

ORGANIZED CRIME, ORGANIZED LABOR, AND CORRUPTION OF THE FEDERAL GRANTS PROCESS

An agreement between the U.S. Department of Justice and an allegedly crime-ridden labor union is being scrutinized in Congress because of allegations that political considerations may have led the government to adopt a lenient stance toward the union. One aspect of the relations between the Clinton Administration and the Laborers' International Union of North America which merits particular examination is the string of federal grants that have continued to subsidize LIUNA even as government investigators were uncovering evidence of organized criminal influence in the union. Restriction or elimination of grants to politically active groups like unions ought to be high on the list of remedies Congress considers.

In addition to examining the Clinton Administration's handling of criminal investigations, Congress should seek to ascertain why purely discretionary funds continued to flow to a group subject to such serious allegations. Were federal grantmakers aware of long-pending allegations that LIUNA was tied to organized crime? And in reviewing evidence that union leaders misused union funds, Congress should ask the General Accounting Office and other agencies to investigate how those same officials used taxpayer funds entrusted to them.

Welfare for Unions

The vast patronage network created by Congress and the federal bureaucracy during the past 40 years is out of control. Each year, American taxpayers fund nearly \$39 billion in grants to over 40,000 private organizations,¹ many of which taxpayers might find objectionable or offensive. Even when the advertised purpose of a federal grant seems inoffensive, every federal dollar that an organization receives frees private resources for other uses, including political and lobbying activities in pursuit of ever more government subsidies. Furthermore, most federal grants include an "overhead" allowance that directly subsidizes all of a recipient's activities.

¹ Marshall Wittmann and Charles P. Griffin, "Restoring Integrity to Government: Ending Taxpayer-Subsidized Lobbying Activities," Heritage Foundation *Backgrounders* No. 1040, July 12, 1995, p. 1.

Over the past few decades, labor unions have been among the major beneficiaries of federal largesse, receiving literally billions of dollars for educational, training, and construction programs.² The maze of federal grants to unions in areas ranging from job-training to AIDS education is so vast, and public disclosure so limited, that a precise figure is unavailable. One admittedly preliminary investigation uncovered \$110 million in “direct subsidies” to unions between January 1993 to March 1994 from the Departments of Labor, Justice, Housing and Urban Development, and Health and Human Services alone.³ And this is dwarfed by the indirect subsidies unions receive through worker training grants distributed by the states under the \$3.4 billion federal Job Training Partnership Act.

This year, the AFL-CIO has earmarked \$35 million to defeat conservative members of the 104th Congress. Yet federal grants to the AFL-CIO continue. In the midst of this campaign, for example, the AFL-CIO was awarded a “financial management training” grant of \$400,000 by President Clinton’s supposedly nonpartisan “national service” program, AmeriCorps.⁴

While any group should be free to pursue legitimate political aims, labor unions enjoy two unusual privileges: federal grant subsidies and the ability to force workers to subsidize political efforts with which many union members disagree. Both of these privileges allow organized labor to use dollars earned coercively—either from taxpayers through federal grants or from union members through mandatory dues payments—to support a narrow ideological agenda.

Money, Crime, and Politics

In addition to the question of whether politically active groups should receive federal funding, the lack of accountability in the federal grants process is disturbing. The Laborers’ International Union of North America received more than \$11 million in federal grant money in FY 1994. In the 1994 election cycle, LIUNA’s political action committee, the Laborers’ Political League, donated over \$1 million to Democratic Party congressional candidates. Whether federal grant dollars effectively subsidized political activity is a legitimate subject of inquiry, but the grants to LIUNA raise an even more significant question: Why did LIUNA continue to receive millions in federal grant dollars when it had been singled out for a decade as probably infiltrated by organized crime?

In 1986, President Reagan’s Commission on Organized Crime issued a landmark report detailing the influence of organized crime on labor unions. The report singled out several unions, suggesting in a chapter entitled “A Case Waiting to be Made” that the Justice Department file racketeering charges against the Laborers’ International Union of North America to return control of the union to its members.

Eight years later, in November 1994, DOJ’s organized crime and racketeering section delivered a 212-page draft complaint to LIUNA’s general president, Arthur Coia. The charge: that Coia, along with several co-conspirators, had “employed actual and threatened force, violence and economic injury to create a climate of intimidation and fear” at the Rhode Island-based union, which represents 700,000 workers, primarily in the hazardous waste cleanup and construction trades. The complaint

² Charles P. Griffin, “Top Ten Political Slush Funds,” Heritage Foundation *Backgrounder* No. 1069, March 4, 1996, pp. 7, 14.

³ David P. Kendrick, “Just One More Privilege Please: Federal Funding of Forced Unionism,” National Institute for Labor Relations Research *Issue Brief*, July 26, 1995, p. 1.

⁴ John P. Walters, “AmeriShorts,” New Citizenship Project *Memorandum to Conservative Reformers*, June 18, 1996.

recommended that Coia be “immediately removed” from his post as general president and that control of the union be assumed by an independent administrator.

Over the past two decades, LIUNA officials have recorded over 80 convictions for crimes ranging from racketeering to bribery, extortion, tax evasion, and attempted murder. Despite this record and the lengthy Justice Department report detailing Coia’s use of “fear and intimidation” in running the union, Coia was not removed as head of LIUNA. In February 1995, the Justice Department reached an agreement with the union by which Coia kept his job in exchange for a promise that he would weed out corruption.

DOJ’s voluntary agreement with LIUNA, proposed by the union in response to the 212-page draft complaint, was the first of its kind in a racketeering case involving a labor union. It relies on LIUNA itself—not a court-appointed officer granted wide powers and broad access to federal investigative resources—to institute needed reforms.

In the consent decree filed by LIUNA and DOJ, the union acknowledged that “the organized crime syndicate known as La Cosa Nostra has at various times had a corrupting influence on the affairs of various locals and other entities within LIUNA.” The union also openly admitted that it “ha[d] not eliminated all of such corrupting influence” in its ranks.⁵ In effect, the “Department of Justice farm[ed] out the task of mob-busting to a union boss they once charged as a racketeer.”⁶

The House Judiciary Committee’s Subcommittee on Crime recently held hearings in conjunction with the tenth anniversary of the Reagan Commission to examine how LIUNA remained under Coia’s thumb. One theory is that politics may have played a role.⁷ Coia lent \$100,000 of LIUNA money to the Clinton Inaugural Committee; and in 1993 and 1994, the Laborers’ Political League donated over \$1 million to Democratic Party congressional candidates. During 1995 and the first quarter of 1996, the LPL has contributed \$747,000 to over 200 liberal congressional candidates. Coia personally served as vice chairman of a May 1996 fund-raiser that raised \$12 million for the Democratic Party.

LIUNA and Federal Grants

In addition to reviewing the Justice Department’s decision to allow Coia to remain as LIUNA’s general president, the Judiciary Committee might wish to investigate federal funding of the union’s training programs. Since 1986, millions of tax dollars have flowed to this union, described by the Commission on Organized Crime as a “corrupt” organization whose “leaders steal or misuse workers’ funds.” Moreover, the November 1994 Justice Department complaint noted that “in or about 1986 to on or about July 31, 1994,” LIUNA leaders intended to devise a scheme to “defraud training and education funds of various upstate locals” in New York by using “actual and threatened force” to “induce the locals to surrender control of these funds.”⁸ In FY 1994, while the Justice Department was

⁵ Consent Decree Between U.S. Department of Justice and Laborers’ International Union of North America, February 13, 1995, p. 1.

⁶ John E. Mulligan and Dean Starkman, “An F.O.B. and the Mob,” *Washington Monthly*, May 1996, p. 12.

⁷ *Ibid.*; Eugene H. Methvin, “The Clintons and the Union Boss,” *Reader’s Digest*, April 1996, pp. 93-98; and Jeffrey Goldberg, “Yikes Are the Clintons in Trouble: Some of the President’s New Union Pals Seem to Have Some Suspicious Pals of Their Own,” *New York*, July 8, 1996, p. 19.

⁸ Draft Complaint, *U.S. Department of Justice v. LIUNA*, November 4, 1994, pp. 151-153.

investigating graft and intimidation at LIUNA, the union and its affiliates received 38 grants totaling \$11,376,000 from four federal agencies and departments: the Environmental Protection Agency, Department of Health and Human Services, Department of Housing and Urban Development, and Department of Labor.⁹

In April 1995, less than three months after the Justice Department signed its agreement with LIUNA, the Department of Housing and Urban Development signed its own agreement with the union. HUD awarded the Laborers' Institute for Training and Education, a LIUNA affiliate, a \$3.5 million grant to "provide construction and environmental training and career opportunities and advancement for public housing residents."¹⁰ Under this grant, according to LIUNA, public housing residents will be trained in "basic construction and environmental remediation skills," after which they will "become members of LIUNA" and "enjoy long-term access to future employment opportunities through union hiring halls." It is little wonder that, upon receiving this grant, Coia declared that "this is just one more shining example of how the Clinton administration and the LIUNA is [sic] putting people first."

Congress should call additional hearings to require the relevant grantmaking officials at HUD to testify about their decision to award such a major grant to LIUNA just three months after the consent decree was signed. In particular, HUD's Assistant Secretary for Public and Indian Housing, Joseph Shuldiner, who signed the April 26, 1995, grant, should be asked about his knowledge of wrongdoing at LIUNA as well as what efforts his bureau is taking to prevent such wrongdoing in the future.

Lessons for the Federal Grants Process

LIUNA is just one of the nearly 40,000 private organizations that receive more than \$39 billion annually in federal grant funds. Like LIUNA, many of these groups also take an active part in the political process by promoting a particular ideological agenda or by lobbying for increased federal spending. When the taxpayers fund special interests, they make it possible for these organizations to use private resources for such purposes. The federal grants process employs the coercive power of government to force taxpayers to finance organizations whose political agenda they oppose. With regard to LIUNA specifically, tax dollars have gone repeatedly to an organization whose leadership has played a significant role in supporting the Democratic Party.

Wholly aside from LIUNA's links to the Clinton Administration, organizations alleged to be rife with criminal wrongdoing should be ineligible for federal funding. Clearly, federal grant dollars should not be given to any organization with admitted ties to organized crime for the purpose of recruiting more members. Whatever other else might be done to prevent the abuse of federal grants for political purposes, this is a first step upon which liberals and conservatives alike should be able to agree.

As Congress reviews charges that LIUNA officials misused union funds, government investigators should be asked whether they reviewed the receipt and use of taxpayer funds by those same officials. Given the union's admission of wrongdoing, an investigation and accounting of the use of recent federal grants clearly is in order. Because of questions about the relationship between the

⁹ See Appendix, *infra*.

¹⁰ LIUNA press release, "LIUNA and HUD Sign Major Training/Work Agreement," April 26, 1995.

Clinton Administration and LIUNA, the General Accounting Office, an independent congressional agency, should conduct that review.

The LIUNA case is an example of the inherent conflict of interest in permitting executive branch agencies to give grants to politically active groups. In 1995, Congress attempted to address the problem of taxpayer-subsidized political activities by ending grants to groups that engage in lobbying. Unfortunately, the restriction Congress approved applies only to one category of lobbying organization, and efforts to erect broader restrictions on federally funded lobbying, principally the Istook-McIntosh-Ehrlich Amendment, were stymied by congressional liberals. Along with general efforts to eliminate welfare for lobbyists, Congress should identify and eliminate all programs that serve most often to channel funding to special-interest groups.¹¹ This case should serve to stimulate such efforts.

As Congress questions the standard for criminal prosecution in cases such as LIUNA's, it also should consider an intermediate step: barring federal grants to suspect organizations. During the ten years that allegations against LIUNA have been pending, government grantmakers appear to have been uninformed of or unconcerned about substantial evidence of criminal activity within the union. Because federal grants to organizations like LIUNA are discretionary, it would be entirely reasonable to withhold money from suspect groups and award it to others. Government should take all reasonable steps to protect taxpayer funds even before seeking criminal sanctions.

Congress should consider steps to stop—or at least require a review of—federal grants to any group for which there is substantial evidence of corruption. Among the actions which might trigger such a review:

- ✓ Conviction of a group's officers or employees on charges indicating abuse of monies or organizational powers;
- ✓ Delivery or filing of charges against an organization by federal, state, or local law enforcement agencies; or
- ✓ Any public disclosure of criminal activity by an organization.

Conclusion

Having raised serious legal concerns about the propriety of the Clinton Administration's decision to allow the crime-infested Laborer's International Union to remain out of federal receivership, Congress also should ask why such an organization has continued to receive federal grant subsidies. LIUNA presents a case study of serious problems in the federal grants process. Since 1993, the Laborers' Political League has donated nearly \$1.75 million to Democratic Party congressional candidates. At the same time, LIUNA affiliates have received over \$15 million in federal grants. Indeed, just three months after it admitted to organized crime infiltration in federal court, LIUNA received a \$3.5 million grant from the U.S. Department of Housing and Urban Development.

¹¹ Griffin, "Top Ten Political Slush Funds," p. 2.

It is time for Congress to end the corruption of the federal grants process by acting immediately to:

- ✓ **Require** that relevant grantmakers at HUD, the Environmental Protection Agency, the Department of Health and Human Services, and the Department of Labor testify about their knowledge of allegations of criminal infiltration of LIUNA;
- ✓ **Prohibit** organizations whose officers have records of criminal wrongdoing from receiving federal grants;
- ✓ **Renew** efforts to restrict lobbying by federal grantees; and
- ✓ **Order** a General Accounting Office investigation into LIUNA's handling of federal grants.

It is bad enough that mandatory dues from union members are used to pay for corruption and political activities. Taxpayers should not be forced to pay as well.

Kenneth R. Weinstein
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APPENDIX

Fiscal Year 1994 Federal Grants to Laborers' International Union of North America and Affiliates

EPA, Asbestos Abatement Worker Training Program Laborers—AGC Education	\$241,000
HUD, Housing Laborers Homes Development	\$402,000
HUD, Housing Laborers Homes Development	\$44,945
HUD, Housing Laborers International	\$748,536
EPA, Lead-Based Paint Abatement Workers Training Program Laborers—AGC Education	\$105,000
HHS, Health and Safety Training Programs Laborers—AGC Education	\$490,000
HHS, Health and Safety Training Programs Laborers—AGC Education	\$7,426,605
Department of Labor, Targeted Training Program—Lead Laborers' Health and Safety	\$475,000
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,735
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,687
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,568
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,538
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,538
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,687

HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,597
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,573
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,851
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,855
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,851
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,605
Department of Education, Business and Education Standards Program Laborers AGC Education and Training	\$190,240
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,526
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,735
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,542
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,736
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,659
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,526
HUD, Housing—Federal Laborers Homes Development	\$44,945
HUD, Housing—Federal Laborers Homes Development	\$16,767
HUD, Housing—Federal Laborers Homes Development	\$402,000

HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,855
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,850
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,593
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,549
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,605
HUD, Housing—Federal Loan Management Renewal Laborers Homes Development	\$1,862
HUD, Housing—Federal Laborers International	\$748,536

