so, what are the duties of the finance council?

The Code of Canon Law requires all parishes to have an active finance council. The Code mandates that in each parish there is to be a finance council to help the pastor in the administration of the goods of the parish. The finance council is ruled by the universal law of the Church and by the norms laid down by the diocesan Bishop and is comprised of members of the faithful selected by the pastor according to these norms.

All parishes are obliged to comply with the Code of Canon Law and diocesan norms. Parishes within the Diocese must have a strong, active and functioning finance council. The members of the council are advisory to the pastor. They provide assistance in preparing the parish budget; they monitor the revenues and expenses of the parish. The council provides advice in the care of parish buildings and grounds. Members assist in preparing the financial reports presented to the entire parish community. They review all financial reports submitted to the Diocese and sign the reports indicating that they had the opportunity to review the report and attest to the fact that the report is an accurate representation of the financial condition of the parish. Finance councils meet at least three times a year and members should have an understanding of fiscal matters.

Is the Diocese required to have a finance council and, if so, what are their duties?

The Code of Canon Law also requires each diocese to establish a finance council. The Code mandates that a finance council is to be established by the Bishop, over which he himself or his delegate presides, and which is to be composed of at least three members of the Christian faithful truly skilled in financial affairs as well as civil law, of outstanding integrity and appointed by the Bishop. According to the Code, members of the finance council are to be named for a five-year term; but having completed this term they may be named to other five-year terms.

Members of the diocesan finance council are advisory to the Bishop. They meet at least three times a year. The finance council approves and monitors the budget and periodically reviews the revenues and expenses of the Diocese. The members review the annual audit of diocesan finances and recommend accepting or rejecting the auditors' findings. Once the audit is completed and approved by the members, the full audit is published in *The Catholic Light*.

According to the Code of Canon Law, the Bishop must seek the advice of the diocesan finance council in extraordinary matters. This could include large one-time financial transactions, such as construction projects, and purchases and sales of diocesan properties, and significant structural changes to diocesan financial administration.

My parish borrowed money from the Diocesan Deposit and Loan Fund. What does this mean?

The Diocese of Scranton operates a Deposit and Loan Fund for the parishes. Parishes with excess funds deposit these monies with the Diocese and receive interest on their deposits. Parishes with financial needs, e.g., for new construction or major renovation, can make a request to the Bishop to borrow funds to assist with the funding of these projects. Parishes requiring such a loan pay the Diocese interest on the borrowed monies and agree to repay in full the principal in a timely fashion.

It is important to note that the monies borrowed are not from diocesan funds but rather are the deposits of parishes with excess monies that have placed their funds in the Diocesan Deposit and Loan Fund. Monies deposited in this Fund always belong to the parish depositing them.

We have heard over the past years about debts which parishes have to the Diocese. Can you explain what these are and how they occurred?

Many parishes and other diocesan institutions have borrowed money from the Diocesan Deposit and Loan Fund for new construction, major renovation and, in special cases, for operating costs. The money borrowed is from funds other parishes and diocesan institutions have on deposit with the Diocese. It is important to understand that the money which is available for loans belongs to parishes and other diocesan institutions. When parishes that have borrowed money fail to repay either interest or principal, a serious problem is created. The Diocese must continue to pay interest on funds on deposit and at the same time have money available for withdrawal by the parishes and diocesan institutions that have deposited excess funds in the Deposit and Loan Fund. A banking arrangement such as exists in the Diocese of Scranton is dependent upon all parties meeting their obligations: parishes with excess funds are obliged to deposit them with the Diocese; the borrowing parish must honor its commitment to repay loans in a timely manner. The Diocese must administer the Deposit and Loan Fund to ensure that funds on deposit are available when needed, that interest is paid on such deposits, and that debts for funds borrowed are satisfied.

Parishes also experience debt because they cannot pay the bills for clergy health care, pension and the required property, liability, auto and workers compensation insurance premiums. When this occurs, these bills still must be paid; and, in certain situations they are in fact paid by the Diocese. The Diocese should not be put in a position where it is responsible for the bills of parishes and diocesan institutions. Therefore, when a parish becomes delinquent in interest, principal, health care, pension and insurance payments, a study must be conducted to determine the financial viability of the parish or institution.

Over the years many parishes have borrowed funds from the Deposit and Loan Fund and have not been able to meet their debt service. When this situation occurs, it creates a problem for the Diocese since the Diocese carries these debts as assets, or loans receivable, on its balance sheet. If these loans have not been serviced for a period of years, the Diocese may be forced to remove these non-performing assets from its financial statements thus eroding the assets and in turn the net assets (equity) of the Diocese. Such an erosion of assets adversely affects the diocesan self-insurance program, the pension programs of the Diocese and the diocesan borrowing power.

The Diocese has made a commitment to collect all outstanding debts and to work with the parishes and parish finance councils to develop a sound financial recovery plan to

prevent these parishes from falling into financial insolvency.

How does the Diocese have the right to collect a monetary assessment from a parish?

According to the Code of Canon Law, the Bishop has the right to impose a moderate tax on parishes subject to his authority. This tax, which should be proportionate to a parish's income, is for diocesan needs and may be imposed only after hearing the diocesan finance council and the priests' council. The Diocese of Scranton like all other dioceses throughout the United States relies on the generosity of parishioners for financial support for the complete array of services offered to parishes and diocesan institutions. In addition to the agencies and offices of the Diocese which receive financial support, donated monies are used for the education of seminarians, the care of aged and infirm clergy, diocesan obligations to the Church in this country and throughout the world and for needs of the poor.

Some dioceses assess parishes at a rate up to 25% of their total income. The rate of assessment for parishes within the Diocese of Scranton is 8.5%. This rate has not been altered since 1993. It is only because of the success of the Diocesan Annual Appeal that the rate has been able to remain constant. The Diocese in itself generates very little income. It is dependent upon the parishes to provide the financial support required to continue the mission of the Church.

In addition to assessments my parish pays other bills to the Diocese. What are these extra costs?

Among other operational costs borne by every parish there are the costs for clergy health insurance and pension, property liability and workers compensation insurance. Self-insurance programs and pension plans have been established by the Diocese to keep these costs as minimal as possible. Bills paid to the Diocese by parishes are to meet these operational costs.

My parish pays money to a Catholic high school and grade school. How is Catholic education funded in the Diocese?

There are 40 elementary and 8 high schools operating in the Diocese. The annual budget for these institutions totals approximately \$50 million. There are three major sources of income for the schools: tuition paid by parents, fund raising, and parish contributions or subsidies. Contributions from the parishes exceed \$15 million. In addition, the Diocese

provides more than \$3 million in school aid through the Diocesan Annual Appeal, the Educational Improvement Tax Credit program, and from grants and endowments.

For what are my Diocesan Annual Appeal contributions used?

The Diocesan Annual Appeal contribution is an important means in funding the diocesan Administrative Offices' budget. It provides funding for Catholic schools, parish religious education programs, funds for diocesan offices serving parishes including ***The Catholic Light***, and ***Catholic Television***, Hispanic ministry, clergy education, and the upkeep of diocesan properties.

Without the Diocesan Annual Appeal the assessment rate to the parishes could not remain as low as it is currently. The Appeal is essential to the financial well-being of the Diocese.

What do the Administration Offices do?

The Administrative Offices serve the parishes, schools and institutions of the Diocese. Under the jurisdiction of the Bishop, who is assisted by his Vicars General, Vicar for Administration, Regional Episcopal Vicars, Judicial Vicar, Vicar for Consecrated Life, Chancellor, and Secretary, the following administrative offices fulfill their obligations in the areas indicated:

1. **Office of the Chancellor**

Chancery

Communications

The Catholic Light

Catholic Television - CTV

Web site Management

2. **Office for Parish Life and Evangelization**

Campus Ministry

Deaf and Hard of Hearing

Pilgrimages

Ecumenism

Fatima Center

Pastoral Formation Institute

Family Life

Pro-Life

Religious Education

Social Concerns

Worship

VIRTUS

Youth and Young Adult

Catholic Youth Organizations

3. **Office for Clergy Formation**

Seminarians

Vocations

Deacons

Office of Ongoing Formation of Priests

4. **Office for Catholic Schools**

5. **Office for Catholic Human Services**

Catholic Social Services

Camp St. Andrew

Catholic Youth Center

St. Michael's School

Little Flower Manor

Study Commission for Pastoral Care of Immigrants

6. **Office for Priests**

Villa St. Joseph

7. **Office for Financial Services**

Finance Office

Human Resources

Catholic Cemeteries

Development

Diocesan Annual Appeal

Pontifical Mission Societies

Safety Inspector

The Guild

Many Dioceses throughout the country have paid millions of dollars for clergy sexual abuse claims. How much has the Diocese of Scranton paid over the years and where does this money come from?

In 1974 the Diocese of Scranton began a self-insurance program to provide all parishes, schools, and other diocesan institutions protection for property, liability, including sexual misconduct, automobile and workers compensation.

The self-insurance program guarantees that all diocesan institutions have adequate coverage at affordable prices. The Diocese pays a retention or deductible for each line of coverage and purchases excess insurance to cover larger claims. The self-insurance program has proven to be very successful over the past 30 years. In 1989 the Diocese of Scranton along with 30 other dioceses formed a captive or pooled resources insurance company, The National Catholic Risk Retention Group (TNCRRG). TNCRRG allows the Diocese to purchase an excess liability policy which includes coverage for sexual misconduct. Because a number of dioceses are pooling funds to cover claims, members can purchase coverage at a rate lower than those offered in the conventional market. The Diocese of Scranton through its self-insurance program and its partnership with TNCRRG has the ability to purchase sexual misconduct coverage. In view of the success of the self-insurance program, premiums paid by parishes, schools, and other diocesan institutions are lower than costs for comparable insurance available on the open market.

No funds held in trust for parishes, schools, and diocesan institutions were ever used to pay sexual misconduct claims. All sexual misconduct claims are paid from the diocesan self-insurance program or excess coverage provided by TNCRRG.

As of August 2005, the Diocese of Scranton has paid a total of \$836,652 to address claims of clergy sexual abuse.

Is the Diocese of Scranton facing financial difficulty?

The Diocese is facing financial problems. Most of these problems can be traced directly to parishes, schools and diocesan institutions that are unable to meet their financial commitment to the Diocese. One of the first tasks of the Regional Episcopal Vicars will be to assist parish finance and pastoral councils with self studies. The aim of these studies will be to structure parochial life throughout the Diocese of Scranton so as to ensure that all parishes are able to provide all their members with the Word, sacraments, education in the faith, and pastoral care of the needy within a stable economic context.

Conclusion

The faithful have an important role to play in the financial health of their Diocese. Without generous support for their parish and the Diocesan Annual Appeal, the Church could not accomplish the mission entrusted to it by Our Lord. Each of us has a solemn duty to be grateful stewards of God's many gifts, and to help carry out His work for the salvation of all.