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July 29, 2019

The Honorable Patrick Pizzella
Acting Secretary of Labor
U.S. Department of Labor
200 Constitution Ave, NW
Washington, D.C. 20210

**RE: RIN 1245-AA09: Labor Organization Annual Financial Reports for Trusts in
Which a Labor Organization Is Interested, Form T-1**

Dear Acting Secretary Pizzella:

We write in support of the Department of Labor's (DOL) proposed rule to establish a form to be used by labor organizations to file trust annual financial reports with the Office of Labor-Management Standards (OLMS). The *Labor-Management Reporting and Disclosure Act* (LMRDA) was intended to promote democracy and transparency within labor organizations, and this rule will help strengthen implementation of the law by allowing workers and the public to see with greater detail how union dues and fees are spent.

Section 208 of the LMRDA states that the Secretary of Labor has the authority to "issue, amend, and rescind rules and regulations prescribing the form and publication of reports required ... to prevent the circumvention or evasion of such reporting requirements."¹ As a result of LMRDA rules and regulations, union-represented workers can better monitor how union leaders spend their dues and are thus better able to hold them accountable, improving union democracy. Transparency and accountability are particularly important given that private-sector workers in 23 states can be required to pay a labor union as a condition of employment, which can total several hundred dollars per worker per year. Workers who pay a labor union—voluntarily or involuntarily—deserve to know how those dollars are being spent, and the proposed rule will improve the amount of information available to them.

¹ 29 U.S.C. § 438.

Labor unions and union leaders are currently required under the LMRDA to report financial details and other information annually through forms such as the LM-1, LM-2, LM-3, LM-4, or LM-30, depending on the annual receipts of the union. These and other LM forms are intended to provide transparency and expose fraud or conflicts of interest. However, absent the proposed rule to require Form T-1, unions can simply transfer funds to entities which are defined as a trust and avoid accountability. Examples of trusts include credit unions, investment groups, strike funds, and apprenticeship and workforce development programs. Unions can exert significant control over these trusts and provide nearly all their funding, but absent the Form T-1, workers are unable to see how these entities are spending their union dues.

Importantly, DOL's proposed rule is carefully crafted to cover only those trusts in which labor organizations appoint or select a majority of the trust's governing board or where labor organizations' financial contributions make up more than 50 percent of the trust's revenue. This element ensures the trust is truly aimed only at those entities in which union-represented workers have a significant stake. In addition, the proposed rule applies only to labor organizations with annual receipts of at least \$250,000 to avoid creating a significant burden on smaller labor organizations with minimal resources. Moreover, the proposed rule includes several exemptions, including political action committees, commercial banks, and many employee benefit plans, among other entities controlled or funded by unions. These entities are already covered by other transparency requirements, so the proposed rule minimizes duplicative compliance burdens.

DOL's rule is necessary because instances of fraud, embezzlement, and other forms of corruption are all too common among labor union leadership. Over the last 10 fiscal years, OLMS enforcement has resulted in over a thousand indictments and convictions.² Many of these instances of wrongdoing involved trusts that were allowed to bypass reporting requirements.

Perhaps the most notable example is the ongoing scandal involving the United Auto Workers (UAW) union in Michigan. The UAW and Fiat-Chrysler Automobiles jointly fund the UAW-Chrysler National Training Center (NTC), a workforce development trust intended "to help workers achieve success on and off the job."³ If the proposed rule were in effect, then workers and the public could see how the NTC spent its revenues. Lacking the reporting requirement and taking advantage of a lack of transparency, union officials misused over \$4.5 million of NTC trust funds on lavish purchases for themselves. Some of the items that these trust funds—originally intended for workforce development—helped pay for include a \$350,000 Ferrari, two \$37,500 pens, hundreds of thousands of dollars in private home improvements and mortgage payments, and a \$30,000 party that featured strolling models sparking attendees' cigars.⁴ While union executives were kept "fat, dumb, and happy" according to federal investigators, rank-and-file autoworkers were kept in the dark about how the trust was spending the hard-earned dollars they paid in union dues.⁵

² OFFICE OF LABOR-MGMT. STANDARDS, HISTORICAL ENFORCEMENT DATA, https://www.dol.gov/olms/regs/compliance/enforcement_data.htm.

³ UAW-CHRYSLER NAT'L TRAINING CTR., ABOUT NTC, <https://uawchrysler.com/about-ntc/>.

⁴ Press Release, U.S. Atty's Off., E. Dist. of Mich., Former FCA Executive and Wife of Former UAW Vice President Charged in Scheme to Pay Off UAW Officials (July 26, 2017); Robert Snell, *FCA training funds used for UAW exec's pricey '14 party*, DET. NEWS, Feb. 2, 2018.

⁵ Snell, *supra* note 4.

Had the proposed rule been in effect, the UAW NTC would have been required to disclose the total value of its assets, liabilities, receipts, and disbursements. For each receipt or disbursement of \$10,000 or more, the union would have been required to provide the name and address of the individual or business entity involved in the transaction, its purpose, date, total amount, extension of any loans or credit to any employee or officer of the union at below-market rates, and any disbursements to officers or employees of the trust, among other information. Undoubtedly, this level of reporting, in conjunction with current LM requirements, would have exposed the UAW scandal much earlier and possibly prevented it altogether, had union leaders known the level of detail that would be available to the public and to dues-paying workers through OLMS. Workers nationwide deserve this level of transparency regarding labor union trust financial activity, and the proposed rule accomplishes exactly that objective.

Critics of the proposed rule may charge that it is unnecessary or imposes an excessive or duplicative burden upon labor organizations. DOL should be commended because it has carefully crafted the proposal to apply narrowly only where it is most needed—to large labor organizations with significant stake in trusts—and to do so with proper protections to ensure privacy and avoid duplication. DOL estimates that, on average, labor organizations will expend 121.38 hours on each T-1 report in the first year, and 84.12 hours on each report in subsequent years, at a cost of \$8,222.28 per filer per form. This cost in hours and dollars—particularly for the large labor organizations that are subject to the proposed rule—is minimal compared to the added benefit of increased transparency for the workers these labor organizations claim to serve and represent.

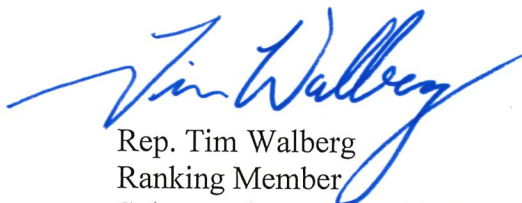
The Committee on Education and Labor Republicans are committed to improving union transparency and accountability as mechanisms to make unions better serve workers and the American economy as a whole. The proposed rule requiring labor organizations to file trust annual financial reports with OLMS is a significant step to accomplishing that shared goal. We urge DOL to expeditiously adopt the proposed rule in its current form.

Thank you for your consideration of these comments.

Respectfully submitted,



Rep. Virginia Foxx
Ranking Member



Rep. Tim Walberg
Ranking Member
Subcommittee on Health, Employment,
Labor, and Pensions