



FRATERNAL LAW™

A fraternity law periodical
published by ManleyBurke
A Legal Professional Association

March 2012

Number 120

Vanderbilt, "All-Comers" Policy And its Implications for Greek Organizations

On January 11, 2012, the United States Supreme Court, in a unanimous decision, recognized "the interest of religious groups in choosing who will preach their beliefs, teach their faith and carry out their mission," and emphasized that "the right to freedom of association is a right enjoyed by religious and secular groups alike."¹

With those strong words, the Supreme Court reversed a Court of Appeals decision and rejected an Equal Employment Opportunity Commission effort to enforce the Americans with Disabilities Act against a religious school, which would have had the effect of requiring the religious school to keep a "called" teacher (a minister) it no longer wanted in a leadership position.

While the clear import of this decision is that religious organizations should be free to choose their own leaders, the decision moves in precisely the opposite direction of what the Court said in *CLS v. Martinez*² just a year and a half ago. In *CLS* the Court upheld a public law school's regulation that denied recognition to religious groups that required their members and leaders to share in the religious beliefs upon which the organization was founded.

At first blush, this dichotomy may appear to have little impact on fraternities and sororities, but an examination of a current controversy at Vanderbilt helps demonstrate how the freedom of association rights of religious organizations are linked to the rights of fraternities and sororities. Vanderbilt is a private university that would not normally be subject to the requirements of the United States Constitution. However, Vanderbilt administrators have acknowledged their desire to afford Vanderbilt students the same rights they would have on public campuses under the Constitution. Recently, Vanderbilt's administration has announced its intention to enforce an "all-comers" policy similar to that upon which the *CLS* case was decided. Vanderbilt is now requiring that for a student group to be recognized and receive the benefits that come with recognition, it must admit anyone who wants to join and anyone should be eligible to run for a leadership position in the organization, even if they do not accept the purpose, principle or the religious beliefs upon which the organization is founded.

In an open letter to members of the Vanderbilt community, Nicholas S. Zeppos, Vanderbilt's Chancellor, wrote:

As an institution of higher education, Vanderbilt values, above all, intellectual freedom that supports open inquiry, equal opportunity, compassion and excellence in all endeavors.

Religious freedom is also a fundamental value of our university community....

At a town meeting forum held on January 31, 2012, hundreds of students attended to question university administrators about that policy, which appeared to impose restrictions on the very religious freedom the Chancellor saw as a University virtue.

At that forum, the administration acknowledged that fraternities and sororities were exempt from the all-comers policy. Students pressed the administration over the fact that Greek groups were allowed to discriminate on the basis of gender to deny membership to many students who came through rush but were not selected. The administration

FRATERNAL LAW TO BE FREE ONLINE

Manley Burke has published *Fraternal Law* four times every academic year since Issue 1 was published in September 1982. This issue, Number 120, will not be the last. However, moving forward, we plan to change the methods of distribution. Starting with the September 2012 issue, *Fraternal Law* will be available only by email or online at www.manleyburke.com and www.fraternalallaw.com.

With the move to all electronic distribution, we will no longer charge for subscriptions. However, those subscribers who have paid for all or part of the next academic year will continue to receive hard copies in the mail until their subscriptions expire.

We promise to continue publishing *Fraternal Law* to the same exacting standards that Bob Manley and Judge William McClain demanded for the newsletter from the beginning (and that Tim Burke still requires). As always, we welcome questions, comments, and article suggestions and submissions. Please direct all inquiries to Dan McCarthy at dan.mccarthy@fraternalallaw.com

acknowledged those facts and indicated that it may have to rethink the exemptions.

Enforcing a restriction against religious student organizations while not enforcing the same restriction against social fraternities has not gone unnoticed in the media. In a guest editorial in *The Tennessean*, one writer wrote:

Vanderbilt administrators face significant challenges if they continue to push this policy. As the Supreme Court made clear [in *CLS*], an all-comers policy is legal if and only if it applies equally to all organizations. [At the town meeting], Vanderbilt administrators acknowledged that this universal application means that fraternities and sororities – who limit membership based on sex and selection criteria – may also be de-recognized.³

And in the National Review Online, the Senior Vice President of the Foundation for Individual Rights in Education (FIRE) argued:

Actually, Vanderbilt has exempted its fraternities and sororities from the rule. The imperatives of social justice, it seems, lose all force at the door of the DEKE House.⁴

There is a real danger for Greek groups. Under *CLS*, the Court's language suggests that an all-comers policy must be equally enforced with regard to all groups, except those such as Law Review, where a form of competitive selection takes place.

While the Greek world has long benefitted from federal law that recognizes that college social fraternities and sororities may discriminate in their membership policies on the basis of sex,⁴ that exemption applies only to federal anti-discrimination law. It does not prevent even a public university from imposing its own anti-discrimination policies to deny recognition to a Greek group that discriminates in membership on the basis of gender.⁶

Perhaps some relief may come as a result of *Alpha Delta Chi – Delta Chapter v. Charles V. Reed*.⁶ That case involves San Diego State University's non-discrimination policy, which it was stipulated by the parties allows recognized student organizations to restrict membership and leadership to students who agree with their beliefs unless those beliefs are religious in nature.⁷

The United States 9th Circuit Court of Appeals, in reliance on *CLS*, upheld San Diego State's denial of recognition to Alpha Delta Chi, a Christian sorority, and to a Christian fraternity. A petition for a writ of certiorari was filed with the United States Supreme Court in December and as of this printing remains pending with the U.S. Supreme Court. Should the Court elect to hear Alpha Delta Chi's appeal, the Court's recent decision in *Tabor* would seem to provide strong support

for the appeal and perhaps result in a clarification or limitation of the *CLS* decision. While Vanderbilt would still not be bound by such a decision because of its private status, given past statements by the administration, the justification for its all-comers policy might no longer exist.

Whether or not the Supreme Court accepts the Alpha Delta Chi case, it is worth noting as Vanderbilt was urged to, in a December 2, 2011 letter to the Chairman of Vanderbilt's Board of Trust and Chancellor Zeppos from Douglas Laycock, a University of Virginia School of Law Professor, and five other law professors from around the country that:

No federal or state statute or regulation requires Vanderbilt (or any other public or private university) to place such a prohibition on religious student groups ... leading public universities allow religious groups to select their leaders and members according to their religious beliefs ... any federal law or regulation that required Vanderbilt to adopt its new policy would apply equally to ... our own university, but no such law or regulation exists.

There appears to be no debate over that statement. Those universities which are adopting all-comers policies are doing so as a matter of choice, not legal requirement.

At least at Vanderbilt, it appears that the threats to the single sex status of fraternities and sororities is abating. Vanderbilt officials have told national fraternity leaders that the University relies on Title 9⁷ to exempt Greek groups from the "all comers" policy. In any event, the Greek world cannot afford to stand idly by while religious groups, some of which operate in many ways as a fraternity or sorority, have their membership policies attacked by university administrators.

Historically the founders of many fraternities and sororities gathered together members of similar religious beliefs and those beliefs formed a part of the bond between members. So concern for the freedom of religion and its expression by student groups is not foreign to Greek organizations. Greek groups should be prepared to stand up on behalf of any student organization whose First Amendment freedom of association rights are jeopardized, whether they are religious groups, political groups or other social organizations.

Ideally those religious organizations whose recognition is being threatened will see Greek groups as their allies, not the enemy. The right to associate with others of like beliefs should be recognized and supported across the political and social spectrum on college campuses.

There is much at stake in this debate for fraternities and sororities, as there is equally for the colleges and universities where fraternities and sororities exist. The relationship, between Greek groups and their host institutions is a valuable, symbiotic relationship that has greatly benefited both sides, and more importantly benefited the members of those Greek groups who are the students of the schools involved. That

relationship is greatly jeopardized by an all-comers policy.

- Timothy M. Burke

- 1 *Hosanna-Tabor Evangelical Lutheran Church and School v. Equal Opportunity Commission*, 565 U.S. ___, 132 S.Ct. 694, 181 L.Ed.2d 650 (2012).
- 2 *Christian Legal Society of the University of California, Hastings College of Law v. Martinez*, 130 S.Ct. 2971, 177 L.Ed.2d 838 (2010).
- 3 "Legal or not, the Vanderbilt policy is wrong," Justin P. Gunter, *The Tennessean*, February 4, 2012.

- 4 "The Fallout from Christian Legal Society," Robert Shibley, Senior Vice President of FIRE, the National Review on Line, February 6, 2012.
- 5 20 U.S.C. 1681.
- 6 *Chi Iota Colony of Alpha Epsilon Pi v. City University of New York*, 502 F.3d 136 (2nd Cir. 2007).
- 7 20 U.S.C. 1681, *et seq.*

Fraternal Law has been published four times an academic year for the past 30 years. Past issues are available at www.manleyburke.com under the tab "Firm News" or at www.fraternallaw.com. For more details, email tburke@manleyburke.com

FLSA Compliance for House Directors: Monitor Overtime with Caution and Care

..... Sorority and fraternity house directors typically live where they work, which makes wage and hour compliance exceptionally challenging. The line between working and not working is hard to draw, and, when a dispute arises, it can be difficult for a local housing corporation to prove the number of hours a house director actually worked. Clear job expectations and detailed recordkeeping are essential to successfully defend against a claim brought by a disgruntled house director.

To further complicate matters, some house directors may be exempt from the minimum wage or overtime pay provisions of the Fair Labor Standards Act ("FLSA"), but exemption determinations are fact-specific and the penalties for underpayment of wages can be severe, often including liquidated damages and attorneys' fees that far exceed the original wage underpayment. One common misconception is that all employees who are paid a salary are exempt; in fact, only employees who meet a certain salary threshold (\$455 per week) and also have certain job duties that are executive, professional or administrative qualify for these salary-based exemptions. Generalizations in this area of the law are difficult because the specific job duties of house directors vary widely from organization to organization and among different local housing corporations affiliated with the same organization. Furthermore, the availability of the exemption may vary from year to year depending on the level of oversight by local volunteer leaders.

In recent years, the Department of Labor has increased its staff of investigators which, in turn, has allowed increased Wage and Hour Division scrutiny of employer compliance with the FLSA. Local housing corporations that classify their house director employees as exempt (or would like to do so) should discuss the FLSA exemption status of their employees with legal counsel. FLSA determinations must be made on a case-by-case basis and exempting employees from minimum wage and overtime pay is not without risk.

The most conservative approach is to treat house director employees as non-exempt under the FLSA and develop and adopt policies and best practices to ensure these employees work only 40 hours per workweek and are paid at least the

applicable minimum wage (currently at least \$7.25 per hour and higher under some states' laws).

Best practices and policies for local housing corporations to eliminate or reduce overtime for house directors include:

- Developing and adopting a written wage and hour policy that is distributed to and signed by house directors upon hire.
- Keeping a signed copy of the wage and hour policy in the house director's employee file.
- Establishing a weekly schedule for house directors that requires 40 or fewer hours of work per workweek.
- Agreeing to a certain amount of "off-the-clock" time for sleeping, meals, or purely personal pursuits inside or outside of the local chapter house.
- Requiring house directors to secure advance approval for all work in addition to or outside the weekly schedule, except in emergencies.
- Clearly communicating that all unscheduled work will be compensated, with or without pre-approval, but that failure to secure pre-approval may subject the house director to discipline.
- Requiring subsequent paperwork (i.e., an "exception report") to record unscheduled work or overtime.
- Requiring house directors to accurately record all time worked and sign their time cards each week or pay period.

Mandatory recordkeeping under the FLSA includes identifying information (full name, social security or other identifying number, address, birth date, sex and occupation) and pay stub information (time and day workweek begins, daily and weekly hours worked, rate and basis of pay, regular hourly pay rate, total daily and weekly "straight" earnings, total weekly overtime, additions or deductions from wages,

-exempt and exempt employers. The Exempt Organizations Division confirmed in the 2012 Work Plan that it will continue its work with the NRP, meaning that an employment tax examination is slightly more likely than it would be otherwise.

New Business

A) Using the Form 990

Many readers have struggled implementing the new Form 990 since its arrival in Tax Year 2008. From the outset of the re-design process, the IRS consistently identified three guiding principles underlying the re-design: (1) enhancing transparency, (2) promoting tax compliance, and (3) minimizing the burden on the filing organization. Later, the IRS jettisoned the third guiding principle, apparently conceding that nothing about the new Form 990 alleviated any burden on exempt organizations. Further, while principles (1) and (2) may be laudable, the exempt organization sector reacted with grave concern over, among other things, (i) what the IRS might do with all of this new information it was collecting and (ii) how delving into corporate governance and operations related to tax compliance.

The 2012 Work Plan sheds some light on these concerns. First, the IRS acknowledges that the revised Form 990 "has provided EO with a wealth of information on exempt organizations. EO has used this information to develop risk models to assess the likelihood of noncompliance by organizations . . ." (2012 Work Plan, p.8) Beyond this sort of generalized assertion, there is sparse guidance as to where the Exempt Organizations Division is going with this "wealth" of information. However, the Work Plan identifies two areas of potential concern to the Greek industry.

First, the EO Division plans to devote resources to unrelated business income. Specifically, if an organization reports unrelated business activities, but does not file a Form 990-T, the return will be flagged for further examination. In addition, the EO Division plans to review Form 990-T data

going forward as it seems convinced there are organizations generating significant amounts of UBTI, but paying no tax. All fraternal organizations and their foundations should closely review any unrelated business income and ensure it is properly reflected on a Form 990-T.

Second, the IRS will use corporate governance data to look for connections between good corporate governance practices and tax compliance. The authors have talked about this possibility for many years. But now it is in black and white – corporate governance practices matter to the IRS, meaning poor corporate governance practices will raise the flag for an examination.

B) Group Rulings

In June 2011, the Advisory Committee on Tax Exempt and Government Entities issued a report on group exemptions. The ACT recommended the elimination of group returns by eliminating the regulatory authority of the parent to file group returns on behalf of its subordinates. This could have a significant impact on the Greek industry as chapters and local house corporations that have taken advantage of the simplified reporting mechanism to deal with tax returns would now be required to file their own returns.

In the 2012 Work Plan, the IRS outlines a process to evaluate the ACT recommendations by sending questionnaires to group filers. It is unknown whether any Greek organization will be targeted to receive the questionnaire. The questionnaires will be aimed at identifying how central organizations exercise on-going general supervision or control over their subordinate organizations sufficient to justify a group exemption. This inquiry will be of significant concern to the Greek industry, both in doing what may be possible to save the group exemption while being cognizant of the control issue raised by the IRS inquiry.

- Sean P. Callan
- John E. Christopher

Save the Date for the Fraternal Law Conference

Fraternal Law Partners, a division of Manley Burke, LPA, is pleased to announce the return of the Fraternal Law Conference in 2012. The Fraternal Law Conference is the leading legal education event for fraternities, sororities and their related foundations, and will touch on a number of topics related to risk management and hazing, corporate governance and tax law.

Starting this year, the Conference will become an annual event. Additionally, 2012 is the first year the Fraternal Law Conference will offer a dual-track format. One track will address the inner workings of fraternities and sororities, while the second will be targeted specifically to the unique needs of foundations. There will also be a number of shared sessions that will benefit all attendees.

Here are the essential details of the 2012 Fraternal Law Conference:

When: Friday, Nov. 9, 2012 from 8:00 a.m. to 5:00 p.m. and Saturday, Nov. 10, 2012 from 8:00 a.m. to Noon.

Where: Downtown Cincinnati, Ohio, in the Westin Hotel.

Who should attend: The president, treasurer/finance officer, executive director, director of business operations, director of chapter services, attorney/legal counsel and risk management leaders at fraternities, sororities and related foundations. Leaders of host institutions such as deans of student life, directors of Greek life or other student life officers would also benefit from the Conference.

Cost: Each registration is \$395 and includes the conference, all conference materials, breakfast on Nov. 9 and 10, lunch on Nov. 9 and a cocktail reception on Nov. 9. Travel and accommodations are separate. For the convenience of attendees, a block of rooms have been reserved at the Westin Cincinnati.

How to register: Registration will open May 1, 2012 at www.FraternalLaw.com.

For more information: After May 1, 2012 and throughout the summer, visit www.FraternalLaw.com for information on speakers, topics and additional details related to the Fraternal Law Conference. This site will be consistently updated as new information is received, so attendees are encouraged to check the site often. Interested individuals may also contact Dan McCarthy at dan.mccarthy@fraternallaw.com or John Christopher at john.christopher@fraternallaw.com with specific questions about the Conference.

©2012 Manley Burke
A Legal Professional Association

The Goal of *Fraternal Law* is to provide a discussion of fraternity law, but its contents are not intended to provide legal advice for individual problems of Greek organizations. The latter should be obtained from your attorney.

Fraternal Law is published four times yearly as a non-profit service of ManleyBurke, A Legal Professional Association, 225 West Court Street, Cincinnati, Ohio 45202 U.S.A. (513) 721-5525. Please address all editorial inquiries and all subscription correspondence to this address. Individual subscriptions by first class mail are available at \$15.00 per year. Bulk subscriptions are available upon request at reduced rates. Second class postage paid at Cincinnati, Ohio.

Printed in U.S.A.