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Decreasing Union Transparency: A Step Backward for Workers

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Each year, unionized employees pay billions of dollars in union dues. By law, unions must spend this money to advance the interests of union members. However without adequate financial transparency, union members cannot tell if their dues are being misspent.

Recent regulatory changes by the Department of Labor (DOL) increased union financial transparency. This added transparency has revealed that mismanagement and corruption have squandered millions in union dues, and money is often directed toward dubious organizations such as the scandal-plagued Association of Community Organizations for Reform Now (ACORN).

Despite the proven success of enhanced union transparency—as well as the fact that President Obama campaigned on a platform of transparency and opposing special interest lobbyists—the current Administration has begun repealing these regulations. Congress should protect workers by preventing the DOL from undermining union transparency reforms.

Financial Transparency Comes to Labor. Passed in the wake of prominent union corruption scandals, the Labor Management Reporting and Disclosure Act of 1959 (LMRDA) requires unions to disclose to their members how they spend their dues. Congress passed LMDRA with the hope that transparency would discourage further corruption. However, for over 40 years, the DOL allowed unions to report only highly aggregated data that revealed little about their actual financial activities. During her tenure as Secretary of the DOL, Elaine Chao reformed the LMRDA regulations to require unions to meaningfully disclose their finances to their members.

Among other reforms, Chao updated the LM-2 form, the annual financial disclosure report unions file with the DOL. Chao required unions to itemize their expenditures and report how much they paid their top officers. However, the DOL found that the LM-2 reforms fell short of the transparency they hoped to achieve. Specifically:

- The LM-2 incompletely reflected the compensation paid to union officials;
- The reports failed to disclose the total amount of travel expenses incurred by union officials; and
- By failing to itemize union receipts, union members could not "ensure that money they paid to the organization for disbursement on their behalf is properly accounted for on the Form LM-2."

In January 2009, the DOL revised the LM-2 to close these holes. These new regulations required unions to:

- Disclose the total value of all benefits—not just cash wages—received by union officers and employees;

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- Disclose the names of parties buying and selling union assets; and
- Itemize union receipts in addition to union expenditures.[1]

Change Rejected. Despite the new accountability these updated regulations would provide, on October 13 the Office of the Federal Register announced that the DOL under President Obama had rescinded the January 2009 LM-2 revisions.[2] The DOL has revoked the LM-2 improvement regulations without providing another means of closing these holes in union transparency. Union members will now remain in the dark when their officers buy and sell union assets, as well as about the total compensation their leaders pay themselves.

Observers expect the Obama Administration to repeal the rest of the union financial transparency regulations before his term ends. This reversal will effectively eliminate financial transparency in the labor movement. It will enable union officers to spend members' dues without being held accountable for questionable practices.

ACORN Ties. Financial transparency protects workers from officials who misuse their dues. Consider ACORN. ACORN made news when a series of investigations exposed ACORN employees offering advice on how to open a brothel and traffic underage girls to work in it. These videos revealed a pattern of unethical and illegal behavior on the part of ACORN. So it may have surprised many union members to know that they have often supported ACORN's operations. For the last two decades the Service Employees International Union (SEIU) and ACORN have maintained an intimate relationship, sharing personnel, office addresses, and methodology—and millions of dollars.

There is nothing illegal about two organizations being so intimately bound. But the SEIU's relationship with ACORN has been anything but transparent: It is frequently difficult to discern where SEIU stops and ACORN begins, and vice versa. For example:

- ACORN founder and former CEO Wade Rathke founded SEIU Local 100;
- Rathke protégé Keith Kelleher founded SEIU Local 880, and his wife ran an ACORN office in Illinois; and
- SEIU President Andy Stern serves on an ACORN advisory council.

Furthermore, ACORN operates over 360 subsidiaries, so figuring out whether a group receiving SEIU funding is an actual ACORN affiliate will be a daunting task. It is a task made easier by the union financial transparency reforms Secretary Chao undertook.

LM-2 forms document not only the amount of money unions like the SEIU have poured into ACORN in recent years but the purposes of the donations as well. For instance, a 2007 LM-2 form notes that SEIU Local 880, which is active in Illinois and Minnesota, donated $60,118 to ACORN for "membership services."[3] In fact, according to LM-2 forms filed between 2005 and 2008, organized labor gave over $7 million to ACORN, including:

- $1,243,088 from the New York City Teachers Union;
- $1,796,631 from the United Food and Commercial Workers International Union;
- $3,293,469 from the SEIU, including $150,000 for "support for political activities" and $39,987 to the Florida ACORN for "legal services"; and
- $230,274 from the SEIU Illinois Local 1 (Chicago), including $58,150 to the Houston ACORN, as "Reimbursement for Lost Time."[4]

These donations are just a few examples of the information gleaned from LM-2 disclosure forms. Clearly, more transparency is necessary. After all,

1. James Sherk, "Union Accountability Reversal Breaks Obama's Transparency Pledge," Heritage Foundation *WebMemo* No. 2121, May 4, 2009, at *http://www.heritage.org/Research/Labor/wm2421.cfm*.
2. Federal Register, Vol. 74, No. 196, October 13, 2009, at *http://edocket.access.gpo.gov/2009/pdf/E9-24571.pdf* (November 9, 2009).
3. Kevin Mooney, "Unions Gave ACORN Nearly $10 Million," *Washington Examiner*, July 9, 2009, at *http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/Unions-gave-ACORN-nearly-10-million--50390017.html* (November 3, 2009).

how can any union member be certain that a donation of $60,000 to ACORN for "membership services" is an appropriate use of dues?

Corruption Uncovered. The LM-2 reforms have done more than reveal cases of union leaders giving their members' dues to questionable organizations. They have also exposed outright corruption. Consider recent corruption cases that came to light because of the new transparency.

Tyrone Freeman, president of the 160,000-member SEIU Los Angeles local, resigned after LM-2 filings showed that his union spent hundreds of thousands of dollars at companies owned by his family members for little apparent benefit and that he billed the union $8,100 for costs surrounding his wedding in Hawaii.

Annelle Grajeda, executive vice president of the national SEIU, stepped down from the local chapter after investigations revealed that the union improperly paid her boyfriend tens of thousands of dollars.[5]

Congressional Action Needed. President Obama campaigned on a platform of transparency and opposing special interest lobbyists. However, his DOL has violated both of those principles by revoking the improvements in union financial transparency that Secretary Chao implemented.

Union members deserve to know how their dues are spent. It protects them from corruption and allows them to hold their union accountable for bad decisions, such as the SEIU's close relationship with the now-disgraced ACORN. Congress should act to protect workers if the President will not.

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4. Copies of all LM-2 forms are available at AcornCracked.com, "Acorn: Funding Sources," at *http://www.acorncracked.com/funding_sources.html* (November 9, 2009).
5. Paul Pringle, "SEIU Leader Loses Post over Scandal," *Los Angeles Times*, October 18, 2008, at *http://www.latimes.com/news/local/la-me-union15-2008oct15,0,6253417.story* (November 3, 2009).