



**UNION CORRUPTION IN AMERICA:  
STILL A GROWTH INDUSTRY**

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**INTRODUCTION**

To research the issue of corruption in America's labor unions is to experience both exhilaration and exasperation. There are few experiences more satisfying than reading and then writing about organized labor's embezzlers and extortionists getting their just deserts. Yet despite all the expulsions, arrests, indictments and convictions, there is also despair. For the story far too often stays the same even if the cast of characters changes. Corruption remains deeply embedded in the way unions supposedly represent dues-paying workers.

Back in the summer of 1999 the National Institute for Labor Relations Research (NILRR) published a monograph by this author entitled, *Union Corruption: Why It Happens, How to Combat It.*<sup>1</sup> Drawn primarily from newspapers, magazines and government reports, the study described various patterns of corruption within unions. Replete with juicy anecdotes of embezzlement, extortion, and on due occasion, murder, it concluded with a discussion of the potential ways through which unions could be made to adhere to legal conduct. While unions have made some progress in ridding their ranks of their criminal element, the reality is that their officials, under pressure from the government, have had little choice in such instances *but* to clean up their operations.

Make no mistake -- many union officials and staffers will steal in a heartbeat if they believe nobody is looking.

While keeping a short leash on certain unions is necessary as a temporary strategy, it's no comprehensive solution. More than anything else, the best defense against corruption -- and a sound idea in and of itself -- is protecting a worker's personal freedom to choose if and how to be represented at the bargaining table. At present, law and public policy do this fitfully.

Corrupt labor officials rarely display an anguished conscience over employing the services of the criminal underworld to terrorize those standing in the way of their ill-gotten gains. Enriching one's self, family and friends at the expense of others, and silencing those who complain about it, always has been the essence of crime syndicates, whatever their preferred racket. Yet union crooks for decades have had an unwitting assist from government. The National Labor Relations Act of 1935 and the Railway Labor Act of 1951 granted to unions what amounts to monopoly privileges, and, indirectly, a license to steal. How is this so?

Private-sector unions, for one thing, reserve the right of exclusive representation in all 50 states. That is, once a union is reckoned by a national labor agency to have the support of a majority of employees in a federally delineated "bargaining unit," the union speaks for all covered workers, regardless of their personal desires. If a group of workers perceive their union to be corrupt, they cannot invite in or organize a rival union. For another, unions have the authority, as interpreted by the courts, to exact dues from workers, regardless of their willingness to pay, except in states with a Right to Work law. More than 80% of workers covered by a union contract must pay union dues or (in lieu of

joining) "agency fees" typically set nearly as high. They can lose their job should they abstain from paying.

By artificially enlarging union treasuries, forced-dues privileges increase the temptation for union officials and staffers to steal from the very people they claim to represent. A burglar, all other things held equal, will be more attracted to a safe with \$400,000 inside as opposed to \$100,000. And though legislation, regulation, and Supreme Court rulings all state that unions must be financially accountable, union officials have often circumvented the law.

The evidence is clear that union professionals, acting alone or in concert with one another or with the criminal underworld, often succumb to the basest human instincts. The sheer magnitude of corruption is staggering, both in the number of cases and the size of the take. The 1999 NILRR monograph easily could have been made twice or three times as long simply by adding examples of corruption just as atrocious as those that were cited. The same can be said of this study. And an unprecedentedly high share of recent union scandals involve hundreds of thousands, even millions of dollars.

Major federal efforts to combat union corruption go back nearly half a century. The first such attempted crackdown took place in the late 1950s, after Sen. John McClellan, D-Ark., chaired extensive hearings, subpoenaing testimony from a wide range of witnesses, including top union officials. As a result of these hearings, Congress passed the Labor-Management Reporting and Disclosure Act of 1959, more commonly known as the Landrum-Griffin Act. A decade later, armed with the authority of the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO), the Justice Department aggressively pursued unions with evidence of mob ties, producing numerous arrests and

successful prosecutions. And the U.S. Supreme Court in its 1988 *Beck* decision ruled that union members have a right to withhold the portion of their dues that go for political and lobbying activity insofar as they are not directly related to organizing or collective bargaining.

Union corruption nevertheless survives, even thrives, because investigation, punishment, and regulation, however necessary, can't offset trade unionism's monopoly privileges. Union treasuries have been fattened by contracts that require employers to fire employees who withhold dues payments. Government granted these privileges, and it follows from this that government can remove them. Supporters of Right to Work in Congress have introduced the National Right to Work Act (H.R. 391/S.1765), which would bar unions in all 50 states from making forced dues a condition of employment for unionized workers. Enacting this bill, as experience with nearly identical measures repeatedly has shown, will be an uphill fight. Previous efforts in Congress to pass federal Right to Work legislation have been stalled by Organized Labor's opposition, and the union bosses are vowing to block this legislation as well.

This new monograph focuses exclusively on several high-profile cases that have emerged since its predecessor's publication. Yet it retains the 1999 edition's thesis that American trade unionism is shot through with a *culture of intimidation*. That is, people within unions who steal often show a willingness to threaten and terrorize members who are aware of theft and might come forward to report it. Corruption and criminal violence are to a large extent by-products of our longstanding system of exclusive representation and forced-dues collection by unions. They are further exacerbated by insufficient enforcement of union financial reporting standards. Any long-term strategy to eliminate,

or at least radically reduce, union corruption depends heavily on preventing unions from interfering with the rights and wishes of individual workers.

## **THE BIG FOUR:**

### **MUCH WORK REMAINS**

Back in 1986, after extensive research and hearings, the President's Commission on Organized Crime released its final report on corruption in organized labor.<sup>2</sup> It singled out four unions, above the others, as being "substantially influenced and/or controlled by organized crime": the International Brotherhood of Teamsters (IBT), the Laborers International Union of North America (LIUNA), the Hotel Employees and Restaurant Employees International Union (HERE), and the International Longshoremen's Association (ILA). The federal government wound up filing complaints against all four. The Justice Department since 1989 has kept the Teamsters under the supervision of three government-appointed officers, and it similarly oversaw HERE during 1995-2000. The Laborers and the Longshoremen, though they avoided direct federal oversight of their central operations, had at least one local apiece seized.

As the records of recent corruption that are summarized below attest, federal oversight has fallen far short of solving the problems besetting these four unions. The examples cited are not atypical. To be sure, because the universe of potential examples is so vast, to be cited here a case had to meet a certain threshold of significance. It must involve an act(s) of theft by a person or group of people in excess of \$50,000. If union officials, as opposed to unabettted rogue bookkeepers/accountants, were involved, that added to the magnitude of the offense. Most serious of all are those crimes in which

union officials colluded with organized crime figures. The evidence that follows speaks for itself.

## **THE TEAMSTERS**

The International Brotherhood of Teamsters long has been considered the embodiment of union corruption. The Teamsters have some 1.4 million members, down from roughly 1.9 million in the early 80s. This union, which today wields bargaining power over employees in a wide array of industries and state and local government as well as truck drivers and transport workers, has a long, storied history of ties to organized crime. Two 80s-era Teamster heads, Roy Williams and Jackie Presser, each admitted as much.<sup>3</sup> In 1988 the Justice Department filed a massive civil RICO suit against the union. Teamster officials, faced with the near-inevitability of multiple racketeering convictions, settled out of court in March 1989, agreeing to place their union under government supervision. A federal judge eventually set up a three-member entity, the Independent Review Board (IRB), to oversee union finances and elections, and monitor progress in rooting out corruption.<sup>4</sup>

The reform process appeared to have been given a huge boost by the 1991 election of Ron Carey as general president. Carey, the longtime head of Teamsters Local 804 in Queens, N.Y., had vowed during his campaign to cooperate fully with federal officials, kick out corrupt local and district council heads, and institute high ethical standards. And he made good on a number of his promises. He showed the exit door to dozens of crooked Teamster officials and employees. But Carey's reign was not entirely free of scandal either. And his administration ultimately self-destructed after several of

his loyalists hatched a scheme to divert and launder \$885,000 in union funds to support Carey's 1996 close re-election victory (over James P. Hoffa). His political director, William Hamilton, eventually was convicted of fraud, perjury and conspiracy, and received a three-year prison sentence; at least five other Carey cronies pled guilty to various charges. Carey was forced out of office in 1998 and eventually expelled from the union, though in 2001 he was acquitted of federal perjury charges.

As Carey's fortunes waned, those of his bitter rival, James P. Hoffa, waxed. A longtime labor lawyer, he was the son of the legendary Jimmy Hoffa, president of the union from 1957-71. The elder Hoffa, having done time in federal prison, disappeared on July 30, 1975, after leaving for a reported luncheon meeting in suburban Detroit with Teamster power brokers close to the Mafia.<sup>5</sup> The younger Hoffa was chummy with many Michigan Teamster bosses and had nearly succeeded in toppling Carey in the 1996 election. With Carey now gone, the doors of opportunity had swung wide open. In a special December 1998 election for general president, Hoffa defeated the Carey forces' favored candidate, Portland, Ore., boss Tom Leedham, and took office the following spring.

From the start Hoffa has made extricating the Teamsters from Independent Review Board supervision one of his top objectives. He has claimed repeatedly that his union's cleanup is a done deal, and that Carey's reign was the real heyday of Teamster corruption. In a June 2003 speech before Teamster officials in Hershey, Pa., for example, he announced that the union's ongoing negotiations with federal officials could result in the lifting of supervision by the end of the year. Referring to the IRB, he said, "The volume of their work has gone down.... There's nothing to investigate anymore."<sup>6</sup>

The prediction didn't come to pass, but not for want of Hoffa pulling out all the stops. He scored a major coup in October 2003 by hiring Robert Luskin as the Teamsters' internal investigator. Luskin already had earned a reputation as a fixer for the Laborers' union. LIUNA hired him in 1995 to take "aggressive action" to dissuade the Justice Department from filing a RICO suit against the union. The threatened and already-drafted suit was never filed, and five years later, the government decided to drop its option to sue LIUNA. Whether Luskin's magic rubs off on the Teamsters will depend heavily on his ability to spin bad news. It is true that Hoffa has kicked out over 100 corrupt officials and members, while at least avoiding the appearance of having broken the law himself. But he has also displayed a habitual blind spot for corruption and even violence when committed by people loyal to him.

Let's examine his claim that he runs a clean, honest union.

For sheer magnitude and brazenness, Teamster Local 25 in Boston takes first prize in the corruption field. During his decade-long reign over the 9,000-member local, ex-President George Cashman ran one of the most feared rackets in the country. In 2002 he faced a 179-count federal indictment, and pleaded guilty in April 2003 to pension fraud and extortion in two separate cases. In exchange, the Justice Department agreed to drop most of the remaining charges, while Cashman consented to leave the union and serve a moderate prison sentence. Local Vice President William Carnes also pleaded guilty to four counts of fraud on related charges.

One of the crimes to which Cashman confessed was fabricating work hours for 19 ghost employees of a Somerville, Mass., trucking company so that they could collect benefits from the local's Health Services and Insurance Plan. The scam cost the benefit

fund about \$72,000. One of the beneficiaries was John "Mick" Murray, a convicted burglar and associate of notorious fugitive Boston mobster James "Whitey" Bulger.<sup>7</sup> Murray, as part of his own 12-count guilty plea, admitted he and Bulger lieutenant Kevin Weeks extorted a Dorchester bookie, Kevin Hayes, at gunpoint by threatening to execute him in a local basement. Murray also had extorted a Teamster member to hand over a master key to United Parcel Service delivery trucks so that a theft ring could steal computer equipment and guns -- about \$1 million worth -- during 1995-97.<sup>8</sup>

Cashman's other conviction was for his collusion with a trucking company owner to extort funds from Cardinal Health, an Ohio-based pharmaceutical distributor, to settle an employee pension dispute. He'd ordered the company to divert \$100,000 worth of business to Thomas DiSilva, co-owner of a Burlington, Mass., trucking company. DiSilva and Cashman then divvied up the kickback.

In the fall of 2003, Cashman was sentenced to two years and 10 months in prison. Yet it is the alleged wrongdoing for which he *isn't* going to prison that may be the most troubling. For example, for many years Local 25 officials allegedly used threats of work delays and cost overruns to force film producers shooting in the Boston area to hire "drivers" of the union's choosing. Among the "drivers" hired as a result of alleged Teamster strong-arm tactics were a group of men convicted for participation in a 1994 armored-car heist in New Hampshire that resulted in the execution of two guards. Local 25 controlled the labor supply for movies such as *Blown Away*,<sup>9</sup> *Good Will Hunting*, *The Perfect Storm*, and, most recently, Clint Eastwood's acclaimed *Mystic River*. At his July 2002 trial, local member Philip Myers, who turned federal informant, testified that the union for decades had hired movie-crew labor in collusion with the mob. Mafia boss

Gennaro Angiulo had recruited him, his brother Paul, and ex-con Frank Rossi. Cashman then asked the three mobsters to do him "a favor." "Cashman wanted somebody killed or hurt," recalled Myers.<sup>10</sup>

Cashman's desire for control over movie sets even allegedly led him to order the assault of a woman. Local 25 had tried to extort producers of an MGM film to contract with Location Connection, a Boston company that provides movie-set trailers and other vehicles. The reputed head of the company was James P. Flynn, Local 25's "transportation coordinator." In the summer of 2000 Flynn allegedly ordered the murder of Susan Christy of Foxboro, Mass.; Christy had refused to give up her snack-truck concession on the set to a Flynn crony. Cashman vetoed the plan when he got wind of it, fearing it would raise suspicions in an ongoing federal investigation. He reportedly decided a more appropriate measure would be for a Teamster thug to "send Christy a message." Ms. Christy subsequently was "dragged around by her hair, thrown against her truck, and slapped upside the head."<sup>11</sup> Apparently, beating a woman instead of killing her is what passes for chivalry at Local 25.

Cashman and associates very likely also managed to skim money from another source: parking garage revenues at Boston's Logan International Airport. A public authority, Massport, operates the garages. Its lot attendants belong to Local 25. Cashman had been appointed by former Gov. Paul Celucci to serve on Massport's board of directors until he was forced out in January 2002 by Celucci's successor, Jane Swift.<sup>12</sup> An internal audit by Massport revealed major accounting irregularities with garage revenues. The agency then referred the matter to federal agents. As part of a lengthy probe, in November 2002 FBI and IRS agents showed up at Logan Airport, interviewing

about two dozen garage workers and managers. No arrests have been made, but an unnamed source put it this way: "I don't know if it's racketeering, or something like that...(or just) one of the guys skimming. But [Massport] knows their numbers don't add up."<sup>13</sup>

One would think the ostensibly high-minded Hoffa would have dismissed, or at least reprimanded, Cashman, whose chumminess with Boston mobsters was a widely recognized long before his indictment and conviction. Granted, much of the skullduggery at Local 25 occurred well before Hoffa took over the Teamsters. But that hardly justified Hoffa's naming of Cashman head of the Teamsters' international port division in 1999.

Hoffa also seemed to have a blind spot for the activities of Michael Bane, who served as president of Local 614 in Detroit from 1990 until his expulsion about a decade later. A federal court upheld Bane's expulsion in April 2002. Bane was an old Hoffa ally, having led the effort to change the Teamsters' constitution to allow the latter to be eligible to run for the presidency; his father and Hoffa's, in fact, had been close friends many years back. In addition to a conviction for embezzlement dating back to the 1970s, Bane had underworld connections. In a December 2000 report, the IRB concluded that Bane had lied under oath in claiming he had no relationships with members of the Detroit Mafia. Nove Tocco, one of four men convicted in a 1998 federal trial of local mobsters, told the FBI he had known Bane since the 70s and together they had taken kickbacks from restaurant owners, a statement supported by FBI wiretaps as well as other testimony.<sup>14</sup>

Hoffa counters his critics by pointing to his expulsion of a number of corrupt Teamster chieftains and rank-and-file members. While such actions are commendable in and of themselves, in the larger context they have seemed more geared toward eliminating rivals than protecting the rights of rank-and-file workers. An example of Hoffa's selective indignation was his removal of John Morris from the presidency of Local 115 in Philadelphia in November 1999. Morris founded the local way back in 1955, and had become a powerful figure indeed. Though his local had only 2,700 members, he led the union's state and district council affiliates, giving him sway over about 80,000 Teamsters in Pennsylvania, New Jersey and Delaware.

A Hoffa-led investigation concluded Morris had used local funds to buy shotguns, stun guns and pepper spray in preparation for an unspecified labor "war." It also cited him for using union funds to buy insurance premiums, school buses, tractor-trailers and a printing press, and using union labor to repair his car and renovate his house while on their employers' clock. Clearly Morris was no choirboy. And the IBT internal investigators may have been right on all counts. But the whole operation smacked of payback time -- and payback in union politics is particularly unforgiving. Ron Carey, while president, had seized Philadelphia Local 107 (among many others) after its (pro-Hoffa) leaders campaigned against him in 1996. He then put an ally, Morris, in charge of the local during its period of trusteeship. Morris, in turn, conspicuously opposed Hoffa in the union's 1998 presidential election. Hoffa's probe was heavily based on the testimony of Morris's former top aide-turned-rival, Jim Smith, who told Teamster investigators that Morris often physically threatened union members who disagreed with him.<sup>15</sup>

A recent Teamsters *non*-action also suggests Hoffa has operated on a policy of selective retribution. In January 2003 the union filed internal charges against Donato DeSanti, president of Local 701 in New Brunswick, N.J. The complaint accused DeSanti of working with Michael Sciarra, a suspected member of the Genovese crime family who'd been thrown out of Local 560 in Union City, N.J., in 1999 for pension-fund looting. DeSanti and Sciarra allegedly had cooked up a scheme to organize workers at a T.J. Maxx warehouse in Philadelphia, have them paid at less than the going rate, and then collect a portion of the difference from a corrupt employer. Yet DeSanti somehow got elected as a vice president of the Teamsters' Eastern Region on the Hoffa slate in 1998 and 2001.<sup>16</sup> DiSanti retired from the union not long after the charges were filed, and no formal action was taken against him. This allegedly mobbed-up retired union boss is thus presumably eligible to collect a pension paid for by workers' compulsory union dues.

While Hoffa selectively goes after Teamster corruption, he doesn't seem to lose any sleep at all over his union's carrying on its white-knuckles-and-tire-iron legacy of settling labor disputes. Corruption and violence, though not the same thing, are mutually reinforcing. Getting away with stealing depends largely on being able to intimidate whistle-blowers within the union. And getting away with violence in turn sends a message to union officials and their employees that financial crime really does pay. The Teamsters' unsuccessful three-year strike against Overnite Transportation Co. suggests the union is a long way off from meriting a clean bill of health from the IRB.

From the very beginning, Hoffa and top aides had viewed Overnite, a Richmond, Va.-based trucking giant, with more than 170 service centers in 45,000 cities and towns throughout the U.S. and elsewhere, as a prime strike target. The Teamsters sought to

become the exclusive bargaining agent for all Overnite employees, and where state law permitted, to extract dues or agency fees from drivers as a condition of employment.

From October 1999 to October 2002, Hoffa loyalists struck the company. The first phase of this strike was intensely violent.

In January 2000, about three months into the walkout, the company filed a civil RICO suit against the Teamsters based on some 55 separate incidents of assault, including shootings. A federal court a little over a year later ruled that Hoffa and two dozen other union officials could be held liable. U.S. District Judge Bernice Donald (Western District of Tennessee) rejected the claim by lawyers for the union that such behavior constituted "minor" acts not covered under RICO statutes. Firing a gun at a truck on the highway and dropping a cinderblock from a highway overpass onto a passing truck, she observed, represented attempts to commit murder.

Two nearly fatal attacks, each of which occurred in the Memphis area in December 1999,<sup>17</sup> did not appear to trouble Hoffa's conscience. "The fact of the matter is," he stated in response to news that a nonstriking driver had been shot in the stomach, "Overnite bears a heavy responsibility here...Overnite can end this strike at a moment's notice with a binding agreement." Hoffa, along with a top aide, even let down his guard on camera. At one point in the documentary film *American Standoff*, which debuted on HBO on June 10, 2002, he made it clear, in a discussion with Teamster organizing director John Murphy, that his decision to strike Overnite was based on his own political considerations, not the economic interests of rank-and-file members. "The biggest thing, John, is we have a political schedule here. We got to run in 2001," said Hoffa.<sup>18</sup> Murphy, if anything, upped the ante. In the film he subsequently stated, "Someone once

said that a general of an army has to be prepared to order all the soldiers to die to be an effective general."<sup>19</sup>

Unionized truckers eventually went back to work, but the RICO case dragged on. Finally, in the summer of 2003 the Teamsters settled with the Justice Department. The union consented to refrain from a long list of acts, including brandishing or carrying:<sup>20</sup>

"any weapon of any kind, including, but not limited to, guns, knives, slingshots, rocks, ball bearings, liquid-filled balloons or other projectiles, sledge hammers, bricks, stones or two-by-fours at or near any picket line...."; using or threatening to use a weapon of any kind, including hot coffee, bottles, two-by-fours, lit cigarettes, eggs or bags of balloons filled with excrement against any non-striking Overnite employee or security guard" ...; threatening "to kill or inflict bodily harm," making "throat-slashing motions," making "gun-pointing motions," challenging or threatening "to fight or assault employees," threatening "to sexually assault non-striking employees or their family members," threatening "to follow non-striking employees to their homes," using "racial epithets or obscene gestures at non-striking employees."

Many adjectives come to mind in reviewing this list – "peaceful" is not exactly one of them. This statement is nothing less than a de facto acknowledgment by the Teamster hierarchy that its agents *did* engage in such acts.

Whether the focus of investigation is on corruption or violence, the IRB, contrary to Hoffa's claim, should have plenty to investigate in the future. That's a reality not likely

to change in the foreseeable future. The Teamsters' organizational culture of muscle, swagger and sweetheart deals with the underworld, the niceties of law be damned, is too deeply ingrained to expect a sudden reversal, with or without federal supervision. Much like a Mafia family, the Teamsters stand ready to go beyond normal channels in looking out for their own, even if that means busting some heads.

## **THE LABORERS**

The Laborers' union has been riding a good luck streak. With more than 800,000 members in over 500 locals, LIUNA represents workers in industries such as construction, hazardous waste removal, health care, maintenance and food service. LIUNA officials also have elevated corruption and violence to the level of art forms. Yet unlike the Teamsters, the Laborers have avoided federal supervision. Instead, the union operated for nearly a decade under a self-policing arrangement. The origins of the deal to avert federal control (and its subsequent dilution) reveal just how closely the Laborers have been tied to political power, especially at the Clinton White House.

By the 1990s the Laborers' saturation with mobsters was impossible to ignore. And the Justice Department had the goods on them. In 1994 federal prosecutors drafted a civil RICO complaint against top union officers, naming 39 defendants, including the union's general president, Arthur A. Coia Jr. This case, like that against the Teamsters, seemed airtight. Coia had taken over the helm in March 1993 shortly after his predecessor, Angelo Fosco, died. (Coia's father, Arthur E. Coia, had been Fosco's right-hand man). The younger Coia, the suit alleged, participated in a kickback scheme to loot his union's health and welfare funds, and split the proceeds with the New England

region's Patriarca crime family. By all evidence, he also had ripped off upstate New York locals and shared the proceeds with Buffalo crime boss Joseph Todaro Sr. and his son, Joseph Todaro Jr.<sup>21</sup>

Arthur Coia Jr. may have been a crook, but if so he was a politically savvy one. He'd already gotten to know Democratic Party lawyer and top Bill Clinton adviser Harold Ickes, who had represented LIUNA in the past. With Clinton now President, the time was ripe to use his connections. Coia served as co-chairman for several Democratic Party fundraisers, while his union contributed heavily to party causes. He also became a close friend of Clinton; the two even exchanged golf clubs. In all, the U.S. House Crime Subcommittee subsequently documented more than 120 contacts in three years between Coia and the Clinton White House, including cash contributions, personal letters and social-political invitations.<sup>22</sup>

Coia's ability to schmooze at the highest levels of power paid off. In February 1995 the Justice Department, reportedly under intense White House pressure, called off its pending RICO suit, and instead allowed the union to conduct an internal cleanup. The self-policing plan would involve an internal prosecutor (the aforementioned Robert Luskin, who'd already served as the union's own lawyer), a judge, an appellate officer and dozens of investigators, many of them former FBI agents. The Justice Department would retain the right to file a racketeering suit should the union fail to make sufficient progress in rooting out corruption.

Prodded by the new arrangement, LIUNA officers began weeding out organized criminals. By decade's end, the union had removed at least 220 corrupt individuals from positions of power, including more than 125 found to be members or associates of

organized crime operations. The investigation purported to have cleared Coia, who had been under a 16-count indictment, of having ties to organized crime.<sup>23</sup> But it did conclude he'd defrauded his state and local governments of nearly \$100,000 in taxes on the purchase of three Ferrari sports cars from a Rhode Island car dealer/union vendor. The Justice Department, apparently satisfied with the results of the Coia-Luskin LIUNA "clean up," announced in January 2000 that it would relax its oversight, ceding its option to take over the union.<sup>24</sup> Under the revised agreement, the union pledged to continue self-policing through 2006, with the Justice Department limiting its role to reserving the authority to file injunctions.

The high-living Coia, pled guilty to tax evasion, paid restitution plus a \$10,000 fine, and stepped down. Following a two-year disbarment by the State of Rhode Island, he won back his license to practice law, though by now his primary residence was in Delray Beach, Fla. Holding the title "general president emeritus," he enjoys a \$335,516 lifetime annual income from the union.

The union's current general president, Terence O'Sullivan, took office January 1, 2000, having served for several years as a top aide to Coia. Judging solely by appearances, he represents an improvement. And in fact, as is the case of the Teamsters under James P. Hoffa, the recent alleged and proven cases of lawbreaking at LIUNA locals are largely concentrated in entrenched citadels of corruption, rather than in relatively recently organized units. But that provides cold comfort to the rank-and-file unionists who are victimized.

The Chicago area, for example, has continued to live up to its reputation as a haven for LIUNA crooks. Frank Zeuberis, then boss of LIUNA Local 5, skimmed more

than \$470,000 in local funds over a four-year period. In June 2001 he pled guilty to a racketeering charge that he had given himself, his wife, and reputed mob lieutenant and local secretary-treasurer James DiForti unauthorized and/or fraudulent salary increases, bonuses and paid vacations. In November a federal judge handed down a 33-month prison sentence to Zeuberis, and ordered him to make full restitution. His wife was not charged; DiForti died in 2000.<sup>25</sup>

Another Chicago-based scam involved John Serpico, who during 1975-94 headed the Central States Joint Board, a multi-union organization that handles benefit funds for eight locals, including several affiliated with LIUNA. He later became a \$50,000-a-year consultant to CSJB. In addition, he served on the Illinois International Port District (IIPD). Though thrown out of LIUNA in 1995 for his acknowledged "friendships" with several notorious mobsters, Serpico was retained in a position that allowed him to engineer a massive, 12-year-long mail fraud scheme with his girlfriend and successor CSJB president, Maria Busillo (Serpico was married), and an associate, Gilbert Cataldo.<sup>26</sup> Serpico and Busillo used their influence to deposit about \$20 million in union pension, benefit and other funds with several small banks in the Chicago area in return for \$5 million in loans at favorable terms for personal business ventures. The key dealings were with Capitol Bank and Trust, whose executives pled guilty in 1996, and were fined \$800,000 and banned from banking. Cataldo, an ex-IIPD executive director, was convicted of sharing kickbacks of more than \$330,000 after CSJB used union treasury funds to finance a \$6.5 million loan for a failing hotel project in Champaign, Ill. Initially, in July 2001, U.S. District Judge Blanche Manning acquitted Serpico and Busillo of

several counts. But later that month a jury found the couple guilty on six of seven counts of mail fraud.

Chicago hasn't been the only Midwest trouble spot. Starting in November 1999, two officials and another member of Local 177 in Des Moines colluded to defraud the union of more than \$120,000. Local President Fred Risius embezzled \$100,000 from Local 177 through payments to, and kickbacks from, a bogus construction firm, payments to fictitious picketers, and use of the union credit card for personal expenses. Vice President Henry Janennga embezzled \$22,500 from the Iowa State Laborers' Training Fund, while local member Norval Craig Michael received \$16,900 from Risius, ostensibly for materials Michael sold to the union. In fact, he and Risius split the cash between themselves. All three were convicted. Risius and Jannenga received prison sentences and were forced to make restitution; Michael got five years probation, plus restitution.<sup>27</sup>

LIUNA has retained quite a few bad apples in the Northeast, too. In December 2002 Carmelo Sita, formerly benefit fund manager for the Hudson County (New Jersey) District Council of Laborers, was hit with a 59-count federal indictment for embezzling more than \$2 million in union funds. During January 1995-March 1999, Sita wrote checks to himself to cover personal expenses such as mortgage payments, credit card debt, lease payments on luxury vehicles, and a vacation home and boat on Martha's Vineyard. Sita resigned from his position in 1999. The U.S. Attorney's Office in Newark was in the process of preparing a case against him when this report was published.

Across the Hudson River in New York lay an even bigger LIUNA scandal. Brothers Joe and Fred Scalamandre, owners of several construction companies in Long

Island, N.Y., pled guilty in November 2001 to participating in a "labor peace" scheme that had unfolded during 1991-98. The brothers paid \$40,000 a year to Lucchese crime family boss Alphonse D'Arco and underboss Anthony "Gaspipe" Casso.<sup>28</sup> Once having received the money, the mobsters paid heads and employees of several LIUNA-affiliated locals to allow the Scalamandres to keep money that should have gone into benefit and other union funds. The brothers made about \$5 million from this deal. The brothers also pled guilty to a tax fraud scam in which they issued nearly \$1 million in company checks to their subcontractors in payment of fraudulent invoices.<sup>29</sup> They were given prison sentences, and forced to pay restitution and fines. In January 2004 acting Lucchese boss Stephen Crea received a sentence of 34 months in federal prison for crimes of extortion relating to the Scalamandres.<sup>30</sup>

A case in Buffalo, N.Y., underscores the frequent futility of self-policing. In September 2001, the FBI arrested union crony Frank "Butchie Bifocals" Bifulco for torching an associate's car in an insurance scam, and then attempting to persuade a third party to give police false information about the crime. Three years earlier, Bifulco had been removed as administrator of the pension fund of Local 210 due to his suspected mob ties. Yet he was never charged with anything, let alone convicted.

In nearby Niagara Falls, N.Y., LIUNA Local 91 for years allegedly ran an extensive goon squad to shake down employers. The dominant figure by all accounts was the local's longtime business manager, Michael "Butch" Quarcini, who died in July 2003 of natural causes while under indictment. Federal agents, after a four-year investigation, arrested Quarcini and more than a dozen other Local 91 officials and employees on May 17, 2002. If somebody sings, a whole house of cards may come

falling down. Quarcini and the others knew how to flex their muscles. Over the years, builders and contractors in Niagara County came to understand that their projects had better include lots of workers from Local 91 -- or else. By "or else," union officials allegedly meant vandalism, beatings, extortion or bombings.

Joe Aragon, whose company, ProServe Corp., has built dozens of Pizza Hut-Taco Bell restaurants around the country, found out the hard way. He had proposed building a restaurant on the New York side of the Lewiston-Queenston Bridge. Joel Cicero, Quarcini's son-in-law, who is now under indictment, reportedly used his government-appointed position as Bridge Commissioner to force Aragon to hire Local 91 labor. Aragon proceeded with construction anyway, hiring one worker from the local. To the union honchos, one worker apparently wasn't enough. They allegedly staged violent pickets, issued threats and committed acts of vandalism. One goon reportedly tried to run over one of Aragon's female employees with a car. Of course, complaining about such incidents to the Bridge Commission would have been worse than useless. "Joel Cicero *was* the Bridge Commission. He told me I'd better play ball, or else," recalled Aragon to a reporter.<sup>31</sup> "I spent a million dollars to build this thing and this is the only place in the country where I had to go out of business. I believe Cicero and Congi [Mark Congi, president of Local 91] were directly responsible."<sup>32</sup>

He wasn't the only person plagued by Local 91. Union thugs on various occasions allegedly: punched a non-union subcontractor in the nose during a picket; vandalized a landfill where an out-of-town company had hired non-union workers, doing about \$100,000 in damage; hurled two bombs through the window of worker's home; beat up a non-union carpenter sweeping up a work area; hurled a brick through the

window of a delivery truck, injuring the driver; and ganged up on a half-dozen tile setters at a supermarket construction site in a dispute over work jurisdiction.<sup>33</sup> For Local 91 no felony was out of bounds if it was intended to preserve its "job market share."

The tide may have turned with the FBI raid in 2002. New York Republican Gov. George Pataki kicked Cicero (now under indictment) off the Bridge Commission the following January. Lawyers for those arrested have tried, unsuccessfully, to get the case thrown out of court. Supporters of law and order in Niagara Falls hope a parade of convictions lies ahead.

Oregon, though not a Right to Work state, until recently had less of a reputation for union sleaze than union strongholds like Illinois and New York. But John D. Abbott, LIUNA business manager for the Portland-based Oregon, Southern Idaho and Wyoming District Council of Laborers until his ouster in 1998, helped change that image in a hurry -- with a little help from some crooked investment gurus. A trustee of several union funds, Abbott accepted nearly \$200,000 in cash and non-cash gratuities from Jeffrey Grayson, CEO of Capital Consultants LLC (CCL), a Portland investment firm that managed dozens of union pension plans, including those of LIUNA.<sup>34</sup> Based on eyewitness accounts assembled by the U.S. Attorney's Office, Abbott would steer pension funds to CCL, and Grayson in turn would make Abbott richer. Abbott pled guilty in February 2001, and was sentenced later that year to two concurrent terms of 15 months in prison, and ordered to pay restitution and back taxes.

But this was the tip of a far larger iceberg. Abbott gave prosecutors key information about Grayson, which led to a 22-count indictment against the latter for conspiracy, witness tampering, money laundering and other offenses. The Department of

Labor and the Securities and Exchange Commission filed suit against CCL and its principals for making highly risky, possibly fraudulent investments, and for charging excessive fees. The sums involved weren't exactly pocket money. CCL's portfolio stood at \$927 million at the time federal agents seized its assets in September 2000, about 75 percent of which consisted of union pension plans. Of the \$355 million that Grayson managed to lose for his clients, LIUNA's share was roughly \$25 million.

Grayson in October 2001 initially pled not guilty on all counts. But he hadn't counted on his own son and company president, Barclay, pleading guilty to mail fraud, receiving a two-year prison sentence, and showing a willingness to testify against his father. The elder Grayson, in ill health, subsequently pled guilty the following April to separate felony counts of mail fraud and assisting in the preparation of a false tax return. On May 13, 2002 more than 60 union pension and other benefit funds reached a settlement with Jeffrey Grayson and 10 other defendants to recover \$110 million in losses involving allegations of pension fraud. But many of the benefit officers representing the funds participating in the union lawsuit may have been collaborators rather than victims.

The Capital Consultants case remains a work in progress. DOL filed suit in April 2002 against trustees of several union pension funds, detailing how these officials had ignored warnings from outside advisers about placing too much money with Capital.<sup>35</sup> At least six union officials either were indicted or pled guilty to accepting gifts and favors from CCL executives for steering worker-financed pensions toward the company. In August 2003 the Labor Department followed up with a suit against trustees of seven union-sponsored pension and health plans in Ohio and Minnesota for steering union

funds toward CCL investments they knew to be highly risky. DOL early in 2004 also sued a pair of Colorado-based union pension plans for investing recklessly with CCL.<sup>36</sup>

So far, this saga has had a happy ending. By early 2004 a court-appointed receiver managed to collect more than \$140 million from Capital, a figure not including over \$130 million obtained through private litigation.

Officially, LIUNA General President Terence O'Sullivan does not condone corruption. But lest anyone forget, he won his job out of loyalty to Arthur Coia. And Coia, like a bad penny, doesn't seem to go away. In January 2004, four trustees of the Rhode Island Laborers' Legal Services Plan agreed to repay the plan nearly \$320,000 to settle a suit by the Department of Labor for alleged Employee Retirement Income Security Act (ERISA) violations. Coia founded one of the law firms paid by the plan.<sup>37</sup>

New allegations suggesting O'Sullivan is in the hip pockets of Coia and his mob patrons are contained in a private e-mail from LIUNA dissenter Ron Fino to U.S. Attorney Patrick J. Fitzgerald in Chicago, dated February 17, 2004, and made public for the first time in this report. Fino, formerly the business manager for Buffalo's Local 210, gave devastating testimony before the House Crime Subcommittee on July 24, 1996 about the inner workings of the LIUNA-mob relationship.<sup>38</sup> In his recent e-mail, Fino concluded:

The bare truth is: This whole consent decree program has been a sham. A vehicle to remove Coia opponents and replace them with Coia loyalists, a vehicle where certain Genovese family-controlled officials have been allowed to escape prosecution and allowed to strengthen their position....Money remains the key,

and since the consent decree was issued little has been done to recover and protect the pensions and health benefits of the membership.

Is O'Sullivan willing to cross swords with the Genovese family? Don't bet the ranch on it.

## **HOTEL EMPLOYEES AND RESTAURANT EMPLOYEES**

With the catchy acronym HERE, the Hotel Employees and Restaurant Employees International Union, representing some 265,000 hospitality industry workers in North America, is on a roll. John Wilhelm, president since 1998, previously had headed the union's Las Vegas affiliate, Culinary Workers Local 226, launching a highly successful organizing drive. He added some 22,000 new hotel-casino employees to union ranks, the main reason for the local membership's soaring growth during 1988-2003 from 18,000 to 48,000.<sup>39</sup> Since the vast majority of the employees were unionized under "voluntary" deals with employers, and never got a chance to vote the union up or down in a secret-ballot election, the massive evidence of HERE's involvement with mobsters did not greatly hinder Wilhelm's recruitment efforts. However, thanks to Nevada's Right to Work law, many members could ultimately decide their dues money would be put to better use elsewhere.

Organized crime has been no stranger to HERE. In 1991 the Justice Department took control of Atlantic City, N.J.'s Local 54, which represented the city's hotel-casino workers. The local for years had taken its orders from top Philadelphia mobsters. The international union appeared to be unwilling or unable to combat corruption in other

locals as well. By mid-decade, a federal takeover appeared imminent. And unlike LIUNA, the union did not enjoy particularly close White House connections. In 1995, the Justice Department coaxed the union into signing a consent decree that would subject it to federal oversight for more than five years. A court-appointed administrator, former federal prosecutor Kurt Muellenberg, monitored the group, and was given the authority to replace corrupt local officials.

Muellenberg, at a House Employer-Employee Relations Subcommittee hearing in July 1999, issued a scathing report documenting extensive financial mismanagement, fraud and cronyism at HERE. Chairman John Boehner, R-Ohio, expressed disbelief that a union could take in \$30 million a year, yet have no budget, no organizational chart, no employee job descriptions, and no policy manual! But less than a year and a half later, on December 1, 2000, the Justice Department announced that, having reviewed the evidence, it would end its direct supervision of HERE. The union, the Department of Justice and U.S. District Judge Garrett E. Brown, Jr. (New Jersey), accepted the finding by the new monitor (Muellenberg by this time had left) that the union had made "significant progress" in rooting out corruption.

Aside from the possibility of that the lame-duck Clinton administration was handing a gift to organized labor, there were two plausible reasons behind Justice's seemingly sudden leniency. One was sympathy. HERE's ex-international president, Edward Hanley, had been killed at the beginning of the year, a victim of a collision with a pickup truck in rural Wisconsin. Hanley had headed the union for a quarter-century, from 1973 until his ouster in 1998 by the Justice Department (his son Thomas, boss of Chicago's Local 1, was suspended). Federal officials long had suspected the elder Hanley

of being in cahoots with the mob; as early as 1977 the Justice Department had issued a report concluding he owed his job to Chicago crime lord Joey Aiuppa.<sup>40</sup>

The second was that Hanley's successor, John Wilhelm, seemed to be cut from a different cloth. The Yale-educated Wilhelm conveyed to Justice officials that he was intent on building an honest union. They evidently concluded he was focused on winning concessions at the bargaining table rather than perks for himself and friends. Responding to the new self-policing agreement, he vowed to continue to purge HERE of ties to organized crime. He also agreed to maintain the union's ethical-practices code and three-member investigating board. But HERE corruption, whether in the form of new cases or still-unresolved old ones, has kept federal investigators busy in the new millennium. Numerous instances of corruption, all in non-Right to Work states, have emerged during the last half-decade.

In January 2002, New Jersey State Police announced they had charged five people associated with Atlantic City's Local 54 with embezzling the local's severance fund of at least \$71,000. The ringleader was Mariana Candelaria, an employee of Garden State Benefit Services Inc., which administered the local's pension and severance funds. She allegedly conspired with an ex-colleague and three outsiders to file false severance claims, and then issue and cash the checks. At that time, the Atlantic City local already was in hot water. Just weeks before, union members had been notified for the first time of a drop of several hundred thousand of dollars in Local 54's net assets during 2000. And in October 2001 a federal judge threw out the results of a 1999 local election, noting that the union had failed to mail election notices to nearly 2,000 members and ballots to almost another 1,600.<sup>41</sup>

Meanwhile, up in northern New Jersey, the Secaucus-based Local 69 produced a scandal with a far higher dollar haul. In March 2002 HERE President Wilhelm ousted local President David Feedback upon uncovering evidence that he'd paid \$542,000 in severance benefits to John N. Agathos, who had served as local president until his expulsion for associating with mobsters in 1996, and to his son, John R. Agathos. Wilhelm also placed the local under trusteeship after discovering Feedback had diverted more than \$100,000 for his own personal use. Judge Garrett Brown once again appointed Muellenberg as overseer, while prosecutors filed a RICO suit against the local, alleging that it had been under the control of Genovese mobsters for at least 15 years.<sup>42</sup>

In New York City, the comptroller for HERE Local 6 created a scandal rivaling that of fallen TV preacher Jim Bakker. Patrick Monachino was arrested in August 2003 and charged with stealing \$170,000 from the local in order to pay a female clerk in his office for oral sex and then to keep her quiet about it afterward. Over a three-year period he reportedly paid the woman with union checks. Then, when the cancelled checks came back, Monachino altered them by removing the woman's name and replacing it with those of union vendors.<sup>43</sup> Monachino, a married man (whose wife suffered from multiple sclerosis), alleges he only paid the clerk for sex a few times and that most of the money he stole was for blackmail payments. But that hardly seems an exculpatory argument.

Buffalo's Local 4 is another HERE affiliate that has kept prosecutors busy. In May 2000 a federal grand jury indicted ex-boss, Frank Ervolino and his wife, Anna, for embezzling more than \$235,000 in union funds over the years (actually a year earlier Muellenberg's office had concluded the amount embezzled was \$491,000). The cash cow was the Hospital & Nursing Home Council (HNHC), an umbrella group for HERE Local

4 and locals of the Laundry and Dry Cleaners and Service Employees unions. During 1990-96 the Ervolinos diverted about \$183,000 from the Council and another \$52,000 from its pension fund, frequently issuing checks into their personal accounts, sometimes labeling these checks "severance pay" or "loans" to the Laundry Workers Union, and then forging the signature of another HNHC officer. They also collected salaries and bonuses for nonexistent work. The Council as a result went defunct. In 2002 Mrs. Ervolino pled guilty, and received a sentence of one year's probation and 150 hours of community service. She also received a \$5,000 fine on top of the \$144,470 she had already paid in restitution. Frank Ervolino avoided prosecution when he died the previous November.<sup>44</sup>

Meanwhile, in Chicago, contractor and HERE organizer John Duff III was also feeding at the union trough. In February 2000, federal overseers banned Duff for life from holding office in HERE. Duff had bilked the union out of \$172,930 in salary received for work not performed, associated with mobsters, and ran an illegal Florida bookmaking operation while on the union payroll, federal overseers charged. In 1996 alone he pocketed about \$202,000, roughly \$35,000 as a HERE organizer and nearly \$90,000 from another union, Local 3 of the Liquor and Wine Sales Representatives (LWSR), founded by his father John Duff Jr. The elder Duff's companies did about \$100 million in contract work for the City of Chicago under Mayor Richard M. Daley. At one point he'd pled guilty to embezzling LWSR funds from Chicago and Detroit locals, and spent 17 months in prison.

The younger Duff's association with organized crime dates back at least to 1988. Testifying under immunity at the 1992 trial of Mafia boss Rocco Infelice, Duff said he

often placed bets with bookmakers. Facing arrest by Florida police the following year, Duff allegedly threatened to use the Chicago mob to have an officer and his family killed.

But there was more still to the Duff family. In 2002 the U.S. Department of Labor, while conducting a routine audit of HERE's health and welfare fund, discovered about \$750,000 was held in a single account at Park Ridge (Ill.) Community Bank. This far exceeded the \$100,000 per-account federal insurance limit. The Labor Department, having determined the fund had violated its fiduciary responsibility, subpoenaed a list of Duff family records from the institution. Those records showed at least three members of the Duff family and an attorney for the fund received loans from PRCB; John Duff III and his wife had taken out \$400,000 in mortgage loans to buy a pair of condos in Hollywood, Fla.<sup>45</sup> Thus far, the Duffs have avoided prosecution for this apparent misappropriation of union funds. But in September 2003 John Duff III's brother James (Local 3's vice president), their mother Patricia, and longtime union employee William Stratton were charged with defrauding the City of Chicago by obtaining more than \$100 million in contracts intended for women- and minority-owned businesses.<sup>46</sup>

HERE politics in Chicago have come back to haunt current president Wilhelm. Evidence suggests that three years ago he rigged an election at Local 1.<sup>47</sup> One of the attorneys for the two losing slates, Patrick Deady, alleged that Wilhelm tampered with Local 1's bylaws in order to permit outsiders to participate in the election. This would also violate HERE's own constitution. In November 1999, Wilhelm took control over the local and appointed an ally, Henry Tamarin, then-president of New York City's Local 100, to serve as trustee. In May 2001, Wilhelm announced he was lifting the trusteeship so that the following month the local could hold an election, which Tamarin won. Deady

alleges, with ample basis, that Tamarin never should have been allowed to file as a candidate in the first place. Just days before the election, Wilhelm changed Local 1's bylaws by eliminating a provision requiring that candidates for office be members of the local for 24 consecutive months prior to the election. He also permitted at least six international union employees to transfer to or take vacations in Chicago during the weeks before the election.

The election supervisor in this case was Barbara Zack Quindel. That name should ring a bell to anyone who's read about the scandalous international Teamsters election of 1996. She was the "progressive" political activist who "oversaw" (for a fee of \$1 million) that election, first won by Ron Carey, but ultimately nullified. Quindel was the court-appointed election officer, but resigned as the Carey campaign scandal was unraveling the next year. She cited a conflict of interest.<sup>48</sup>

Wilhelm's connection to "progressives" is further underscored by his close relationship with the Rev. Jesse Jackson. For much of the 90s Jackson led rallies on behalf of Wilhelm's efforts to organize Las Vegas hotel-casino workers. During 1991-2001 -- Hanley was a Jackson booster, too -- at least 11 staffers at Rev. Jackson's Rainbow/PUSH Coalition were on the HERE payroll at one time or another, at a going rate of \$35,000 a year plus benefits. "They [Rainbow/PUSH] pick the people," insisted Ron Richardson, a HERE boss and General Executive Board member. "They supervise them. We don't have any control over what they're doing. We pay the wages and benefits."<sup>49</sup> For some reason, Wilhelm has not brought himself to repudiate an arrangement under which HERE uses the rank and file's compulsory dues to support ghost employees performing non-union work.

To his credit, Wilhelm has been less prone to corruption than his late predecessor. But the union's progress owes more to federal oversight than to self-directed changes in union policy. Wilhelm has a way of overlooking irregularities in the service of left-progressive causes. In this, he bears more than a passing resemblance to the deposed Teamsters' President Ron Carey.

### **INTERNATIONAL LONGSHOREMEN'S ASSOCIATION**

There's nothing like the prospect of a RICO suit to prod a corrupt union into some overdue housecleaning. The International Longshoremen's Association (ILA) union is finding that out first-hand. For weeks in late 2003, there were persistent rumors regarding a federal takeover of the ILA. Hoping to forestall such action, ILA President John Bowers early in 2004 announced the appointment of Michael Armstrong, who'd investigated New York City Police Department corruption in the early 1990s, as the union's new "independent ethical practices counsel."

Rumors about a law-enforcement crackdown on the ILA itself were credible in part because a number of ILA locals had already been targeted. Early in 2003, U.S. District Judge John Martin authorized former New York City Police Commissioner Robert McGuire to seize the notorious Local 1588 in Bayonne, N.J., across the Hudson River from New York City. Martin determined that the local had violated a 1992 agreement to sever all ties with known La Cosa Nostra mobsters.

The ILA represents roughly 65,000 employees at shipping ports along the Atlantic and Gulf coasts, the Great Lakes, and elsewhere. Its officials have a long tradition of engaging in or winking at racketeering. And unlike policemen ILA officers can hardly

claim low salaries fuel corrupt practices among their colleagues. *A New York Daily News* investigation revealed that at least 25 top ILA union bosses had annual incomes of at least \$225,000 in 2002, with President John Bowers pulling down more than \$550,000.<sup>50</sup>

The New York City-New Jersey metropolitan area is a logical starting point in examining ILA corruption. Its docks long have been shot through with the influence of organized crime. The union's recent troubles have their origins in an unholy alliance made three and a half decades ago. In the late 60s the Genovese and Gambino crime families cut a deal: The Genoveses would control the docks in Manhattan and New Jersey; the Gambinos would rule over Brooklyn and Staten Island docks. Like most "labor peace" agreements, this one was built on a foundation of intimidation and violence.<sup>51</sup>

Genovese family associate George Barone, who brokered the deal, became the de facto head of Local 1588. He ran it with an iron fist until the mid-70s, when another Genovese mobster, John DiGilio, became the shadow president. DiGilio was a rough customer, and also a bit careless. In 1981, he was publicly linked with Local 1588 Secretary-Treasurer Donald Carson, with whom he had extorted money. In 1988, two weeks before his sentencing for loan-sharking, DiGilio's body turned up in the Hackensack River with two bullets behind his ear.

During the nineties, Eugene G'Sell and John Angelone would serve as official presidents of the union, but as before, the Mafia pulled the strings. The Genovese mob's man in charge was Joseph Lore, a guy who could get ugly when things didn't go his way; he once allegedly threatened to use a blowtorch on Angelone's crotch. Lore for nine

years ran a ghost-worker scam, diverting half of the money from "employee" salaries to himself or his girlfriend, Local 1588 office manager Denise Bohn. That the union had signed a RICO consent decree back in 1992 to keep the mob out or face a federal court takeover mattered little; Joseph Lore was not going to be pushed around.

And for a long while, he wasn't. But eventually, in December 2002, Lore was convicted of embezzlement, after G'Sell and Angelone (both of whom pled guilty, giving detailed accounts of how they'd embezzled between \$1.3 million and \$2.3 million for his benefit) had testified against him. The following summer Lore was sentenced to 70 months in prison and ordered to pay \$821,000 in restitution. Ms. Bohn got a 38-month prison sentence. Three other members of Local 1588: Joseph Pellecia, William Hurley and Thomas Rackley, received prison sentences ranging from 13 months to two years, plus restitution.

John Timpanaro, the next local president, also appears to have done the mob's bidding. He and several other reputed Genovese associates were arrested in March 2002 on charges of racketeering, extortion, bribery and conspiracy. Based on extensive video surveillance, state investigators had uncovered a pattern of shakedowns of workers at Jersey City's Global Terminal. Bosses from Local 1588 and the Genovese mob teamed up to demand kickbacks from dozens of union members in return for prime job assignments unloading cargo containers, job training and overtime. The Waterfront Commission of New York Harbor (a crime oversight agency created by joint agreement between New York and New Jersey), previously had revoked the employment registrations of two of the arrestees, Carlo Biliancione and Nicholas Romano, and had removed Romano from his local union post. Both men had pled guilty in September

2000 for a heist of \$2 million worth of imported perfume a half-decade earlier from the Global Terminal.<sup>52</sup>

This proved to be the final straw for the Justice Department. By the end of the year the government asked for, and quickly won, authority to take over the local, calling it "a cesspool of corruption."

Genovese control of the ILA wasn't confined to Local 1588. In January 2002, federal prosecutors accused Genovese crime boss Vincent "the Chin" Gigante and seven associates of infiltrating the ILA. The mobsters extorted money from companies on piers in the New York City and Miami metropolitan areas. Gigante already had begun serving a 12-year sentence for racketeering, murder conspiracy and other crimes. All eight persons were charged with conspiring to control Local 1804-1 in North Bergen, N.J., and the Metropolitan Marine Maintenance Contractors Association, which represents shipping repair firms. Two of the associates, Thomas Cafaro and acting boss Ernest Muscatella, also allegedly participated in a pump-and-dump stock fraud scheme involving Orex Gold Mines Corp. Investors, including a union pension fund officer who allegedly received a kickback, paid \$6.8 million for Orex shares, whose price then collapsed from \$7.50 to 15 cents a share. But so far the accused in the Local 1804-1 cases have lucked out. U.S. District Judge Leo Glasser, on questionable constitutional grounds, dismissed charges that the Genovese crime family had committed extortion against the union, since it had not in his opinion "exercised control" over its elected officials.<sup>53</sup> Certain other charges still remain intact.

Moving to Gambino turf in Brooklyn and Staten Island, ILA Locals 1 and 1814 have taken care of family business -- until recently, anyway. In June 2002, after a three-

year probe, federal and state authorities announced the arrests and indictments of various Gambino associates for racketeering, extortion, wire fraud, loan sharking, money laundering and other offenses.<sup>54</sup> Among the arrested were Gambino head Peter Gotti, brother of the mob's flamboyant late boss John J. Gotti,<sup>55</sup> and Local 1814 President Frank "the Little Guy" Scollo, who once had served as an ILA international vice-president. Among the major allegations in the 68-count indictment was that Gambino mobsters Anthony "Sonny" Ciccone, Primo Cassarino and Vincent Nasso, together with Scollo and several Genovese members, made threats to convince trustees of the ILA's health plan to award prescription drug contracts to a company partly owned by Nasso. The two families split about \$400,000 in contract money. Ciccone, a captain in the family, was of particular concern to prosecutors, since he'd been banned from union activity since 1991 as the result of a civil RICO consent decree.

Ciccone and other defendants also shook down owners of several waterfront firms, including Howland Hook Container Terminal, owned by Carmine Ragucci, who also served as chairman of the Staten Island Conservative Party. Scollo personally collected thousands in cash on several occasions from Ragucci and thousands more from the owner of a trucking firm during 1999-2002, handing the proceeds to Ciccone. Between June 2000 and August 2001 Ciccone and others coerced Local 1 officials into making hiring decisions regarding management and employee placement. Ciccone had a persuasive way about him. At his trial in January 2003, Scollo, who'd already pled guilty, told jurors, "Mr. Ciccone would tell me on many occasions what to do and what not to do."<sup>56</sup> Indeed, Gambino and Genovese mobsters worked together to handpick ILA bosses at the highest level. Between April and August 2000, Ciccone, Cassarino and

Jerome Brancato plotted with Scollo to intimidate Longshoremen chieftains into placing a Genovese associate on the union's Executive Council and then to the ILA presidency during a year when the election process would be closed to members.

Scollo pled guilty in November 2002 to extortion and agreed to cooperate with the U.S. Attorney's Office, a move that proved key to nailing his accomplices. Scollo testified that as Local 1814 president, he performed a variety of services for Sonny Ciccone, starting in 1997. He admitted he collected "labor peace" cash payments from Carmine Ragucci. Prosecutors played tapes showing another defendant, Cassarino, instructing Scollo on how to vote on officer elections at the ILA's convention in Nevada in 2000. Scollo stated: "I didn't want to lose my job...I respected Sonny for what he is.... It was alleged he was with the family...the Gambino family."<sup>57</sup>

ILA was deep in corruption elsewhere, too. In May 2003 four trustees for Local 1969 in Portage, Ind. (near Lake Michigan) signed a consent decree with the Department of Labor, agreed to reimburse a pension plan by nearly \$500,000. Trustees Andre Joseph, Raymond Sierra, David Lynch and Edward Rentz resigned from the local's pension and welfare plan. The Labor Department had filed the suit a year before, charging that the trustees had mispent union funds on non-plan expenses, including \$3.475 million in loans to Michael Daher and John Dunsmoor, co-owners of the Nevada-based Qualified Investment Ltd., through which they paid grossly inflated real estate prices. Daher and Dunsmoor, who pled guilty on separate criminal expenses, were ordered to pay a combined sum of more than \$2.6 million to the benefit plan. Remarkably, all four trustees still served as officials of the local and/or international unions!

In Rhode Island a grand jury has indicted three officials of Providence's Local 1329, Raymond Silva (president), Domingo Silva (vice president), and John Carnevale (secretary-treasurer), on charges of conspiracy to "verbally and maliciously threaten to injure" David Borque, president of a scrap metal company at the Providence port. The alleged incidents occurred during January 1, 1999 and October 22, 2002. The three Longshoremen officials reportedly became enraged when Borque refused to hire a union member for a no-show job. The Silvas and Carnevale also allegedly threatened Borque's family. Borque reported to the police that his life had been threatened in February 2002. Borque was then instructed to wear a hidden microphone to tape conversations. State police arrested both Silvas on October 23 of that year, the day after they'd led a mob of at least 10 union militants in a confrontation with Borque.<sup>58</sup> In April 2003, a Providence grand jury indicted the Silvas and Carnevale.

In Louisiana, Willie Walker, secretary-treasurer of Local 1349 in Lake Charles, embezzled more than \$90,000 in union funds for his own personal use between January 1997 and December 2000. He'd made out checks to himself for fictitious union expenses and forged the name of James Pettieway, Local 1349's ex-president. After pleading guilty, he received a sentence of one year and one day in federal prison.<sup>59</sup>

Like the Teamsters, the ILA is prone to engaging in organized violence. On the night of January 19-20, 2000, about 400 union militants rioted in the Port of Charleston, S.C. Eyewitness accounts indicated that irate workers, in defiance of police orders, marched into the Columbus Street Terminal, shouting their determination to disrupt the unloading of a Danish freighter by nonunion workers. After police repulsed the initial

assault, the mob began hurling bricks, rocks and pieces of railroad ties at police, injuring at least two officers; eventually, police pushed the rioters back toward the union hall.

The police may have prevailed in this instance, but justice did not. Initially, police arrested eight rioters on misdemeanor charges, but state Attorney General Charlie Condon intervened and raised the charges against five of the workers to rioting. But Condon in October 2001 for some reason removed himself from the case, and a month later "The Charleston Five," as they continue to be known and celebrated as on the ILA's Web site, pled no contest to low-level misdemeanor charges in South Carolina Circuit Court. The men received suspended 30-day sentences and nominal fines.

Given that ILA locals have remained hotbeds of criminal activity, the international union's sudden embrace of virtue seems more than a little disingenuous. In July 2003, at the union's convention in San Juan, Puerto Rico, ILA President John Bowers alarmed his audience by announcing that his union might be hit with a federal RICO suit. He added that his office was in the process of preparing a code of ethics and setting up a toll-free hotline for members to report acts of intimidation by local bosses.

Members might want to think twice before picking up that phone. Our old friend George Barone testified in court in January 2003 that Bowers had conspired with him to ensure the Genovese family would "have our man as president." In the same trial, Barone also testified that Albert Cernadas, ILA executive vice president and head of Newark Local 1235, was an associate of the Genovese family and had taken part in an extortion scheme to rig the awarding of the union's drug prescription plan.<sup>60</sup> Barone's testimony was key to securing racketeering, extortion, fraud and money laundering convictions of Peter Gotti and six other reputed Gambino mobsters. But Barone's candor probably

reveals far less about a shift in his own moral compass than about a breakdown of the Genovese-Gambino alliance. In the ILA you never know who your friends are -- or your enemies.

## **THE TEACHERS' UNIONS**

Until recently, the two major teachers' unions in the U.S., the American Federation of Teachers (AFT) and the National Education Association (NEA), were free of corruption -- at least it seemed that way. Even their harshest critics had chosen to focus attention on how these entities, with a current combined membership of roughly 4 million (of which two-thirds belong to the NEA), protect subpar teachers and oppose special efforts to keep good ones in the classroom, while advancing left-leaning political causes.<sup>61</sup> But teacher union officials' reputation for unadulterated, though often destructive, zealotry is now being severely tested by a series of high-profile revelations.

In 2003, federal investigations culminating in a number of guilty pleas confirmed that officials and cronies of AFT locals in two major cities -- Washington, D.C. and Miami-Dade County, Fla. -- for years had treated their treasuries as personal slush funds. Moreover, renegade officials of several NEA chapters had been raiding their local union cookie jars. While the confessed felons have been removed from their positions and face prison sentences (if they already have not begun them), the fact remains that teachers, taxpayers and countless school children all have paid a price.

## **AMERICAN FEDERATION OF TEACHERS**

### **Washington, D.C.**

The situation was almost surreal. For years, it was suddenly discovered in late 2002, the Washington Teachers Union (WTU), Local 6 of the American Federation of Teachers, had been operating, for all intents and purposes, as a criminal racket. The Bethesda, Md.-based accounting firm of Klausner, Dubinsky and Associates, in an audit it began preparing for the AFT the summer before, found that top officials of the WTU had been embezzling teachers' compulsory dues money since the mid-90s. In January 2003, roughly a month after FBI agents seized hundreds of luxury items from WTU bosses' and cronies' offices and residences and several days after the Klausner, Dubinsky and Associates audit was released, the AFT took control of local operations. It simultaneously filed a civil RICO suit to recover \$5 million in stolen funds.

Washingtonians marveled that theft on such a grand scale could go undetected for so long.<sup>62</sup> The chain of events surrounding the WTU's collapse revealed a massive lack of accountability at the local and national levels.<sup>63</sup>

The ringleader of this gallery of rogues was one Barbara Bullock, president of the 5,000-member local. From 1995 until her forced departure in the fall of 2002, documents indicate she had siphoned off more than \$2.5 million for her own personal use. About \$1.8 million of that total represented "inappropriate" or "questionable" purchases by Bullock on her union-furnished American Express card. Membership indeed had its privileges. That Bullock, well into her 60s, was a smart operator is indisputable. She ascended to the president's job in 1994, having been politically cozy with once and future Mayor Marion Barry, and even more so, with current Mayor Anthony Williams, first

elected in 1998. Not long after taking office, Bullock proceeded to build the infrastructure for a sophisticated embezzlement and money-laundering scheme under union auspices. She would need some serious help in putting it together.

Bullock's chief assistant, Gwendolyn M. Hemphill, was a willing partner. The AFT suit alleges that Hemphill made at least \$311,000 in unauthorized American Express charges, and wrote herself another \$181,000 in illicit union checks. Checks on the WTU accounts, the suit charged, were prepared by Hemphill, and issued with Bullock's knowledge, and in many cases, at her behest. D.C. law enforcement's apparent lack of interest in these shenanigans may have had something to do with Hemphill's close ties to Mayor Anthony Williams. She served as co-chair of Williams' 2002 re-election campaign, while her husband, Lawrence Hemphill, had managed a few years earlier to get appointed by the mayor as city public advocate, and later as community outreach director.

Also getting in on the gravy train was WTU Treasurer James O. Baxter II. The AFT suit charges Mr. Baxter with making \$267,000 in unauthorized American Express charges, and writing himself another \$270,000 in unauthorized union checks. His union duties, for which he received an annual salary of more than \$55,000, seemed to consist mainly of co-signing checks. Making matters worse, Baxter served two masters. He was director of labor relations for Mayor Barry and then for Mayor Williams, all the while simultaneously working as a union official. This was a clear violation of District of Columbia personnel rules. His conflict of interest was common knowledge, yet removing him from his \$96,273-a-year government post proved easier said than done. Gail L. Davis, deputy director of the D.C. government's Office of Labor Relations, questioned

his dual role in a memo in late 1999, which prompted a review by the Office of Corporation Counsel.<sup>64</sup> The memo resulted in a meeting early in 2000 that involved two officials from the mayor's office, Abdusalam Omer and Mark Jones, plus Bullock and Hemphill. Jones recalled in an interview that Bullock and Hemphill had insisted that Baxter was innocent of any ethics violations, and demanded that Davis be fired. Baxter soon after got a reprieve. Flush with victory for their first demand, Bullock and Hemphill not long after visited the mayor's office, again demanding Davis's ouster. "They saved his [Baxter's] job at that time," recalled Jones. "Davis was told to back off." But it wasn't long before Baxter was fired from his government job anyway, in April 2000. He then worked for the D.C. Office of Personnel, where he lasted only two months.<sup>65</sup>

Several participants in the WTU scam were never employed by the union. Two of them were Hemphill's son-in-law, Michael Wayne Martin, an employee of the city Health Department's HIV/AIDS office, and a young colleague of his, Errol Alderman. Together, they set up a bogus firm, Expressions Unlimited, to launder union funds. The pair wrote out more than \$480,000 worth of checks from the union's account to the "company" (for nonexistent printing and other services), and deposited the checks in local banks. Martin and Alderman kept some of the money for "personal expenses," and handed over the rest to Bullock and Hemphill.

The final key link was Leroy Holmes, who'd worked as a handyman and chauffeur for Bullock. Well over \$1 million in union checks bearing the signatures of Bullock and Baxter were made out payable to Holmes -- or to others whose names were crossed out with Holmes's signature in their place. He made regular trips to the bank, usually Independence Federal Savings Bank,<sup>66</sup> to cash WTU checks. The limousine

driver's reported annual salary was \$105,000, but after having helped himself to a portion of the checks, he grew richer by another \$90,000 a year.

For years the WTU bosses' web of deceit went undetected. There were at least three reasons for that.

First, as mentioned above, the principals enjoyed a close rapport with City Hall, beginning with Mayor Anthony Williams. There's no proof that Williams either condoned or even knew about the corruption at the WTU. But like many politicians with reelection in mind, he wore blinders when the contributions rolled in. Between 2000 and 2002, Bullock gave at least \$4,750 to city politicians, including \$2,000 to Williams, while Hemphill and her husband donated at least \$6,100.<sup>67</sup> The WTU, meanwhile, sent \$5,000 to the mayor's office in 2000 to defray expenses for children's Christmas parties sponsored by a nonprofit organization. The D.C. Inspector General's Office reported in 2002 that the mayor's office broke city rules by soliciting money from various groups to fund that organization.<sup>68</sup> By its implied see-no-evil, speak-no-evil attitude, the Williams administration apparently fed the confidence of the WTU hierarchy that it could enjoy free reign.

Second, the WTU under Bullock routinely stifled dissent. One retired D.C. teacher, Booker Brooks, recalled the frosty reception he got when he raised accountability issues at union meetings. Bullock would stare him down, and accuse him of being "negative," while her supporters would give him nasty stares. "I just shut up," recalled Brooks. "You feel internally like somebody put you down. You feel ashamed."<sup>69</sup> Another WTU member, Emily Washington, noted that when she asked questions about the local's finances, Bullock supporters, in scripted fashion, would get up

and leave. That way, Bullock could end the meeting for "lack" of a quorum. Even after Bullock's departure, with the ascension of the local's general vice-president, Esther Hankerson, to the rank of interim president, the stonewalling continued. In an October 28, 2002 letter to members, Hankerson (replaced the following March by AFT temporary administrator George Springer), urged union members not to talk to the news media about the local's financial problems.<sup>70</sup>

Third, the AFL-CIO-affiliated American Federation of Teachers, whose national headquarters are within walking distance of the Washington local, was all but asleep at the switch. Though the AFT has long required locals to submit financial statements every two years, records show the WTU had not filed any statement since 1995. The local did file separate financial disclosure statements with the Labor Department because some of its covered employees worked in the private sector. But the AFT had no legal responsibility to verify these forms. Moreover, the information included gave only cursory hints of corruption. For example, in 2000 the WTU reported more than \$590,000 in disbursements to employees, but did not specify which individuals received the money. The document also listed \$1.7 million in unspecified paid "benefits."

The AFT to this day might have remained unaware of the local union's pilferage were it not for a glaring "mistake" by the latter. In the summer of 2002 the WTU announced a retroactive monthly surcharge of about \$16 per employee in response to salary hikes. However, it deducted \$160, *ten times* the announced amount. That \$144 per-employee overcharge, cumulatively, represented as much as \$792,000 in dues money. A number of teachers complained to AFT officers, who only then ordered the

independent audit. The audit, in turn, triggered a joint investigation by the FBI, the IRS, the Department of Labor, and the District of Columbia Inspector General's Office.

Barbara Bullock and her friends evidently tried to impose the illegal dues hike because they'd been spending teachers' forced dues on luxurious living even faster than the D.C. school system could fork them over. For years, top WTU officials sought to buy, with forced dues, a lifestyle worthy of a sultan. The FBI tagged the following items in various home and office raids:

- a \$57,000, 288-piece set of Tiffany silver

- \$20,000 in wigs

- a \$5,500 Baccarat vase

- a \$6,800 Buccellati silver ice bucket

- a \$20,000 mink coat

- \$500,000 in custom-tailored clothing for Barbara Bullock from a Baltimore

boutique

- a \$13,000 50-inch plasma-screen TV

- \$100,000 worth of Washington Redskins and Washington Wizards season tickets

- \$50,000 in personal catering charges

- charges on department store credit cards, including \$150,000 at Neiman-Marcus,

- \$50,000 at Nordstrom, \$40,000 at Saks Fifth Avenue, and \$12,000 at Hecht's

- \$40,000 in personal dental care

Once the feds stepped in, it was only a matter of time before the WTU racket would collapse like a row of dominoes. Leroy Holmes, a gofer, was a logical initial target, and cracked easily enough. Facing up to 20 years in prison and a \$500,000 fine for more than \$1 million in money laundering, in February 2003 he pled guilty in federal court. Michael Martin was next to fall. Accused of money laundering and facing up to 30 years in prison, in April he pled guilty, and resigned his post with the D.C. government. Six months later, in October, his "business" partner, Errol Alderman, also pled guilty.

The big catch -- Barbara Bullock -- also would come that month. She pled guilty in U.S. District Court to mail fraud and conspiracy to embezzle. In January 2004, U.S. District Judge Richard Leon sentenced her to nine years in prison, and mandated that upon her release she would have to live three years in a halfway house and perform 3,000 hours of community service. He also ordered her to pay the union \$4.6 million in restitution, though admitting it was "highly unlikely" she could ever come up with the money. At her sentencing hearing, Bullock attributed her compulsive theft and shopping to chronic depression, and claimed she was "deeply remorseful."<sup>71</sup>

Hemphill and Baxter, as if to defy common sense, remain uncooperative and are willing to risk a trial. In November 2003, a federal grand jury indicted the pair on charges of conspiracy, wire fraud, money laundering and making false statements to federal officials. Each could face 15 to 21 years in prison if convicted.<sup>72</sup> Also named in the indictment were a pair of Maryland-based accountants, James A. Goosby, Jr. and Robin Klein, who allegedly falsified Bullock-era WTU financial records. At this point, the scandal is in the final mop-up stage.

## **Miami-Dade County**

Pat Tornillo and the Miami-Dade County, Fla., affiliate of the American Federation of Teachers were for years nearly synonymous. That's what made it so difficult for members of the United Teachers of Dade (UTD) on April 29, 2003 to believe what they saw. Their esteemed 77-year-old leader was suddenly taking leave of office, while FBI agents carted boxes of financial records out of local headquarters. Yet the evidence was almost indisputable. While "getting by" on an annual salary of \$243,000, since September 2000 Tornillo had made at least \$350,000 in charges on union credit cards to cover personal expenses. He and his top lieutenants also took \$300,000 in employee contributions earmarked for supplemental insurance, and used the money to cover shortfalls in union general accounts. And he'd taken at least \$2 million out of a secret union fund to pay for cost overruns related to construction of the union's new headquarters. As a result, the UTD was effectively bankrupt.

The New Jersey-born Pasquale "Pat" Tornillo (rhymes with "pillow") went back a long way, having been elected president of the Dade County Classroom Teachers Association in 1962. Once in office, he negotiated a merger with the local black teachers' bargaining unit, and changed his group's name to the United Teachers of Dade. He set about to build his union into a force to be reckoned with. Tornillo, over time, became renowned among the 28,000 public school teachers and auxiliary staff in the system for his aggressive bargaining tactics. Monthly dues grew to \$84 a month for full-time teachers, the highest in all of Florida's school districts.

But as is often the case with people accustomed to wielding unchallenged power, Tornillo grew insular and unaccountable. Since the UTD was his union, he reasoned, he could spend its funds for any purpose, business or personal. And spend he did.

On a business level, the UTD made unwise real estate investments. Before the FBI raid, the union acquired vacant land for the development of condominiums and an office building. As the UTD's balance sheet worsened, chief financial officer James Angleton, Jr. repeatedly tried to persuade Tornillo to sell the land, but to no avail. The projects were at last shelved when the AFT took control in May 2003. More costly still was the construction of the UTD's seven-story, \$20 million headquarters at 2200 Biscayne Blvd. Completed in November 2001, the project experienced massive cost overruns, causing the union to seek additional loans for completion.

Tornillo also diverted union funds for personal use. There was little question he and his wife, Donna, had developed a taste for the finer things in life. Already the owners of four properties in Florida, the couple attracted quite a bit of attention after it was reported they had been renting a \$3,000-a-month high-rise condominium in Brickell Key. It turned out that the owner of the unit, Raul Suarez del Campo, was the contractor/designer of the UTD headquarters project. Tornillo denied he had done anything improper.<sup>73</sup>

Luxury became necessity in other ways, too. During negotiations in November 2002 with Dade County school officials, Tornillo stayed over a week in a \$2,000-a-night luxury suite at the Mandarin Hotel. He regularly ordered room service, used the bar, had clothes laundered and lounged in the spa. The tab at checkout time was a cool \$20,138.53, all charged to his UTD American Express card. He and wife in the fall of

2000 also took a round-the-world trip, with stops in Australia, New Zealand and San Francisco. Cost to the union: \$49,715. The following year the globetrotting Tornillos spent \$27,000 of the union's money on a two-week vacation in Switzerland, India, Thailand and Cambodia. They also used UTD credit cards for purchases at retailers such as Target, Bed Bath & Beyond, Sharper Image, and the Neiman-Marcus catalog, and managed to squeeze in a stay at the historic Ahwahnee Hotel in Yosemite National Park. A *Miami Herald* investigation of UTD credit card statements revealed that union checks had paid for least \$350,000 in charges racked up by the Tornillos.<sup>74</sup>

All of this profligacy left the United Teachers of Dade seriously in arrears to its creditors. In early 2003, several banks were threatening to call in loans they had made to the UTD; in the end, they decided against such action when the AFT made emergency payments on the local's behalf. By October 2002, unbeknownst to the UTD executive board, the union had so little operating cash that it was surviving on members' insurance premiums, holding them for four to six weeks before sending them in.<sup>75</sup> The situation became so desperate that two top union insiders, CFO Angleton and financial consultant David Albaum, each made personal loans to the union of roughly \$100,000 to \$150,000. Additionally, Angleton called upon a longtime friend, attorney Richard Krinzman, to loan the union \$100,000 at 17% interest.<sup>76</sup>

Hastening the financial collapse was the reality that Tornillo wasn't the only UTD professional on the take. Several United Teachers of Dade officers had created a secret "transition reserve fund" for themselves, or their heirs, upon the officers' leaving the union for any reason. Since UTD elected officials served only three-year terms, they seemed to anticipate being forced out of office. At least five officials knew about the

fund's existence, concluded Albaum, now a government witness. They were Tornillo; his hand-picked successor, Connie Jackson; former UTD President Murray Sisselman; secretary Carmen Esquijarosa; and bookkeeper Judy Bowling. The scheme unraveled when Sisselman, who died of cancer not long after, tipped off Angleton that Tornillo had drained the \$2.2 million account to pay for headquarters cost overruns. Angleton, in turn, contacted the FBI, triggering the investigation.

Why did it take so long for the details about all this to leak out? The explanations to a large degree resemble those of the Washington, D.C., case.

First, the local's top leadership kept its members, including even those on the 22-member executive board, in the dark. Only when the federal investigation was underway did members realize they'd been had. "The budget was fictional, and UTD was paying out more money than it was taking in," the minutes of the executive board meeting noted two weeks after the FBI raid. "UTD [took out] a series of bad loans with a very high rate of interest, which essentially [put] you [in] a hole deeper and deeper and eventually you cannot get out of the situation."<sup>77</sup>

Second, voicing suspicions could cost someone his or her job. Board members loyal to Tornillo routinely would squash dissent or even questions about the wisdom of their "leader." A middle-school teacher and board member, Nancy Benouaich, recalled a meeting at which she asked how the union managed to pay for Tornillo's newest residence: "If looks could kill, I was dead," she said.<sup>78</sup> Tornillo himself could turn testy. When Albaum admitted he'd approved many of the union checks to pay for Tornillo's credit card purchases, he explained why he, like others, were reluctant to confront him: "Tornillo demeaned people. He'd tell them, 'Get outta here.'"<sup>79</sup> CFO Angleton took the

risks of going up against Tornillo and his cronies very seriously. "I think they [pro-Tornillo board members] would have done me in, and this would never have come out," he remarked as to why he went to the federal government.<sup>80</sup>

Pat Tornillo, by now ailing, no longer could avert his fate. In August 2003 he pled guilty in U.S. District Court to embezzling between \$500,000 and \$800,000 from his union over a six-year period. In a plea bargain, he received a 27-month prison sentence, and agreed to reimburse the union \$650,000 and pay a \$200,000 fine. In the meantime, he has to worry about a civil suit filed by the UTD under Florida's anti-racketeering law. The suit, based on an independent audit by the Broward County, Fla.-based Lewis B. Freeman & Partners Inc., alleges Tornillo and others colluded to steal or otherwise misappropriate more than \$3.3 million from the local since 1990. It accuses Tornillo of using union funds to pay for personal perks such as: credit card bills, household utility and service bills, personal travel allowances, housekeeping staff, and life insurance premiums (his wife being the beneficiary). These expenditures add up to a cool \$2.37 million.

That figure, though stratospheric, didn't include money that Tornillo had diverted from a separate fund provided by two local universities that paid UTD for enrolling union members in its courses. He'd had help from the local's then-general counsel, Elizabeth Du Fresne. The Lewis B. Freeman audit concluded that Du Fresne had created a corporation called World Wide Learning (WWL). She diverted payments into WWL from graduate schools paying the union for getting members enrolled in their institutions, and then split the funds -- \$747,500 worth -- between herself (\$237,500), Tornillo

(\$255,000) and Sisselman (\$255,000). While refusing to admit any guilt, Du Fresne in January 2004 agreed to repay the union \$340,000.

When the American Federation of Teachers took control of the United Teachers of Dade in the spring of 2003, it appointed its own people to run the local. Quickly, the new officers instituted several measures to set the local union's financial house in order. They cut the payroll from \$3.6 million to \$2 million, reduced member dues by 10%, restructured bank loans, and announced they would rent out office space at UTD headquarters. Union representatives also visited 200 schools to listen to member views and complaints. The AFT is expected to return the UTD to local control by the end of 2004.

Pat Tornillo's career, needless to say, is over. Yet he did manage to acquire some wisdom along the way. At his November 24, 2003 sentencing, he admitted that he and the union "became one entity," and that "somewhere along the line I felt I had the right to use union funds." Now he tells us.

## **NATIONAL EDUCATION ASSOCIATION**

No National Education Association (NEA) union corruption exposed hitherto rivals the AFT scandals in Washington, D.C. and Miami for size and complexity. But that's not due to any restraint on the part of Richard Anzivino, former finance director of the Massachusetts Teachers' Association (MTA), an NEA affiliate. On December 19, 2003 State Attorney General Tom Reilly announced that Anzivino had pled guilty in Suffolk County Superior Court to five counts of larceny and six counts of making a false entry in a corporate book. The investigation concluded that Anzivino, over a six-year

period, had stolen \$802,000 from the MTA. He wrote about 270 checks to himself, which he then cashed or deposited into his personal checking accounts.<sup>81</sup>

Anzivino had worked out a nifty scam. He made sure the checks were for no more than \$5,000. That way, he could use the MTA stamp of approval, with no further signatures required. Moreover, by making account-book entries of all transactions, Anzivino could convey the appearance the checks were union-related. But eventually, the MTA became aware of what was happening, fired Anzivino, and referred the matter to the Massachusetts Attorney General's Office. He was sentenced to two years in prison with a mandatory one year to serve.

NEA locals also have produced at least two other significant scandals. Steve Confer, who during 1994-96 had headed the Professional Service Organization of the Indiana State Teachers Association union, pled guilty in July 1999 to one count of embezzlement of \$1,850. But the real total, records indicated, was more than \$53,000. Prosecutors agreed to drop 19 remaining counts.<sup>82</sup>

More recently, Rebecca Modine, formerly office manager for the St. Lucie (Fla.) County Classroom Teachers Association, was arrested in February 2003 for embezzling at least \$90,000 from the NEA affiliate. Local president Clara Cook had suspected something was up when she could not find bank statements for the union's checking account. Tellers at the bank discovered that the account had a negative balance, and that the signature on at least one check was not identical to the authorized signer's signature. With at least 250 other checks unaccounted for, the total take of Modine's thievery could turn out to be much higher.<sup>83</sup>

## **TEACHERS' UNION CORRUPTION:**

### **WHY RIGHT TO WORK MATTERS**

Teachers' union corruption and the Right to Work issue are more closely related than meets the eye at first. The 22 state Right to Work laws apply to both public- and private-sector employees. Therefore, public school teachers in Right to Work states are exempt from forced-dues clauses in union contracts. In addition, eight non-Right to Work states either do not statutorily authorize or bar forced dues in public education. But forced dues are only part of the compulsory-unionism problem. Myron Lieberman, a longtime critic of the NEA and AFT (and formerly a consultant to both), in his book, *The Teacher Unions*, identifies five categories of states insofar as they authorize union monopoly power. In decreasing order of coerciveness (against individual employees), they are: 1) states that have enacted statutes authorizing union officials to act as teachers' "exclusive" bargaining agents and require payment of "agency" fees by all unionized teachers; 2) states with "exclusive" bargaining statutes that authorize, but do not require school boards to negotiate over "agency fees"; 3) states that have enacted "exclusive" bargaining statutes, but prohibit agency fees; 4) states that allow, but do not require, recognition of a union as an "exclusive" bargaining agent as a school board option, but prohibit agency fees; and 5) states that prohibit school boards from granting teacher unions "exclusive" bargaining powers..<sup>84</sup>

Currently 20 states force public-school teachers to join or pay fees to a union in order to keep their jobs. But about two-thirds of all states have statewide teacher monopoly-bargaining laws; that is, teachers, union members and nonmembers alike, must accept the union as the sole collective bargaining agent.<sup>85</sup> Washington, D.C.,

Massachusetts and Florida each have mandatory monopoly-bargaining statutes governing teachers' unions. But of the three only Florida bars such unions from exacting agency fees. It is little wonder, then, that a substantial number of UTD members, having seen their union exposed as corrupt, quit and began withholding their dues.

When the financial problems of the union first surfaced in January 2003, more than 400 members quit over a 10-day span.<sup>86</sup> This merely continued a downward trend. The number of employees electing to have union dues deducted from their paychecks fell from 17,342 in September 2000 to 14,039 in April 2003.<sup>87</sup> Comments posted by disgruntled Dade County teachers on the *Miami Herald's* Web site, underscore the extent to which awareness of corruption contributed to this decline. Mariana Laney of Miami Springs had this to say:<sup>88</sup>

I am a Miami-Dade teacher and have always supported the union. However, reading about Pat Tornillo's alleged excesses at United Teachers of Dade expense has made me nauseous. He makes six times my salary, yet he charges his \$2,000-a-night hotel rooms on UTD credit cards when his Brickell Key condo is 300 yards away.... If these allegations are true, Tornillo is a man with no scruples. And the people who covered for him have no strength of character. I will never again take my hard-earned money away from my children to support this man's lavish lifestyle -- a lifestyle I can only dream about.

Shawn Beightol of Miami likewise explained why he left the union:<sup>89</sup>

I am a chemistry teacher at Michael Krop Senior High School. A dues-paying member of the UTD for nine out of my 10 years teaching, I was also a building steward last year. However, I quit when I saw that UTD was not providing commensurate benefits for the dues it was charging and when its leaders were conducting themselves in highly questionable ways behind a confusing insulation of rules and attitudes that separated them from accountability to the teacher corps.

Florida's Right to Work law couldn't prevent Tornillo from dipping into the union till, but it did empower rank-and-file teachers to make other UTD and AFT officials pay a heavy price for the negligence that allowed Tornillo to get away with his embezzling funds for as long as 13 years. By the end of last school year, the UTD's dues-paying membership had fallen by roughly 6000, or 35% below its level of a couple of years earlier, testified independent teacher leader Damaris Perez Dougherty at a U.S. Senate hearing on June 19, 2003. Since a substantial share of UTD dues are handed over to the AFT, this seriously disrupted the national union's cash flow.<sup>90</sup> Similarly situated teachers in non-Right to Work D.C. and Massachusetts could only make a symbolic protest: Even if they quit the union, they would still have to pay dues. Consequently, the AFT and NEA hierarchies will over the long run suffer little other than bad publicity as a result of these scandals. Given that union leadership often does not reflect the views of teachers,<sup>91</sup> more states would do well to follow the lead of Florida.

## ULLICO

Union Labor Life Insurance Company, or ULLICO, never counted on getting famous for insider stock trading. The Washington, D.C.-based company was founded in 1925 primarily to provide low-cost life insurance for union members.<sup>92</sup> The main challenge for the company at present may be to keep well over a dozen former and current board members out of federal prison. They admittedly made off with more than \$6 million in company funds, financed mainly by union pensions, and in the process brought ULLICO to the edge of bankruptcy. Things have gotten so desperate that the company in the fall of 2003 conducted a \$50 million stock sale to union affiliates, and agreed to sell a new office building set to be its new headquarters.<sup>93</sup> This side of Enron and Worldcom, rarely has a business meltdown been so steep and swift. And it is dues-paying union rank-and-filers who indirectly have paid for most of the losses.

The ULLICO scandal has its origins in the then-high-flying stock market of the late-90s, when the company embarked on an effort to expand its core business. ULLICO would go beyond life insurance, retooling itself as a broad-based investment vehicle for union pension funds. The telecommunications sector seemed to offer enormous opportunities to raise capital.

One company in particular that caught ULLICO's eye was Global Crossing Ltd., nominally based in Bermuda, and operating out of various locations around the world, including New York City. Gary Winnick, a former investment banker, founded Global Crossing in March 1997, envisioning the company as the world's first independently owned undersea fiber-optic network. ULLICO that year bought 7.6 million shares of Global Crossing at the founders' price of \$1 per share, in the process obtaining a 7.7

percent stake in the company. In 1998 ULLICO changed its rules. Up until that time, its stock price was fixed at \$25 a share. But now its price would be reset annually, based on earnings of the previous calendar year. ULLICO offered a sweetheart deal to its officers and board members: Each could buy up to 4,000 shares of Global Crossing at \$28.70 a share in 1998 and \$54 a share in 1999.<sup>94</sup> By the time Global Crossing's share price peaked at \$64.25, ULLICO's initial \$7.6 million investment had turned into \$335 million.

Inevitably, the party ended. Global Crossing's growth plan, like those of so many Internet startup companies, proved to be based on wildly inflated projections. With competitors now flooding the market, it was nearly inevitable that most, if not all, would collapse like a nova. Global Crossing certainly did. By early 2002 its shares had become nearly worthless. Faced with a crushing \$12.4 billion debt, the company in January filed for bankruptcy, the fourth largest in U.S. history.

A majority of ULLICO's board of directors already had made preparations for this turn of events. In the fall of 1999 they had bought additional stock at \$54 a share, having been tipped off in advance the price would be hiked to \$146 the next year. A year later, these same directors, knowing in advance that the share price would be reset downward to \$71, sold a huge chunk of their shares. But the major shareholders -- unions and their pension funds -- were permitted to sell no more than 2.2% of their stake. It certainly looked, walked and talked like insider trading. Roughly a dozen and a half board members, led by Chairman Robert Georgine, who during 1974-2000 had headed the AFL-CIO's Building Construction & Trades Department, walked off with a combined \$6 million to \$7 million in profits.

All of this did not sit well with ULLICO board members who didn't participate in the stock deals (but somehow didn't voice disapproval at the time either). They included AFL-CIO President John Sweeney and other top union officials. The need for damage control evident, Georgine in April 2002 hired a longtime friend, former Illinois Republican Governor James R. Thompson, to conduct an internal investigation. But the report, completed that November, proved to be more than corporate spin. While Thompson found no evidence of criminal intent, he and his staff asserted that ULLICO directors' actions conflicted with their fiduciary duties.<sup>95</sup> The report recommended at the very least that Georgine and the others give back their profits.

Though Thompson, at the behest of Georgine, avoided the issue of ERISA and Landrum-Griffin Act violations, the pro-Georgine faction tried to suppress public release of the report. But the cat was out of the bag. Sweeney, along with AFL-CIO Executive Vice President Linda Chavez-Thompson and International Union of Operating Engineers President Frank Hanley, announced their resignation from the ULLICO board on December 2, 2002, shortly before a board meeting.

The company by now was in a state of virtual collapse, having lost \$74 million in 2002, with a projected loss of another \$20 million for 2003. Sweeney and other suddenly outraged union officials, looking ahead to a board election at the company's annual meeting in the spring, pushed for a slate of officers that would replace most of the ULLICO board.<sup>96</sup> The Sweeney-backed faction did win, and Georgine, seeing the handwriting on the wall, resigned. On May 8, 2003 the ULLICO board elected its new chairman, LIUNA President Terence O' Sullivan. One of the few re-elected board members, O'Sullivan had not participated in the stock deals.

The revamped ULLICO leadership quickly got down to business, asking those who had dumped their Global Crossing stock before the collapse to return the profits. They weren't alone in putting pressure on the former board members. Investigations as to whether ULLICO had engaged in insider trading and had violated federal labor and pension laws were already underway in both houses of Congress. Former Chairman Georgine was less than cooperative. At a hearing before the House Education and Workforce Committee, he took the Fifth Amendment rather than testify.<sup>97</sup> Undeterred, the committee proceeded with its probe, gathering testimony from a variety of witnesses and reviewing more than 95,000 documents.

On October 28, 2003 the committee's final report was released. Its damning conclusion: ULLICO violated the trust of union members whose funds had made the stock deals possible. "At the very same time that union leaders were joining the chorus of well-deserved criticism of Enron and others for corporate misconduct," noted committee Chairman John Boehner, R-Ohio, "ULLICO set up a system of insider stock deals that made millions for the board at the expense of rank-and-file union members." Workforce subcommittee Chairmen Sam Johnson, R-Texas, and Charlie Norwood, R-Ga., each registered similar criticisms.<sup>98</sup>

The Senate Governmental Affairs Committee conducted its own probe. There was "no question," asserted Thompson in testimony, that Georgine and other ULLICO directors violated their fiduciary responsibility to union members when they bought and then sold company stock just before Global Crossing's price collapsed. Any number of current and (especially) former ULLICO board members stand to receive a subpoena to

explain their refusal to return their profits. By early 2004, a federal grand jury had heard testimony in the matter, but thus far has taken no action.

At Global Crossing, at least, things have been looking up lately. On December 9, 2003 the company emerged from federal bankruptcy court, bailed out by Singapore Technologies Telemedia.<sup>99</sup> That company acquired a 61.5% stake in Global Crossing worth \$250 million. Current CEO John Legere sees the worst behind, with debt and operating costs greatly reduced and Internet traffic continuing to rise rapidly. As for former CEO Gary Winnick, he's done well, too, having sold off \$734 million in company stock just before its collapse.<sup>100</sup> It was a golden parachute financed in part by millions of unsuspecting dues-paying union members.

## **POLICY RECOMMENDATIONS**

### **Enhance and Enforce Union Reporting Requirements**

For more than 40 years, in the wake of the Labor-Management Reporting and Disclosure Act of 1959 (i.e., the Landrum-Griffin Act), unions have been required to submit forms to the Labor Department indicating how they spend their money. This law was passed after massive evidence of union corruption, especially within the Teamsters, was unearthed at congressional hearings. It rests on the sound principle that union members, most of whom are compelled to pay union dues as a condition of employment, have a right to know, without fear of reprisal, how their dues money is spent. The law also bars union officials convicted of crimes from holding union office. The U.S. Supreme Court, in its 1988 *Beck* decision<sup>101</sup> and in other rulings, likewise upholds a worker's right, if he or she resigns from a union, to withhold any portion of compulsory

dues that goes to political activism and lobbying unrelated to basic union organizing and collective bargaining.

A bill before the House of Representatives, the Union Members Right-to-Know Act (H.R. 992), would amend the Landrum-Griffin Act to make unions more accountable to members. Introduced in February 2003 by Rep. Sam Johnson, the measure would require unions to provide the information it annually supplies to the Labor Department under the 1959 law to two other types of parties: 1) each new member within 90 days after the member has joined; and 2) all existing members periodically in a manner, to be determined by the Secretary of Labor, that will promote a fuller understanding of the member's rights and judicial remedies under the law. The bill last October was approved by a subcommittee vote of 12 to 10, and sent to the full House Committee on Education and the Workforce.

More far-reaching is a regulatory proposal from the Department of Labor, recently upheld in federal court. After much analysis and comment, the department on October 3, 2003 issued a final regulation mandating tougher union financial reporting requirements. At the heart of the rule change was an upgrading of the standard "LM-2" labor organization reporting form that effectively had remained unchanged for over four decades. The rule would apply to national, state and local unions with annual incomes of more than \$250,000. Nearly 5,000 unions would be affected (smaller unions use the simplified LM-3 or LM-4 forms). These unions would have to: 1) itemize, through electronic reporting, all expenses in excess of \$5,000 relating to politics, gifts and management; 2) report how their salaried employees allocate their time; and 3) on a

separate form, disclose the finances of related trusts. Failure to comply could result in civil penalties.

The revised LM-2 form seemed like a sensible and overdue response by Labor Secretary Elaine Chao to decades of flagrant union corruption. The existing form had given crooks too much leeway. The late prominent union lawyer Victor Van Bourg, for one, knew how to game the system. He had helped Jake West, then president of the International Association of Iron Workers, hide over \$1 million worth of personal dining and entertainment at the union's expense. Van Bourg had classified these costs under the category "Office/Administrative" on the IAIW's LM-2 form, and later reclassified them under "Educational/Publicity."<sup>102</sup>

But union chieftains, their perks and other privileges threatened, objected to the new LM-2. Late in 2003 the AFL-CIO filed suit in federal court against Secretary Chao to delay, and then permanently block, the rule from taking effect.<sup>103</sup> The suit alleged that the new rule "imposes massive new reporting requirements" on the unions, and further, that Secretary Chao exceeded her statutory authority. At first, the unions gained the upper hand. On December 31, 2003, the day before the regulation was to go into effect, U.S. District Judge Gladys Kessler, a Clinton appointee, issued a preliminary injunction suspending the use of the new forms for all of 2004. She argued that the unions could not meet the new requirements under a deadline that tight.<sup>104</sup>

Only a few weeks later, however, Judge Kessler upheld the substantive aspects of the new rule, arguing that the Landrum-Griffin Act explicitly delegates to the Secretary of Labor the authority to determine the appropriate level of detail for all financial

disclosure statements. She added that the department must make available a fully tested version of its electronic reporting software at least 90 days before July 1.

In retrospect, the unions' position seemed divorced from reality. For one thing, the new LM-2 form already had been watered down from an earlier draft. In an eleventh-hour change, DOL staff, reportedly at the behest of Acting (since confirmed) Solicitor of Labor Howard Radzley, removed union organizing from the list of new categories for which union officials would have to account. Instead, the department decided to lump in organizing with "representational activities," even though, in practice, organizing rarely overlaps with collective bargaining.<sup>105</sup> Second, the new LM-2 form is relatively easy to navigate. Any competent union financial officer could enter the figures in the ledger. Finally, contrary to the unions' claim, Secretary Chao, far from acting arbitrarily, was responding to longstanding concerns that the existing LM-2 form contained loopholes that unions for decades had cleverly exploited.

There also has been a glaring moral inconsistency in the unions' position, as George Will observed in the spring of 2003:<sup>106</sup>

Hypocrisy often is waist-deep in Washington. But the spectacle of people defending fiercely opposing the disclosure of truthful information, and thus opposing the rights of union members to know the disposition of their own dues, is notable for the purity of the hypocrisy. Some of these people have rarely met a regulation they did not like -- as long as the regulations apply to business or political activity. Many supported last year's [2002] Sarbanes-Oxley legislation

which, responding to Enron, Arthur Andersen and other scandals in corporate governance, imposed vast new reporting and auditing burdens on businesses.

Let's be blunt. Whatever time and monetary burdens the revised reporting form imposes on the unions, *they are burdens the unions themselves created*. For it is organized labor, not its critics, who for decades aggressively brushed aside accusations of corruption except when they were impossible to ignore. The imposition of the new LM-2 form rests on the sound premise that union funds belong to dues- and fee-paying workers, not union officials. Whether or not corporations operate within the law is an entirely separate issue.

### **Enact a National Right to Work Law**

Monitoring union expenditures is a good and necessary way to discourage theft. But a more lasting approach is, and always will be, the enactment of Right to Work legislation. Breaking union monopoly power goes to the heart of the problem in a way that imposing more stringent reporting requirements cannot. Amending the Landrum-Griffin Act addresses the issue of where dues money goes once it is collected; a Right to Work law goes further, protecting the right of workers to opt out of contributing to the union in the first place. For where the pot of dues money is smaller, crooks have less of an incentive to steal from it, assuming an equal risk of getting caught. At present 22 states protect an employee's right to decide whether or not to belong to a union. It is not a coincidence that most corruption occurs in the 28 that lack such legal protection. While state action is necessary, the reality is that progress tends to occur at a snail's pace.

Oklahoma voters did approve a Right to Work constitutional referendum, known as Question 695, in September 2001. But state officials had to spend over two years fighting off union court challenges until the Oklahoma Supreme Court upheld the law.<sup>107</sup> Question 695, moreover, marked the first time in a decade and a half that any state (in that case, Idaho) had affirmed the Right to Work of both private- and public-sector employees.

Federal action would effectively address this problem. Early in 2003, Rep. Joe Wilson, R-S.C., introduced the National Right to Work Act (H.R. 391).<sup>108</sup> The bill, which by early March 2004 had attracted 121 co-sponsors, would repeal provisions within the National Labor Relations Act and the Railway Labor Act that permit an employer, pursuant to a "union security" agreement, to require employees to pay dues or fees to a union as a job condition. Roughly nine million private-sector workers presently are denied their basic right to bargain apart from a certified union over pay, benefits and working conditions. Union officials have the authority to get roughly 7.6 million of these workers fired should they refuse to pay union dues or (in lieu of joining) agency fees.

With so many workers winning the right to withhold dues without fearing for the loss of their jobs, union officials might be desperate, but the economy would not. During 1992-2002, according to the U.S. Commerce Department, aggregate real incomes in Right to Work states grew by 37.3%; the increase in non-Right to Work states during that period was only 25.8%.<sup>109</sup>

## **THE PROSPECT FOR HONEST**

### **TRADE UNIONISM**

Labor unions are often referred to as voluntary organizations. But people join, and remain in, voluntary organizations like the Rotary Club, the United Way or the Chamber of Commerce because they believe in the organization's mission. When unions have the legal power to exclude potential competitors from the collective bargaining process, and worse, force members to pay dues/fees, they cease to be voluntary in any meaningful sense. Moreover, having the authority to deny members the power of exit (assuming they want to keep their jobs) enlarges the flow of dues into union coffers, and in turn, serves as an invitation to steal.

It is understandable that Americans, even those with no particular economic or emotional ties to the labor movement, become nervous over the idea of a federal takeover of a union, even as an ostensibly temporary measure. We are a liberty-loving people, and view with natural disdain the prospect of fraternal or charitable organizations being placed under government control. But there is the other side of the coin to consider. Far too often, unions have served as an opportunity for crooks to fill their pockets at the expense of unsuspecting members. And it is nearly indisputable that the *non*-voluntary manner in which unions have operated in this country for almost 70 years has greatly contributed to this state of affairs. Unions officials can't help but know this, yet they oppose any and all measures designed to protect the right of individual workers to opt out of a union, no matter how corrupt. Even the Association of Union Democracy, a Brooklyn, N.Y.-based organization dedicated to promoting honest unionism, is unwilling to come out in favor of Right to Work.

To divert public attention from union scandals, labor officials lately have been relentless in their denunciations of multibillion-dollar accounting scandals at such major companies such as WorldCom, Enron and Freddie Mac. But such indignation, however justified, is in the larger picture an evasion. For one thing, it is far from certain that corporations cook their books, proportionately speaking, more than unions do. Union revenues now average about \$15 billion annually; corporate revenues, by contrast, have come to exceed \$15 *trillion* a year, or roughly 1,000 times more.<sup>110</sup> Second, as everyone who keeps up with the news knows, corporate con artists are capable of stealing huge sums of money, but such rapacity is generally checked by market discipline, even more than by the threat of criminal prosecution. Major shareholders can and do dump all their holdings at the first whiff of impropriety. Under forced-unionism laws, union members who harbor suspicions of wrongdoing by union officials lack any analogous recourse.

The Right to Work principle is not about favoring Democrats, Republicans or any other political party. Nor is it about taking the side of management against a union in a given labor dispute. It is about defending the right of each individual worker to decide if and how to be represented in collective bargaining. Even if it could be proven that corporate thieves proportionally steal more than their union counterparts, that hardly justifies unions holding members and fee-payers financially hostage.

Unions, both by custom and law, are fiduciary agents of the employees whom they represent in a contract. As such, workers have a basic right to know where their dues are going. Giving the Labor Department the green light for implementing its revised LM-2 form is a major step in the right direction. But the best assurances of accountability can be achieved by persuading the states, or better, Congress, to repeal the

twin union monopoly privileges of exclusive representation and forced-dues collection. Granting veto rights to individual workers in all 50 states won't bring an end to corruption, but it will induce a whole lot of union officials to think twice before engaging in it.

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<sup>1</sup> Carl F. Horowitz, *Union Corruption: Why It Happens, How to Combat It*, Springfield, VA: National Institute for Labor Relations Research, 1999.

<sup>2</sup> President's Commission on Organized Crime, Report to the President and the Attorney General, *The Edge: Organized Crime, Business and Labor Unions*, Washington, D.C.: U.S. Government Printing Office, March 1986.

<sup>3</sup> See Horowitz, *Union Corruption*, pp. 44-46. In 1985, for example, Williams, by now out of office, testified before the President's Commission on Organized Crime that the mob's grip on the Teamsters was so powerful that even he, their general president, had to do their bidding.

<sup>4</sup> While the 1989 consent decree created the legal authorization for the IRB, the board itself formally did not go into operation until the fourth quarter of 1992.

<sup>5</sup> The exact circumstances of Hoffa's disappearance probably will never be known. The FBI's most plausible scenario is that once Hoffa was lured to the meeting, a mob hit man named Salvatore Briguglio, a colleague of former Teamster official Anthony "Big Tony" Provenzano (Local 560 in Union City, N.J.), strangled him. Hoffa's body was then taken to a Detroit fender factory and dismembered. The bureau couldn't make its case stick because Provenzano died of a heart attack in federal prison in 1988 (he was there for a separate crime), while Briguglio had been murdered a decade earlier. See Ernest Volkman, "The FBI's Open Case File," *George*, October 1998, p. 78.

<sup>6</sup> Quoted in "Hoffa: Federal Supervision of IBT Could End This Year," *Union Corruption Update*, Falls Church, Va.: National Legal and Policy Center, Organized Labor Accountability Project, Vol. 6, Issue 12, June 9, 2003, p. 2. (NLPC, formerly located in McLean, Va., has published *Union Corruption Update* for over a half-dozen years. This publication, assembled and edited by David Kendrick, the former head of the National Institute for Labor Relations Research, proved an invaluable source of information for this report). Impatient with the progress of negotiations, Hoffa weeks later officially endorsed Rep. Dick Gephardt, D-Mo., for President. Gephardt dropped out of the race immediately after his disappointing showing in the Iowa caucuses in January 2004, underscoring the diminished political clout of private-sector unionism at the national level.

<sup>7</sup> The exploits of Bulger could fill a whole book. Suffice it to say that for years he has been on the FBI's Ten Most Wanted list; the agency is offering a \$1 million reward for information leading to his capture.

<sup>8</sup> J.M. Lawrence, "Ex-Con Gets Nine Years in Teamsters Racketeering Case," *Boston Herald*, November 20, 2002. Early in 2003 a federal jury convicted Bruce Ziskind, owner of Tufts Electronics, for his role in the theft ring. Starting in 1995 Ziskind would select semiconductors and video cards from UPS shipments to his store. Murray and other Local 25 Teamsters then would steal the equipment and receive payments for their assistance. The scheme began to unravel in 1997 when Daniel Gilday stole a package containing a tracking device planted by the FBI. Gilday was arrested, and in exchange for immunity, testified against Ziskind.

<sup>9</sup> Local 25 bosses used threats of work slowdowns and cost overruns against the producers of "Blown Away" to rent Boston mobster Steve "the Rifleman" Flemmi's condominium to house their electricians and carpenters. "Boston Teamster Bosses Connected to a Multitude of Scandal Allegations," *National Right to Work Newsletter*, April 2001, p. 8.

<sup>10</sup> Jack Sullivan, "Mob Rule: Crime Groups Run Teamsters Movie Crew," *Boston Herald*, July 26, 2002.

<sup>11</sup> "Boston Teamster Bosses," *National Right to Work Newsletter*.

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<sup>12</sup> Governor Celucci went to the mat for Cashman in another way. His fiscal 2001 budget plan included \$125,000 for "worker development" grants to Local 25. See "Tax Dollars Slated for Tarnished Teamster Brass," in *ibid.* The current governor of Massachusetts is Mitt Romney, who like Celucci and Swift, is a Republican.

<sup>13</sup> Quoted in Doug Hanchett, "Logan Parking Scam Probed," *Boston Herald*, November 9, 2002.

<sup>14</sup> Norman Sinclair, "Feds: Teamster Czar's Patron Lied Under Oath," *Detroit News*, December 28, 2000. See also U.S. District Judge Loretta Preska's affirmation of Bane's dismissal, reprinted in *Teamster*, July/August 2002, pp. 31-39.

<sup>15</sup> See Rich Henson, "Ex-Teamsters Leader Johnny Morris Fights to Regain Control of Local 115," *Philadelphia Inquirer*, November 21, 1999. In a quote, Wendell Young, head of United Food and Commercial Workers Local 1776, put it this way: "Johnny Morris has always operated on annihilation tactics, anyhow, so somebody put the X on him and he is getting annihilated. You live by that sword, you die by it."

<sup>16</sup> Steven Greenhouse, "Teamsters Accuse Top Union Official of Link to Organized Crime," *New York Times Online*, January 25, 2003. DeSanti was one of 22 Teamsters vice presidents.

<sup>17</sup> William Wonder, a nonstriking driver with two decades of experience, was shot in the abdomen in early December 1999 while driving through Memphis. A couple weeks later James McCain, another driver, was hit by a brick thrown from an overpass as he was crossing the I-55 bridge from Tennessee into Arkansas. A consolidated complaint filed by the National Labor Relations Board against the Teamsters following the strike cited hundreds of allegations of assaults, beatings, death threats, brandishing of weapons and vandalism in conjunctions with the strike, over 40 occurring in the Memphis area alone. The NLRB charged that roughly two months before the attempted murders of Wonder and McCain, "unknown agents" of the Teamsters distributed a flier to Teamster employees at the Memphis terminal. The flyer "ratified acts of violence that occurred in a previous strike and implicitly endorsed future violence against employees who cross the picket line." See "NLRB Prosecutors Puncture Jim Hoffa's Story," Springfield, Va.: National Right to Work Committee, *National Right to Work Newsletter*, November/December 2002, p. 6.

<sup>18</sup> The Teamster hierarchy granted producer/filmmaker Barbara Kopple access to the union's top internal deliberations for two years because of her long history of support for organized labor. Ms. Kopple some 25 years earlier had done a documentary, "Harlan County, U.S.A.," about a coal miners' strike in Kentucky.

<sup>19</sup> Both Hoffa and Murphy's remarks are quoted in "New Film Exposes Jim Hoffa's Kamikaze Tactics," *National Right to Work Newsletter*, June 2002, p. 3.

<sup>20</sup> Quoted in "Gephardt's Teamster Friends," *Washington Times*, Editorial, October 5, 2003.

<sup>21</sup> For extensive details, see Eugene H. Methvin, "A Corrupt Union and the Mob," *The Weekly Standard*, August 31, 1998, pp. 25-29.

<sup>22</sup> *Ibid.*, p. 25.

<sup>23</sup> Coia was exceedingly lucky to have beaten the rap. In November 1997 Luskin moved to oust Coia. Coia, his office said, "knowingly associated" with mob members and permitted them to influence his union. Federal informants at the time stated that Genovese family mobsters ran the union all but in name. See *ibid.*, p. 28.

<sup>24</sup> For good accounts, see Steven Greenhouse, "Union Cleanup Praised; U.S. Oversight Is Eased," *New York Times*, January 21, 2000; Glenn Burkins, "Laborers Union Vows to Continue Cleanup Job," *Wall Street Journal*, January 21, 2000.

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<sup>25</sup> "Illinois Boss Admits \$470,000 Theft, Racketeering," *Union Corruption Update*, Vol. 4, Issue 13, July 2, 2001, p. 1; "Chicago Boss Sentenced to 33 Months for \$470,000 Theft," *Union Corruption Update*, Vol. 4, Issue 24, November 19, 2001, p. 1.

<sup>26</sup> See "Weak Evidence, Statute of Limitations Help Chicago Boss," *Union Corruption Update*, Vol. 4, Issue 14, July 16, 2001, p. 1; "Chicago Jury Convicts Boss Serpico and Girlfriend," *Union Corruption Update*, Vol. 4, Issue 15, July 30, 2001, p. 1.

<sup>27</sup> "Iowa Officials Sentenced for Embezzlement," *Union Corruption Update*, Vol. 6, Issue 6, March 17, 2003, pp. 2-3.

<sup>28</sup> The Scalamandres had every reason to fear Casso. He's now serving multiple life sentences for his role in some three dozen murders. See Horowitz, *Union Corruption*, p. 3.

<sup>29</sup> For details on the scams, see "Scalamandre Brothers Plead Guilty to Mob Payoffs in Exchange for Labor Peace," Washington, D.C.: U.S. Department of Labor, Office of Inspector General, News Release, November 14, 2001.

<sup>30</sup> "New York Brothers Admit to Mob and Union Payoffs," *Union Corruption Update*, Vol. 4, No. 24, November 19, 2001, p. 4.

<sup>31</sup> Quoted in Mike Hudson, "Cicero Finally Indicted, Joins Rest of Laborers Local 91 'Goon Squad,'" *Niagara Falls Reporter Online*, July 1, 2003.

<sup>32</sup> *Ibid.*

<sup>33</sup> "Niagara Local Probed for Violence," *Union Corruption Update*, Vol. 3, Issue 17, August 14, 2000.

<sup>34</sup> "Oregon Boss Guilty of Racketeering in Pension Case," *Union Corruption Update*, Vol. 4, Issue 4, February 19, 2001, pp. 1-2; "Oregon Boss Gets 15 Months for Racketeering," *Union Corruption Update*, Vol. 4, Issue, 25, December 3, 2001, pp. 1-2.

<sup>35</sup> "Union Pensioners Get First Installment of Capital Consultant Repayments," *Union Corruption Update*, Vol. 6, Issue 16, August 4, 2003, p. 2.

<sup>36</sup> "DOL Sues Trustees of Seven Union Pension & Health Plans Over Oregon Investment Scandal," *Union Corruption Update*, Vol. 6, Issue 19, September 15, 2003, p. 3.

<sup>37</sup> "DOL Settles Pension Suit Against R.I. Laborers, Coia Law Firm," *Union Corruption Update*, Vol. 7, Issue 4, February 16, 2004, p. 2. The four trustees will be monitored, but not removed from their posts; DOL had recommended removal in its 2003 complaint.

<sup>38</sup> See Methvin, "A Corrupt Union and the Mob," p. 25. At the time Fino, then 50, had to wear a hood over his head during testimony to protect his identity, so great was the price on his head. While working as an FBI informant (he met with bureau agents on more than 4,000 occasions), Fino detailed LIUNA's mob-run shadow government.

<sup>39</sup> Harold Meyerson, "Las Vegas as a Workers' Paradise," *The American Prospect*, January 2004, p. 38. The author, highly sympathetic to the union, favorably quotes the local's secretary-treasurer, D. Taylor, who admitted, "We've forced the social contract [into existence] here." (p. 39).

<sup>40</sup> In 1984 testimony before a Senate subcommittee investigating organized crime's influence on HERE, Hanley asserted his Fifth Amendment right against self-incrimination 36 times. The court monitor's findings that got Hanley kicked out of the union 14 years later included the following offenses: running

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bogus union offices in Rhinelander, Wisc. and Palm Springs, Cal.; abuse of traveling privileges with HERE's \$2.5 million jet; and paying an annual salary of \$31,000 to a ghost employee of Local 1.

<sup>41</sup> For information about the embezzlement and election irregularities at Local 54, see "Five Allegedly Stole \$71,000 from Atlantic City Local," *Union Corruption Update*, Vol. 5, Issue 3, February 4, 2002.

<sup>42</sup> "New Jersey Boss Ousted, \$642,000 Allegedly Diverted from Local," *Union Corruption Update*, Vol. 5, Issue 6, March 18, 2002; "Government Takes Over Corrupt New Jersey Local," *Union Corruption Update*, Vol. 5, Issue 9, April 29, 2002.

<sup>43</sup> "NYC Union Accountant Charged with Stealing \$170,000 for Oral Sex," *Union Corruption Update*, Vol. 6, Issue 17, August 18, 2003, p. 1. The woman was fired from Local 6. At the time of Monachino's arrest, investigators were trying to determine if she had known she was being paid with stolen union funds. As an aside, Monachino served with Local 18032 of the Association of Theatrical Press Agents and Managers following his departure from HERE in 2001. Police charged him with stealing \$23,500 from that local. Thus, the total take of his thefts was \$193,500. This figure does not include the value of the HERE clerk's bogus overtime hours.

<sup>44</sup> "New York Couple Charged with \$235,000 Theft," *Union Corruption Update*, Vol. 3, Issue 11, May 22, 2000; "Buffalo Boss-Widow Pleads Guilty, Repays \$144,400," *Union Corruption Update*, Vol. 5, Issue 7, April 1, 2002; "Buffalo Boss Makes Restitution to Pension Fund She Helped Clean Out," *Union Corruption Update*, Vol. 5, Issue 15, July 22, 2002. It was not as if they wanted for income. In 1990 the couple's combined official salary and pension from Local 4 was \$275,000. In 1996 that figure had risen to more than \$500,000.

<sup>45</sup> "Chicago Family's Ties to Benefit Fund & Bank Probed," *Union Corruption Update*, Vol. 5, Issue 13, June 24, 2002.

<sup>46</sup> "Duffs of Chicago Hit with Federal Indictment," *Union Corruption Update*, Vol. 6, Issue 20, September 29, 2003, p. 1. While removing the Duffs from city contracting is a necessity, it is less than gratifying that their undoing thus far has come about because of the city's desire to retain affirmative action programs. Awarding contracts by race or sex of the contractor, regardless of the contractors' integrity, remains an indefensible idea.

<sup>47</sup> "Boss Accused of Fixing Chicago Election: Quindel Returns," *Union Corruption Update*, Vol. 4, Issue 14, July 16, 2001.

<sup>48</sup> Some of the fundraising scandals that led to the invalidation of Carey's re-election and his eventual ouster, in fact, were connected closely to the New Party, a far-left political party based in Brooklyn, N.Y.

<sup>49</sup> "Jesse Jackson Staffers on Union Payroll," *Union Corruption Update*, Vol. 4, Issue 7, April 2, 2001. One of those employees, various investigative reports subsequently revealed, was Rev. Jackson's mistress, Karin Stanford, with whom Jackson had a child.

<sup>50</sup> "The Fat Cats on the Waterfront," *Union Corruption Update*, Vol. 7, Issue 1, January 5, 2004, p. 2.

<sup>51</sup> "Former NYPD Commish Working to Reform Mobbed-Up NJ Local," *Union Corruption Update*, Vol. 6, Issue 25, December 8, 2003, pp. 2-3.

<sup>52</sup> "New Jersey Bosses/Mobsters Accused of Racketeering and Extortion," *Union Corruption Update*, Vol. 5, Issue 6, March 18, 2002.

<sup>53</sup> Judge Glasser, a Reagan appointee, based his decision on the U.S. Supreme Court's ruling in *Scheidler v. National Organization for Women, Inc.* [537 U.S. 393 (2003)], handed down only weeks earlier. The court ruled, 8-1, that anti-abortion protestors could not be sued under RICO statutes for extortion because the sit-

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down demonstration at the doors of abortion facilities, though intended to prevent legal abortions, did not constitute a taking of property. Judge Glasser used this decision as a precedent to argue that the denial of ILA members' right of free elections could not be considered the extortion of "obtainable property." The ruling, however, left unaffected charges that Genovese mobsters committed pension fraud against the ILA, the Teamsters and Carpenters' unions by forcing them to use a Genovese associate as their investment adviser, who allegedly kicked back fees to the crime family. Months later, lawyers for the LIUNA Local 91 defendants relied on *Scheidler* in requesting a dismissal of charges against their clients. But the court rejected this request.

<sup>54</sup> "Gotti Clan Indicted for Infiltration of New York Locals," *Union Corruption Update*, Vol. 5, Issue 12, June 10, 2002; "More Details Emerge on Gotti Clan's Extortion of Longshoremen," *Union Corruption Update*, Vol. 5, Issue 13, June 24, 2002.

<sup>55</sup> After John J. Gotti's conviction and sentencing to federal prison, mainly on the strength of testimony by his chief enforcer-turned-rival, Sammy "the Bull" Gravano, Gotti's son, John A. Gotti took over the reins of the Gambino family. But the younger Gotti in 1999 was convicted on racketeering charges, at which point his uncle, Peter, assumed control.

<sup>56</sup> Quoted in William Glaberson, "Former Union Boss at Mob Trial Says He Just Followed Orders," *New York Time Online*, January 29, 2003.

<sup>57</sup> "NYC Union President Pleads Guilty, Testifies to Mob Control of the Union," *Union Corruption Update*, Vol. 6, Issue 3, February 3, 2003.

<sup>58</sup> "Three Providence Bosses Indicted for Extortion," *Union Corruption Update*, Vol. 6, Issue 9, April 28, 2003, p. 4.

<sup>59</sup> "Louisiana Boss Gets Year for Embezzling \$91,400," *Union Corruption Update*, Vol. 5, Issue 9, April 29, 2002, pp. 3-4.

<sup>60</sup> It was Cernadas who invited New Jersey Governor James McGreevey to give the keynote speech at that ILA convention. Not surprisingly, the union has made heavy campaign contributions to New Jersey Democrats since McGreevey first won election in 2001. See "NJ Governor Agrees to Repay Union that Flew Him to San Juan Convention," *Union Corruption Update*, Vol. 6, Issue 16, August 4, 2003, p. 1.

<sup>61</sup> See Myron Lieberman, *The Teacher Unions: How the NEA and AFT Sabotage Reform and Hold Students, Parents, Teachers and Taxpayers Hostage to Bureaucracy*, New York: Free Press, 1997; Peter Brimelow, *The Worm in the Apple: How the Teacher Unions Are Destroying American Education*, New York: HarperCollins, 2003.

<sup>62</sup> Secretary of Labor Elaine Chao put it this way: "For abuses this spectacular to go on this long, there had to be a failure of accountability, an absence of oversight and a lack of concern for the well-being of union members." Quoted in Carol G. Leonnig, "Teachers Union Ex-Chief Pleads Guilty," *Washington Post*, October 8, 2003.

<sup>63</sup> The most thorough treatment of the WTU scandal can be found in David Morton, "Membership Has Its Privileges," *Washington City Paper*, January 24-30, 2003. Reliable accounts also appeared regularly throughout 2003 in the *Washington Post* and *Washington Times*.

<sup>64</sup> For a full discussion on Baxter's ties to the WTU scam, see Yolanda Woodlee, "D.C. Official's Role in Union Violated Rules," *Washington Post*, January 26, 2003.

<sup>65</sup> Davis herself also did some job-shifting. According to personnel records, she left the Office of Labor Relations in April 2000, when she was assigned to spend two weeks at the Department of Employment Services. A lawyer who had served with Baxter on Mayor Williams' transition team, Davis was then

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moved to the Corporation Counsel's office. Whether she was forced out or decided to leave as a result of a lack of internal support, it was clear that the Bullock-Hemphill tag team had some serious friends in City Hall. See *ibid*.

<sup>66</sup> Independence Federal, a thrift institution founded in 1968 after the assassination of Rev. Martin Luther King, Jr., may figure more heavily in the scam than initial appearances might suggest. Leroy Holmes visited Independence regularly, often several times a week. It got to the point where he would make a phone call to the branch manager to ensure in advance there was enough cash on hand. After each visit he would walk out of the building, his pockets stuffed with bills. A section of the AFT audit titled, "Unusual Actions by Personnel of Independence Savings Bank," noted that on several deposits the payee's name was completely scratched out and Holmes' name was written in. Though the changes on the checks were initialed, the handwriting did not appear to match that of either Bullock or Baxter. Who, then, initialed the name changes? The answer to that isn't known yet. But a spokesperson for the thrift said her institution accepts checks with the original payee's name crossed out. One would think that over time a red flag would go off among the institution's employees and branch manager after cashing all those checks to Mr. Holmes. See Justin Blum, "Teachers' Auditors Focus on Area Bank," *Washington Post*, January 18, 2003.

<sup>67</sup> Jim McElhatton, "Union Wants Money Back," *Washington Times*, December 1, 2003.

<sup>68</sup> Justin Blum and Yolanda Woodlee, "Union Allegedly Paid Williams's Political Bill," *Washington Post*, January 13, 2003.

<sup>69</sup> Quoted in "Ex-DC Union Chief Pleads Guilty, Refuses to Cooperate with Investigation," *Union Corruption Update*, Vol. 6, No. 21, October 13, 2003, pp. 1-2.

<sup>70</sup> See Valerie Strauss and Justin Blum, "Teachers Union Overcharged Members," *Washington Post*, November 23, 2002. This article also noted that Hankerson had not returned over a dozen phone calls to her office by reporters; someone who answered her cell phone told a reporter that she had the wrong number. Hankerson herself could face legal problems. The AFT audit indicated that she failed to report Bullock when she discovered that Bullock had forged Hankerson's signature on an \$8,000 check. The check, as Hankerson had learned from Bullock, was used to cover some of Bullock's personal debts. See Morton, "Membership Has Its Privileges." Despite her dismissal in March 2003, Hankerson continued to collect an annual salary \$87,138.

<sup>71</sup> Carol D. Leonnig, "Ex-Teachers Union Chief Gets Nine Years," *Washington Post*, January 31, 2004.

<sup>72</sup> Former U.S. Attorney for the District of Columbia, Joseph di Genova, now a private attorney and not involved in the prosecution, noted, "I can't imagine that anyone would plead not guilty in this case." See comment in Brian DeBose, "Driver Seen as Asset for Union Prosecutors," *Washington Times*, January 29, 2003. For a summary of the indictments, see Carol D. Leonnig, "Ex-Union Officials, Accountants Indicted," *Washington Post*, November 21, 2003; Jim McElhatton, "4 More Indicted in Teachers Union," *Washington Times*, November 21, 2003.

<sup>73</sup> To be somewhat sympathetic, there was a less publicized motive for Tornillo's avarice: a nasty divorce settlement with his first wife. Elizabeth Du Fresne, formerly legal counsel to the local union, recalled why she set up a \$500-a-month annuity for Tornillo and his second wife: "He'd had a divorce in the Seventies in which he basically gave everything to his wife. I established an annuity in the Eighties because I was deeply concerned that Tornillo didn't have a plan for the future. I was scared at that stage what he and [current wife] Donna would do when he retired." See Rebecca Wakefield, "Pat Tornillo and His Generous Friend," *Miami New Times Online*, August 14, 2003. But Du Fresne was far less innocent than she sounds, as this section reveals elsewhere.

<sup>74</sup> Manny Garcia and Joe Mozingo, "Union Paid for Chief's Opulent Lifestyle," *Miami Herald Online*, May 18, 2003.

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<sup>75</sup> Matthew I. Pinzur, "Leaders of UTD Saw Crisis, Kept Silent," *Miami Herald Online*, August 17, 2003.

<sup>76</sup> Albaum said the loans were made so that the UTD would not have to obtain a conventional loan that could affect its credit score at a time when the union was trying to secure a mortgage for its new headquarters. Angleton, meanwhile, won the CFO job late in 2001 in a classic case of cronyism. He came over from TotalBank, where he helped UTD obtain a construction loan. See Manny Garcia and Joe Mozingo, "Two Union Insiders Say Strapped UTD Borrowed from Them," *Miami Herald Online*, May 18, 2003.

<sup>77</sup> Quoted in Pinzur, "Leaders of UTD Saw Crisis, Kept Silent."

<sup>78</sup> *Ibid.*

<sup>79</sup> "AFT Slashes Miami Staff, Cuts Dues to Lure Teachers Back," *Union Corruption Update*, Vol. 6, Issue 11, May 26, 2003, p. 1.

<sup>80</sup> *Ibid.*

<sup>81</sup> "Ex-Mass. Union Finance Director Pleads Guilty to Embezzlement," *Union Corruption Update*, Vol. 6, No. 26, December 22, 2003, pp. 3-4.

<sup>82</sup> "Nevada Boss Guilty of Embezzlement," *Union Corruption Update*, Vol. 2, Issue 16, August 2, 1999, pp. 2-3. The title is not a misprint. Confer in 1996 moved to Las Vegas, becoming executive director of the Clark County Education Association, the nation's second largest NEA local chapter. He resigned from that union in 1998. The agreement with Indiana prosecutors barred Confer for life from serving as an officer in any union.

<sup>83</sup> "Ex-Office Manager for Local Teacher Union Arrested for Theft in Ft. Pierce, Fla.," *Union Corruption Update*, Vol. 6, Issue 5, March 3, 2003, p. 4.

<sup>84</sup> Lieberman, *The Teacher Unions*, p. 174.

<sup>85</sup> Figures cited in "Teachers Protest Union Harassment, 'Thinly Veiled Threats,'" in *Exposed*, National Right to Work Committee, Vol. 2, No. 6, June 2003.

<sup>86</sup> *Ibid.*

<sup>87</sup> Matthew Pinzur, "Bank Demands UTD Repay \$1 Million Loan Now," *Miami Herald Online*, April 30, 2003.

<sup>88</sup> Quoted in "UTD Chief's Spending Scrutinized, Criticized," available on the Web site, <http://www.miami.com/mld/miamiherald/news/editorialletters>, posted May 22, 2003.

<sup>89</sup> *Ibid.*

<sup>90</sup> See comments by authors in Charlene Haar, Myron Lieberman and Leo Troy, *The NEA and AFT: Teacher Unions in Power and Politics*, Rockport, Mass.: ProActive Publications, 1994, p. 154. "As long as the NLRA [National Labor Relations Act] model continues to dominate school district employment relations," they write, "we can expect the negative consequences of teacher bargaining; any changes for the better are likely to be marginal and succeed only over strong union opposition."

<sup>91</sup> See, for example, Stan Greer, *The Monster Monopoly Bargaining Unit: Why Educators Are Resisting NEA Forced Union Rule*, Springfield, VA: National Institute for Labor Relations Research, Summer 2002.

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<sup>92</sup> Many observers cite Samuel Gompers, who'd founded the American Federation of Labor decades earlier, as ULLICO's founder, though he had died in 1924.

<sup>93</sup> Neil Irwin, "Unions Invest \$50 or More in Ullico," *Washington Post*, October 2, 2003.

<sup>94</sup> This is according to NRWLDF Vice-President Stefan Gleason.

<sup>95</sup> "Give Back the Money," *Washington Post*, editorial, May 2, 2003.

<sup>96</sup> Sweeney did not participate in the insider deal. Yet his leadership abilities ought to be suspect anyway, as for three years he sat by and allowed worker dues to be held hostage to fluctuations in a highly risky stock. One major reason is that the AFL-CIO owed \$24 million to ULLICO's insurance operations to cover renovation costs at the AFL-CIO headquarters in Washington, D.C.

<sup>97</sup> Georgine hadn't been cooperative with the Department of Labor either. On February 12, 2003 DOL sued him for documents relating to the insider stock trades after he had ignored a previous subpoena.

<sup>98</sup> "House Committee Finds Possible Violation of Law in Union Stock Scheme," *Union Corruption Update*, Vol. 6, Issue 23, November 10, 2003, pp. 2-3.

<sup>99</sup> Christopher Stern, "Global Crossing Back From Bankruptcy," *Washington Post*, December 10, 2003. The company, far from being a risk-taking entrepreneur, is controlled by the Singaporean government.

<sup>100</sup> Winnick hasn't gotten off the hook completely. At a Congressional hearing in 2002 he promised to donate \$25 million to benefit thousands of company employees who had lost their jobs. That sum is currently (as of December 2003) in an escrow account awaiting distribution. Global Crossing isn't off the hook either. The firm is under investigation by the Justice Department and the Securities and Exchange Commission for involvement in sham leasing deals to inflate revenues. See *ibid.* Meanwhile, the bankruptcy agreement cancelled all outstanding shares of Global Crossing stock, rendering them worthless.

<sup>101</sup> *Communications Workers v. Beck*, 487 U.S. 735 (1988).

<sup>102</sup> "Quotable Quotes," *Union Corruption Update*, Vol. 6, Issue 11, May 26, 2003, p. 3.

<sup>103</sup> See Associated Press, "Unions Sue to Block New Rule," *Washington Post*, December 2, 2003.

<sup>104</sup> Carol D. Leonnig, "Judge Delays Reporting By Unions," *Washington Post*, January 1, 2004; Associated Press, "Judge Delays Union Dues Rules," *Washington Times*, January 3, 2004.

<sup>105</sup> National Right to Work Committee President Mark Mix believes that in treating union organizing as indistinguishable from worker representation, the DOL has severely undercut President Bush's commitment to enforcing the *Beck* decision. In *Beck* the U.S. Supreme Court ruled that forcible collection of union dues only could be applied to activities explicitly related to collective bargaining. See "Right to Work Committee Asks President Bush to Withdraw DOL Solicitor," *Union Corruption Update*, Vol. 6, Issue 22, October 27, 2003, p. 1.

<sup>106</sup> George F. Will, "The Stiletto's Sharp Idea," *Newsweek*, May 12, 2003.

<sup>107</sup> There actually were two separate attempts to overturn the referendum in the Oklahoma Supreme Court. In the first case, state labor chieftains argued that Oklahoma voters would not have approved the amendment if they had known that it could not be applied to every employee in the state. In the second case, a union and an employer filed a collusive lawsuit, arguing that the approved amendment violated the due process and equal protection clauses of the Oklahoma constitution. The court rejected both challenges.

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<sup>108</sup> The Senate also is considering a similar bill (S.1765). Introduced in October 2003 by Sen. Trent Lott, R-Miss., the bill thus far has attracted only four co-sponsors.

<sup>109</sup> Cited in "H.R. 391 Supporters Lobby for Labor Panel Vote," *National Right to Work Newsletter*, June 2003, p. 4.

<sup>110</sup> The estimate for union revenues comes from the National Right to Work Committee. The figure for corporate receipts comes from the IRS's *Statistics of Income*, annually. Of the figure for the unions, roughly half comes from member dues.

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*The National Institute for Labor Relations Research is an organization whose primary function is to act as a research facility for the general public, scholars and students. It provides the supplementary analysis and research necessary to expose the inequities of compulsory unionism.*

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## NATIONAL INSTITUTE FOR LABOR RELATIONS RESEARCH

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### THE PROBLEM

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Organized labor has had a profound economic and political impact on the institutions of American power. Yet the far-reaching ramifications of that impact are largely unknown to the public. Academic interest in labor unions and labor relations is at its lowest point in decades.

While there has been a notable proliferation of private interest groups in recent years, none has exposed the excesses of America's union establishment from an academic perspective. Consequently, not enough light has been shed on one of the few remaining forms of tyranny left in America: compulsory unionism.

### THE NEED

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Labor policy in America has not reflected the will of its citizenry for decades because Big Labor's support in the academic community has allowed it to control debate. As a result, labor unions have not been subjected to the same degree of scrutiny as their counterparts in the corporate world.

In many cases, the interests and concerns of Americans who support the right to work without compulsion are ignored for lack of an academic support structure. Freedom of association has diminished because its proponents frequently are without the analysis and research necessary to effectively make their case.

Obviously, there is an urgent need for an organization that will draw together scholars and economists to perform objective and revealing research into the practices of America's labor unions. The National Institute for Labor Relations Research is such an organization.

### THE PROGRAM

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1. The Institute's primary function will be to act as a research facility for the general public, scholars and students. It will provide the supplementary analysis and research necessary to expose the inequities of compulsory unionism.

2. It will publish monographs, brochures and briefing papers designed to stimulate research and discussion with easy-to-read summaries of current events. The Institute will also conduct nonpartisan analysis and study for the benefit of the general public.

3. It will render aid gratuitously to individuals suffering from government over-regulation of labor relations and will provide educational assistance to those individuals who have proved themselves worthy thereof.

It is high time that self-interested union officials be confronted with the facts on how their brand of unionism has failed to improve general conditions for workers. With an intensive program of study and education, the National Institute for Labor Relations Research intends to do just that.

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