



# Foundation Action

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of the National Right to Work  
Legal Defense Foundation, Inc.

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## Union Bosses Face Federal Charges In Enron-Style Scandal

*Pension fund scam  
pickpocketed  
rank-and-file workers*

WASHINGTON, D.C. — With numerous accounting scandals plaguing Wall Street, union power brokers like AFL-CIO President John Sweeney have claimed Big Labor’s high command is the best watchdog of corporate corruption. However, the union presidents who run Union Labor Life Insurance Company (ULLICO) have their own version of Enron on their hands in a recently exposed stock fraud scheme that may be the biggest union scandal exposed in years.

Last month, National Right to Work Legal Defense Foundation attorneys, on behalf of Foundation Vice President Stefan Gleason as charging party, filed federal charges at the National Labor Relations Board (NLRB) against ULLICO for secretly and illegally enriching top union officials at the expense of ordinary union members and compulsory fee payers.

The federal unfair labor practice charges allege that ULLICO directors used their positions to allow themselves to sell their entire personal portfolios of company stock at a dramatically higher price than their stock was worth, but



AP/Wide World Photo

*While union lap dogs like Hillary Clinton carry on about corporate responsibility, they have hung millions of workers out to dry whose pensions were raided by union bosses.*

would only allow larger shareholders—such as individual union pension funds set up for the benefit of union members and compulsory fee payers—to sell a small portion of their stock during the same period. These transactions were kept secret for nearly two years until they came to light in April.

“The self-dealing of ULLICO officials reveals the corruption that results from the numerous special privileges conferred upon union officials by federal law,” said Gleason. “While union officials have been talking about corporate corruption at firms like Enron, they have been similarly exploiting rank-and-file workers.”

### ULLICO bosses turn profits under the table

ULLICO was established in 1925 and today invests funds from unions, labor pension funds, and individual stockholders. It has assets totaling over \$4 billion. ULLICO’s directors, who are

almost exclusively presidents and other officials of major unions, are already the targets of a federal grand jury investigation in Washington, DC, which is investigating possible criminal activity.

During the late 1990s, ULLICO bought significant holdings in Global Crossing, which skyrocketed in value. In late 1999, before ULLICO’s annually adjusted stock price was to be increased, ULLICO President Robert Georgine sent a confidential letter to ULLICO board members encouraging them to purchase up to 4,000 shares of stock at \$53.94. Georgine knew the stock’s value would increase significantly at the next revaluation. Then, in May 2000, ULLICO’s board raised the price of company stock to \$146 per share, knowing that the new price was well above its true value, because

see ULLICO SCANDAL, page 6

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# Ban on Discriminatory Union-only PLAs Upheld

*National Right to Work Foundation helps to defend Presidential Order*

WASHINGTON, D.C. — In a stinging rebuke of the arguments made by Big Labor's top lawyers, the U.S. Court of Appeals for the District of Columbia Circuit unanimously upheld Presidential Executive Order 13202, which bans federal agencies and other entities doling out federal funds from requiring discriminatory union-only contracts known as project labor agreements (PLAs) on federally funded construction projects.

The three-judge panel agreed with the arguments set forth in the Foundation's *Amicus Curiae* (Friend of the Court) brief that the executive order was not preempted by the National Labor Relations Act and that President George W. Bush acted within his constitutional authority.

"The court's decision is a tiny, but necessary step toward protecting workers and taxpayers from higher costs and other abuses that flow from compulsory unionism," said National Right to Work Foundation Vice President Stefan Gleason.

## PLAs used by Big Labor to harm workers and rip off taxpayers

A PLA is a scheme that requires all contractors, whether they are unionized or not, to subject themselves and their employees to unionization to work on government-funded construction projects. PLAs usually require contractors to grant union officials monopoly bargaining privileges over all workers, use exclusive union hiring halls, pay above-market prices resulting from wasteful work rules and featherbedding, and force workers to pay union dues as a condition of employment.

PLAs effectively exclude the vast majority of contractors and employees from government-funded construction projects, as more than 80 percent of American contractors and their employ-



*After taking a small step to prohibit union-only federal construction projects, the Bush Administration enjoyed legal assistance from Foundation attorneys.*

ees work for non-union companies.

"PLAs are nothing more than a shakedown—union officials use them to demand taxpayer handouts and government-granted special privileges in exchange for not ordering strikes or causing other disruptions," said Gleason.

The appellate court's ruling is the latest phase of a legal "tug of war" that Big Labor has been waging to protect PLA set-asides. Immediately after the president issued the Executive Order in

February 2001, a coalition of union officials filed *Building and Construction Trades Department, AFL-CIO v. Allbaugh* to challenge it.

## Unions use federal dollars to corral workers

Big Labor was able to score a temporary victory when a U.S. District Court issued an injunction to block implementation of the Executive Order. After thousands of Foundation supporters signed petitions to President Bush, the Administration appealed the court's decision. This decision to appeal was made before the White House embarked on its overt strategy in recent months of cozying up to union officials by compromising its policy positions.

Rather than accept defeat, union bosses are expected to appeal the case to the U.S. Supreme Court. If the case is heard by the high court, Foundation attorneys will file another *amicus* brief to support the Executive Order.

*see PLA BAN, page 8*

## Foundation Action

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Reed Larson  
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Stefan Gleason  
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The Foundation is a nonprofit, charitable organization providing free legal aid to employees whose human or civil rights have been violated by abuses of compulsory unionism. All contributions to the Foundation are tax deductible under Section 501(c)(3) of the Internal Revenue Code.

# Bay State Teachers Win 13-Year Legal Battle With NEA

*Labor commission rules in favor of 350 Massachusetts teachers*

BOSTON, Mass. — The militant Massachusetts arm of the National Education Association (NEA) union has suffered a setback in its attempt to finance political activities through forced union dues.

As a result of a thirteen-year, Foundation-funded legal battle that reached the Massachusetts Supreme Judicial Court twice, the Massachusetts Labor Relations Commission (MLRC) ordered the Massachusetts Teachers Association (MTA) union and parent NEA union to allow the return of confiscated union fees that union officials demanded illegally from 350 teachers across the Commonwealth.

The MLRC ruling—which ultimately resolves the teachers' long-running case—returns \$87,000 in union fees seized from 1987 to 1992.

Not protected by a Right to Work law, teachers within the Commonwealth who choose not to join the MTA are required to pay a fee that covers collective bargaining activity, or be suspended or fired.

In the course of this thirteen-year struggle, Foundation attorneys were able to show that the teacher union was cooking the books and charging an inflated fee for the purpose of collective bargaining, and the union was forced to lower its fee demand by a third.

## Teachers assert Foundation-won rights

In 1989, Springfield teacher James Belhumeur embarked on his journey to

defend his constitutional rights. Teacher union officials had Belhumeur, a former president of the Springfield American Federation of Teachers, suspended for refusing to pay union fees. He then turned to Foundation attorneys, led the challenge on behalf of hundreds of Massachusetts teachers, and thus averted being suspended each following year.

"It's definitely a win for us," said Belhumeur in the *Springfield Union-News*. "We have made our point..."

According to the U.S. Supreme Court, the teacher unions' actions denied constitutional rights recognized in the Foundation-won decisions of *Aboud v. Detroit Board of Education* and *Lehnert v. Ferris Faculty Association*. These rulings stated that a union may not spend compulsory dues on politics, lobbying, organizing, public relations, or any other activity unrelated to collective bargaining.

## Union hierarchy resorts to delay tactics

Indifference of union bosses toward the rights of those they supposedly represent flourishes in states like Massachusetts, where compulsory unionism gives them control over



employees and a steady flow of forced union dues.

"The decade-long hassle the teachers endured in fighting for their rights proves the great problem workers have stopping unions from using their money for politics and other non-bargaining activities where no Right to Work law exists," said Stefan Gleason, vice president of the Foundation.

Union barons have learned from expe-

*see TEACHERS WIN, page 7*

## Newsclips Requested

The Foundation asks supporters to keep their eyes peeled for news items exposing the role union officials play in disruptive strikes, outrageous lobbying and political campaigning. Please clip any stories that appear in your local paper and mail them to:

NRTWLDF  
Attention: Newsclip Appeal  
8001 Braddock Road  
Springfield, VA 22160

*"Teacher unions are all about politics — they constantly take stands on hot button issues," said the Foundation's Dan Cronin.*

## Graduate Student Sues MSU for Violating Privacy Rights

*Administrators illegally handed union officials confidential information*



*Union organizers are working to force graduate teaching assistants into union collectives, further solidifying union control over America's educational system.*

EAST LANSING, Mich. — With the help of attorneys from the National Right to Work Foundation, teaching assistant Samuel Howerton filed a complaint against Michigan State University (MSU) with the U.S. Department of Education for illegally disclosing confidential information to union operatives.

Over Howerton's explicit written objections, the University handed over his confidential information to the Graduate Employee Union (GEU), thereby violating the Family Educational Rights and Privacy Act (FERPA) which stipulates that student education records cannot be released to third parties without their written consent.

"By jumping into bed with the union, MSU administrators are making it even easier for union officials to abuse students and threaten the principles of academic freedom," said Reed Larson, President of the Foundation.

Howerton is also challenging the university's and GEU's agreement to have every teaching assistant sign dues deduction authorization/membership cards that effectively operate as a waiver of confidentiality. The university's policy

discloses to the GEU the amount of forced dues deducted from each teaching assistant's paycheck, which inherently also discloses confidential information such as the student's work history and background.

### Academic freedom further threatened

Howerton is asking the federal government to investigate MSU's role in providing the GEU with confidential information. In addition, Howerton is asking to have any consent obtained from teaching assistants who were not informed of their rights declared invalid, the university to discontinue the dues deduction authorization/membership program, and to have MSU officials provide written notice to all graduate students as to what their rights are under FERPA. ✚

## Public Employers Must Protect Workers From Union Abuse

*Appellate decision bans certain collusion between union and government officials*

ALBUQUERQUE, N.M. — The U.S. Tenth Circuit Court of Appeals has ruled public employers and unions both have an obligation to safeguard the First Amendment rights of public employees who object to supporting union political and other non-collective bargaining activities with their compulsory dues.

The ruling came in *Wessel v. City of Albuquerque*, a case brought by Foundation attorneys for city government employees against the city and the American Federation of State, County and Municipal Employees (AFSCME) Local 624, after the city deducted union dues used for activi-

ties unrelated to collective bargaining. In fact, Foundation attorneys discovered evidence that the union had knowingly demanded fees above and beyond what it was legally entitled to collect.

The collective bargaining agreement included an "indemnification clause" whereby the union promised the city that it would pay to defend suits filed by employees whose constitutional rights were violated. Commonplace in many states, these agreements remove the incentive for the government employer to ensure that the union is observing employees' substantive and due-process rights.

"Union officials should not be allowed to induce employers to do their dirty work by promising to reimburse all legal costs that arise out of violating employees' First Amendment rights," said Ray LaJeunesse, vice president and legal director of the Foundation. "This ruling is a small step toward curtailing the power of union officials to shake down workers for political and other non-bargaining activities."

The court ruled these indemnification agreements used in hundreds of jurisdictions nationwide are void as against public policy. ✚

# Foundation Often Wins Without Going To Court

*Workers exercise rights with guidance of foundation attorneys, web site*

SPRINGFIELD, Va. — Workers across the country are taking matters into their own hands when confronting union tyranny. Through consultation with Foundation staff attorneys, and with the aid of the Foundation's web site, workers are learning their rights and standing up to abusive union officials.

## Grocery workers throw out unwanted union

Christine Scanlon of Worcester, Massachusetts is a good example.

Crediting information obtained from the Foundation's web site, Christine decided to distribute decertification petitions to hundreds of coworkers at Shaw's Supermarkets' eleven Boston-area stores that were fed up with the United Food and Commercial Workers (UFCW) union hierarchy.

Scanlon also contacted Foundation attorneys directly, who advised her of her right under the Foundation-won *Communications Workers v. Beck* decision to resign her union membership from UFCW Local 1445 and reclaim the portion of union dues spent on politics and other activities unrelated to collective bargaining.

Upon hearing the news that a vast majority of employees signed petitions indicating their opposition to union affiliation, Shaw's management withdrew recognition of UFCW Local 1445 as the exclusive bargaining agent.

Scanlon's actions allowed Shaw's employees to reclaim their right to negotiate individually with their employer and to be rewarded on the basis of their own merit.

"Informed employees are Big Labor's worst nightmare," said Reed Larson, president of the Foundation. "As more workers come to our web site, union bosses will be less able to hide behind lies and misinformation."

## Religious objector overcomes teacher union defiance

Last Fall, California teacher Rick Still learned that his union, the San Jacinto Education Association (SJEA), and its affiliates were advocating policies he considered morally objectionable, including public funding of abortions and special rights for homosexuals. Still asked SJEA officials to divert his compulsory dues to a mutually agreed upon charity.

When union officials refused his request, Still consulted Foundation attorneys, who helped him file religious discrimination charges with the Equal Employment Opportunity Commission. Under Title VII of the 1964 Civil Rights Act, union officials must attempt to accommodate sincere religious objectors by allowing employees to make charitable contributions in lieu of paying union fees.

Rather than pursue litigation, the union hierarchy has now agreed to allow the San Jacinto Unified School District teacher to divert his forced fees to a local college scholarship fund, instead of funding the union.

## Virginia Right to Work law enforced

Virginia employees of Inter-Con, a D.C.-based security company, were outraged when they received notice from the Union of Government Security Officers of America (UGSOA) informing them that they had to pay four months in back union dues or face termination. The state's Right to Work law, enacted in 1947, specifically protects its workers from being forced to pay union

dues as a condition of employment.

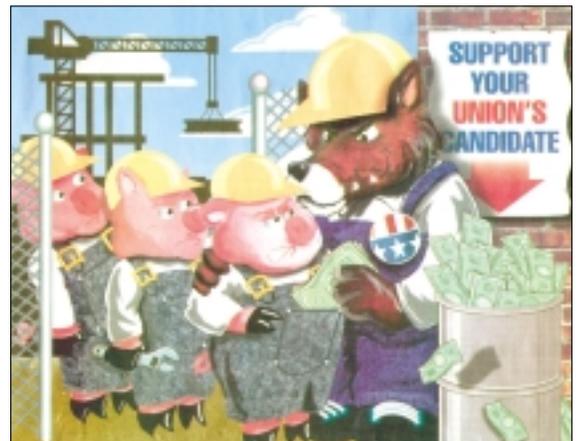
Reacting to the threatening notice, Inter-Con employee William Gaughan consulted with Foundation staff attorneys, who advised him of his rights. When Foundation attorneys threatened a lawsuit against UGSOA, the union dropped its attempts to collect dues from Virginia employees and quickly backed down.

"Foundation attorneys have a reputation for effectiveness, the mention of their involvement often forces union lawyers to run for cover," said Larson.

## Web site critical to educating employees

Because union officials routinely lie to employees about their rights, the Foundation's web site has proven to be a vital resource for workers who labor under forced unionism. Foundation attorneys report that employees often use the web site to request free legal aid, learn how to stop the use of their union dues for politics, print out deauthorization petitions, and distribute information to their coworkers.

With the help of its supporters, the Foundation is able to battle on many fronts. Simply providing information has empowered thousands of employees to fend off compulsory unionism abuses without actually going to court. ↗



# ULLICO Scandal Results from Compulsory Unionism

*continued from cover*

Global Crossing's stock value had been plummeting dramatically in 2000.

In November 2000, ULLICO's board authorized a stock repurchase at the inflated price of \$146 a share through an arrangement which permitted directors to sell back their entire personal holdings. The scheme did not permit larger stockholders, like union pension holders, to sell back more than a small portion of their ULLICO stock. By allowing themselves to liquidate their entire personal holdings at an inflated price, ULLICO's board of

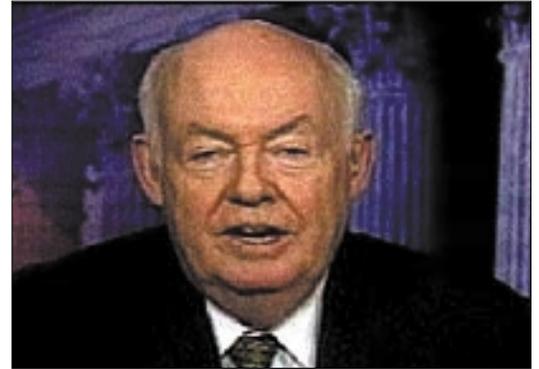


*The Foundation is working to expose the shady self-dealing by the union bosses that run ULLICO.*

directors made significant personal profits to the detriment of others who had invested in ULLICO. In Spring 2001, ULLICO stock was revalued at \$74 a share, and only then were union pensions, set up for employees, free to sell all of their ULLICO stock.

Public reports indicate that among those who personally profited from these secret transactions were Douglas McCarron, President of the United Brotherhood of Carpenters, Martin Maddaloni, President of the United Association of Plumbers and Pipefitters, and Morton Bahr, President of the Communications Workers of America.

In recent months, the White House has made deliberate attempts to cozy up to McCarron, raising concerns that the Department of Justice may soft pedal its investigation into criminal misconduct at ULLICO. The budding relationship with the carpenters union president has already affected the selection of Bush's recent NLRB nominees who, as a whole, are more sympathetic to compulsory unionism than



AP/Wide World Photo

*Hypocrisy exposed: AFL-CIO Boss John Sweeney denounces corporate corruption while participating in self-dealing and insider trading.*

they otherwise would have been.

## Foundation's charges seek NLRB prosecution

The Foundation's NLRB charges aim for the return of any illegal profits, the combined sum of which totaled over \$6.5 million.

The NLRB can do little more than order a return of the stolen funds and issue a fine to the guilty board members. But the underhandedness of the union bosses on the ULLICO board plainly demonstrates its lack of accountability to the employees they supposedly represent. Compulsory unionism invites such mismanagement by allowing union officials to take for granted the hard-earned workers' wages that fuel the officials' power. As long as union bosses can force the payment of dues as a condition of employment, workers have no choice but to pick up the tab for rampant union corruption.

"The only way to prevent future scandals like ULLICO is to end the system of compulsory unionism that traps millions of workers," said Reed Larson, president of the National Right to Work Foundation. ✚



### Support your Foundation through Planned Giving

Planned Giving is a great way to support your National Right to Work Foundation. Some of the ways you can help the Foundation are:

- ✓ Remembering the Foundation in your Will
- ✓ Gifts of Stocks/Bonds
- ✓ Charitable Trusts
- ✓ Gifts of Appreciated Real Estate

For more information on the many ways you can ensure that your support of the Foundation continues, call the Foundation at (800)336-3600 or (703) 321-8510. Please ask to speak with Alicia Auerswald.

## Spotlight on...

*John C. Scully*  
Staff Attorney



A vital part of the Foundation's legal team since 1983, John C. Scully has thrived on the challenge of handling a wide variety of topics and clients.

Scully has helped hundreds of teachers, public employees, workers on federal enclaves, and religious objectors stand up for their rights. His diverse caseload has led him to make arguments in scores of courtrooms, including the state supreme courts of Michigan, Vermont, Massachusetts, and New Hampshire.

Scully is most proud of his efforts to help employees who have been illegally fired upon union demand. One case that stands out is *Pusey v.*

*IAM*, where he represented Frederick Pusey, a mechanic working at a NASA facility who was fired at the demand of International Association of Machinists (IAM) union officials for refusing to support the union. Scully obtained a \$135,000 judgment and expanded the reach of Virginia's Right to Work law.

Scully earned his law degree from the University of Missouri School of Law in 1978 and a Masters degree in Labor Law from George Washington University in 1987. He and his wife Lisa have been married for 17 years and have three children, Connor, Joseph, and Libby.

## Teachers Win Protracted Court Battle

*continued from page 3*

rience that if they attack workers' Foundation-won rights head on, they will lose. Instead, they now employ a different strategy: long, drawn-out procedures and endless delays. If left unchallenged, the result would be the same: effective denial of workers' constitutional rights.

That's why Foundation attorneys are working toward eventual Supreme Court review of the notion that compulsory unionism is unconstitutional, especially because of the manner in which it is applied.

### NEA agenda ignores the "Three R's"

As a result of compulsory unionism privileges, the NEA union has transmogrified into a political machine that seems to have everything on its agenda except teaching.

On the laundry list of its causes are resolutions advocating a radical

social agenda that supports publicly funded abortions on demand, special rights for homosexuals, a nuclear arms freeze, and U.S. participation in the International Court of Justice. Regardless of the merit of these positions, observers question why the union hierarchy spends its resources pushing for such causes, especially using the compulsory union dues of teachers who often do not agree.

"They [NEA and MTA unions] are all about politics — they constantly support candidates and take stands on hot-button political issues," said Dan Cronin, Director of Legal Information at the Foundation. "Teachers shouldn't be forced to compromise their beliefs to do a job they love."

What is little understood is the full extent to which union militants exert control over almost everything that goes into the schools — compensation and assignments given individual

teachers, curriculum, textbooks and standards, hiring, firing, discipline, and promotions.

### Compulsory unionism ruins education quality

This sweeping control over the educational process protects the lowest common denominator of performance. Under a union monopoly system, good teachers are penalized with lower pay, and bad teachers rewarded. Because teachers have little incentive to do a better job, education quality plummets in any environment where a union hierarchy calls all the shots. ♣

## PLA Ban

*continued from page 2*

“This is an important lesson for the Bush administration: they can win when they stand up to Big Labor and America will support them,” said Reed Larson, president of the National Right to Work Foundation.

## Bush faces more battles with Big Labor

Big Labor’s lawyers are also busily trying to bury another Bush Executive Order that would make it less difficult for employees working under federal contracts to learn about their Foundation-won *Beck* rights to reclaim the portion of their compulsory dues that is spent for activities unrelated to collective bargaining, such as politics.

By all accounts, Big Labor will spend unprecedented levels of compulsory union dues on its largest political operation ever this fall, with the goal of electing their hand-picked, puppet candidates who are hostile to employee freedom.

“As the fight over union-only PLAs has shown, the only way to deal with Big Labor is to fight fire with fire,” said Gleason. “Rather than trying to appease union czars like the Teamsters’ Jimmy Hoffa, the White House and its allies in Congress should stand on principle and oppose union power grabs — just as those who put Bush in office expect him to do.”

### Free Newsletter

If you know others who would appreciate receiving **Foundation Action**, please provide us with their names and addresses. They’ll begin receiving issues within weeks.



## Message from Reed Larson

President  
National Right to Work  
Legal Defense Foundation

Dear Foundation Supporter:

Have you ever spent \$460,000 at a single restaurant? If so, you’re either very rich—or you’re a union boss.

The foul stench of union corruption is back in the news with federal investigators finding that Ironworkers union boss Jake West and his cronies spent \$460,000 in workers’ dues at Washington’s exclusive Prime Rib restaurant. That’s in addition to another million bucks spent for prostitutes and other “entertainment,” booze, and country club golf outings.

The outrageous details of this forced-dues-funded debauchery are still a little hazy because the nation’s premier union accounting firm, Thomas Havey LLP, helped the union bigwigs hide these expenses on federal reporting forms.

That led to Frank Massey, a top partner with the Thomas Havey firm, pleading guilty to federal criminal charges that he participated in a conspiracy to help the Ironworkers union shield more than \$1.5 million from disclosure. It also raises a red flag about the veracity of all the 700 unions that Havey audits.

This bombshell hits just as AFL-CIO boss John Sweeney and his cronies are struggling to escape the fallout from the ULLICO scandal, which has been called “Big Labor’s Enron.” (See the full story on page 1.)

The result is another black eye for the union hierarchy just as it professes outrage at corporate malfeasance in the Enron and WorldCom affairs.

In the wake of this latest union corruption scandal, some are proposing stiffer financial reporting requirements for union bosses. That’s all to the good, but the real solution is to attack the compulsory unionism privileges that are the root of Big Labor’s power and corruption.

With your support, that’s exactly what the National Right to Work Foundation is doing.

Sincerely,

Reed Larson