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LIUNA, ORGANIZED CRIME, AND THE CLINTON ADMINISTRATION

(Updating *Government Integrity Project Report* No. 10, "Organized Crime, Organized Labor, and Corruption of the Federal Grants Process," July 31, 1996.)

In a February 1995 consent decree, the Laborers' International Union of North America (LIUNA) admitted that several of its locals and affiliates operated under the influence of organized crime. Over the past two decades, at least 80 officials of LIUNA and its affiliates have been convicted of various organized crime-related activities, including bribery, embezzlement, interstate transportation of stolen merchandise, and attempted murder. Notwithstanding this record, the Justice Department under the Clinton Administration has allowed LIUNA's leadership to remain largely in place.

In hearings this summer, Congress raised questions about whether the Justice Department's treatment of LIUNA was influenced by the union's political ties to the Clinton Administration.¹ After the Justice Department investigation was disclosed publicly, LIUNA significantly increased its political activity. Despite its relatively modest size, it became the largest union contributor of "soft money" to the Democratic Party, as well as the fourth-largest political action committee (PAC) contributor among all of the nation's labor unions.

During the first two full fiscal years under the Clinton Administration, LIUNA received nearly \$30 million in federal grants. Many of these grants were awarded to LIUNA's education and training programs, a special focus of criminal investigations of the union. Congress should direct the General Accounting Office to investigate whether taxpayer funds were abused and whether government grantmakers were ignorant of, or simply chose to ignore, evidence of LIUNA's abuse of education and training funds.

LIUNA's Record of Partisan Politics

Around the time the Justice Department investigation of LIUNA became public knowledge in October 1993, the union dramatically increased its involvement in partisan politics. During the first ten months of 1993, it gave \$50,600 in "soft money" donations to the Democratic National Committee (DNC). Between

¹ House Committee on the Judiciary, Subcommittee on Crime, "Hearing on Clinton Administration Efforts Against the Influence of Organized Crime in LIUNA," July 24-25, 1996.

January and September 1996, it gave \$460,000 to the DNC, making it the top soft money donor among labor unions. Although LIUNA has only one-third the membership of the National Education Association, its soft-money donations exceed the NEA's by 50 percent.²

LIUNA's political action committee, the Laborers' Political League (LPL), has grown in influence over the same time period. The 16th-largest labor PAC in 1993-1994, the LPL has become the 4th-biggest in the 1995-1996 election cycle. Since 1993, it has donated over \$2.1 million to Democratic Party congressional candidates.

LIUNA General President Arthur Coia also has become a leading fund-raiser for the Democratic Party. He served as co-host for a 1994 fund-raiser that brought more than \$3.5 million into DNC coffers and as Vice Chairman of a May 1996 event that raised more than \$12 million for the DNC. These efforts and others earned Coia the privilege of frequent access to the White House. He also has traveled with the President on numerous occasions, even accompanying him to greet the Pope in Denver.

Cash-Back Bonus:

Nearly \$30 Million in Federal Grants in FY 1994 and 1995

During 1994 and 1995, the first two full fiscal years of the Clinton Administration, LIUNA's largesse to the Democratic Party was reciprocated more than tenfold in the form of nearly \$30 million in grants from the federal government. Such federal subsidies are especially significant to the financially strapped union, which last year ran an operating deficit of \$11.8 million.³

As detailed in *GIP Report* No. 10, four federal agencies—the Environmental Protection Agency (EPA), Department of Health and Human Services (HHS), Department of Housing and Urban Development (HUD), and Department of Labor (DOL)—awarded 38 grants totaling \$11,376,000 to LIUNA and its affiliates in FY 1994 alone. Moreover, in April 1995, just two months after it signed the consent decree publicly acknowledging the influence of organized crime in its ranks, the union received a \$3.5 million training and education grant from HUD.

Now The Heritage Foundation has obtained copies of numerous FY 1995 grants to LIUNA and its affiliates. During FY 1995, in addition to the \$3.5 million HUD grant, LIUNA and its affiliates benefited from 12 grants totaling \$14,832,000 from six federal agencies: DOL, EPA, HUD, HHS, the Department of Education, and the Federal Mediation and Conciliation Service (see Appendix). The majority of these grants were awarded after the February 1995 LIUNA-Department of Justice consent decree had been signed.

Most significant among the FY 1995 grants was \$9.3 million from the National Institutes of Health's Superfund Worker Training Program, awarded on September 15, 1995. This grant, nearly six times the program's average grant of \$1.59 million, amounted to more than one-third of the Superfund Worker Training Program's entire \$30.3 million 1995 grant budget.

LIUNA's Record of Training Fund Abuses

The bulk of these 1994 and 1995 federal grants to LIUNA funded education and training programs, where much of the criminal activity in the union took place. The November 1994 complaint against LIUNA, drafted by the Department of Justice but never filed in court, alleged that "in or about 1986 to on or about July 31, 1994," LIUNA officials—including Coia—sought to "defraud training and education funds

2 Editorial, *The Washington Times*, September 11, 1996, p. A16.

3 Cheryl Bolen and David Nather, "Race for Presidency of LIUNA Narrows to Coia, Bruno Caruso," *Daily Labor Report*, September 26, 1996, p. A9.

of various upstate locals” in New York, employing “actual and threatened force” to “induce the locals to surrender control of these funds.”

In addition, the Department of Labor’s Inspector General recently hailed the conviction of one LIUNA official for conspiracy to steal union training funds.⁴ But despite this conviction and other government allegations, federal grants continue to flow to a group that admittedly has been infiltrated by organized crime.

GAO Should Investigate LIUNA’s Federal Grants

Congress should call upon its investigative arm, the General Accounting Office, to examine the process by which federal officials awarded such major grants to LIUNA. The GAO investigation should attempt to determine whether any of the training and education grants awarded to LIUNA and its affiliates were connected in any way to the allegations, prosecutions, or convictions against LIUNA officials.

LIUNA officials have been both charged with and convicted of abusing training and education funds. The federal government provided tens of millions of dollars in training and education grants to the union. Even minimal concern about taxpayer funds would more than justify an inquiry as to whether known abuses involved the use of federal grants.

The GAO also should try to ascertain whether federal grantmakers adequately monitored the receipt and use of taxpayer funds by union officials. Relevant grantmakers at agencies that have supported LIUNA should be asked about their knowledge of allegations of criminal infiltration of LIUNA and their agencies’ efforts to prevent such wrongdoing in the future. Moreover, the GAO should begin an immediate review of FY 1996 and FY 1997 grants to LIUNA.

The House Judiciary Committee has yet to conclude its investigation of whether LIUNA’s political ties allowed it to escape harsh legal sanction from the Justice Department. It seems clear, however, that LIUNA General President Arthur Coia used his ties to the White House to seek federal grant dollars. According to an article in the May 1996 *Washington Monthly*, Coia personally lobbied the President for grant money at a fall 1994 Oval Office meeting, and the President informed Coia that White House Deputy Chief of Staff Harold Ickes would handle such matters.⁵ (Before joining the Clinton Administration, Ickes practiced labor law; LIUNA was one of his clients.⁶) Normally, federal grants are issued directly by agencies without White House intervention. Although White House intervention in the grants process may not be illegal, it is unusual enough to merit further GAO examination.

In addition to examining the specifics of the LIUNA case, the GAO should recommend guidelines to help federal agencies determine how to respond properly to grant requests from organizations operating under substantial allegations of criminal wrongdoing.

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4 Office of the Inspector General, U.S. Department of Labor, *Semiannual Report to Congress*, October 1, 1995, to March 31, 1996.

5 John E. Mulligan and Dean Starkman, "An F.O.B. and the Mob," *Washington Monthly*, May 1996, p. 13.

6 Editorial, *The Washington Times*, August 28, 1996.

APPENDIX

FY 1995 Federal Grants to Laborers' International Union of North America and Affiliates

Laborers-AGC Education/Training Department of Health and Human Services, National Institutes of Health, October 1, 1994	\$2,284,901
Laborers Home Development Department of Housing and Urban Development, Public and Indian Housing, October 1, 1994	\$402,000
Laborers Home Development Department of Housing and Urban Development, Public and Indian Housing, October 1, 1994	\$44,945
Laborers International Department of Housing and Urban Development, Public and Indian Housing, October 1, 1994	\$748,536
Laborers-AGC Education and Training Fund Department of Education, Office of Vocational and Adult Education, December 6, 1994	\$190,240
Laborers-AGC Education and Training Fund Environmental Protection Agency, April 25, 1995	\$400,000
Laborers—Laborers' Institute for Training and Education Department of Housing and Urban Development, Public and Indian Housing, April 26, 1995	\$3,500,000
Laborers Institute of Training and Education Department of Labor, Public and Indian Housing, June 26, 1995	\$750,000
Laborers-AGC Education/Training Department of Health and Human Services, National Institutes of Health, September 15, 1995	\$9,344,500
Laborers-AGC Education/Training Department of Health and Human Services, Centers for Disease Control, September 15, 1995	\$350,000
Laborers National Health and Safety Fund Department of Health and Human Services, Centers for Disease Control, September 15, 1995	\$149,254
New England Laborers Health and Safety Fund Federal Mediation and Conciliation Service, September 28, 1995	\$99,975
Laborers-AGC Education and Training Fund Department of Labor, Occupational Safety and Health Administration, September 30, 1995	\$68,100
FISCAL YEAR 1995 TOTAL	\$18,332,451