

Saturday, May 16, 2009

THE WALL STREET JOURNAL. | POLITICS

SEIU Campaign Spending Pays Political Dividends

Service Union Wins Top Administration Posts and Backing on Legislation, but Outlays to Boost Obama Strain Its Finances

By KRIS MAHER

Record spending by the Service Employees International Union to help elect President Barack Obama has paid political dividends but extracted a financial toll.

Officials say the fast-growing union spent \$85 million during the campaign season last year, and that it was well worth it: The Obama administration has appointed union officials to top posts and is backing legislation to make it easier for workers to organize.

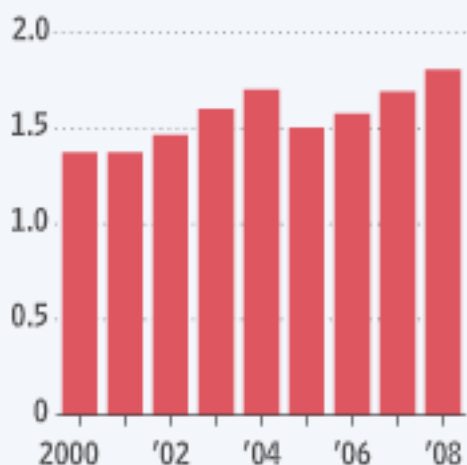
Paying the Price

The Service Employees International Union boosted borrowing in 2008, as it spent \$85 million during the campaign season.

Assets and liabilities, in millions



Total membership, in millions



Source: Labor Department

"SEIU is on the field, it's in the White House, it's in the administration," SEIU President Andy Stern said in a video to members to mark the Obama administration's first 100 days.

But Mr. Stern also said campaign spending eroded the international's funds. The union took out \$25 million in loans last year to meet expenses and saw its net assets fall by nearly half -- to \$34 million at the end of 2008 from \$64 million in 2007.

"We maxed out the credit card and now we're paying it off," said Mr. Stern. He said the union took out the loans for election work last year because monthly dues from local unions wouldn't arrive in time for the November election. "We couldn't say to Barack Obama, 'Excuse me, we can't run your ads because our locals were late in paying their per capita,'" he said.

Mr. Stern said the union has already paid back \$10 million of the \$25 million borrowed last year and expected the rest to be repaid by June 2010. The union has an additional \$90 million in loans from Bank of America Corp., related to the 2003 purchase of the union's Washington, D.C., headquarters.

The SEIU reduced its Washington-based staff and sold equities last year to improve its balance sheet. Mr. Stern says the union is eliminating roughly 10% of the international's 738 staffers, including 38 middle-management jobs and at least 36 organizers.

The cuts, he said, are also part of a plan to build a new government-affairs department to lobby for federal legislation and shift organizing to union locals.

Labor experts say it is unusual for unions to take out big loans. Usually, they rely on member dues and interest from investments.

"I would say SEIU is overextended," said Nelson Lichtenstein, a labor historian at the University of California, Santa Barbara. The current economic downturn could exacerbate union financial problems as additional waves of layoffs cut even further into revenue from dues-paying members.

Other international unions spent far less on politics last year. Only the American Federation of State, County and Municipal Employees, which routinely spends heavily on political activities, came close. It spent \$63 million, or 32% of its total expenditures for 2008, according to filings with the Labor Department.

The 1.4-million-member International Brotherhood of Teamsters, spent \$13 million, or 7% of its 2008 budget, while the United Auto Workers, spent \$11 million, or 4% of its total expenditures.

By comparison, SEIU international spent \$67 million, or about 20% of its 2008 budget, according to government filings, plus contributions from members and locals.

"I would say that clearly the union bet the ranch that this investment was going to pay enormous dividends and those dividends ultimately have to come in the form of new members," said Michael Lotito, a management-side attorney with Jackson Lewis LLP. "Without a fundamental change in the way unions gather up new members, the return on investment is going to be found lacking."

Mr. Stern defended the expenditures on behalf of the union's 1.8 million members, mostly janitors, security guards and health-care workers. "They don't expect us to be a bank," he said. "They expect us to be an advocacy organization."

Mr. Obama has so far named Patrick Gaspard, a former SEIU official to be White House political director, and more recently nominated Craig Becker, associate general counsel to the SEIU and the AFL-CIO to the National Labor Relations Board. Anna Burger, the SEIU's second highest ranking officer, is a member of the president's Economic Recovery Advisory Board.

The Obama administration is taking up the two top items on the union's agenda -- legislation to make it easier for unions to organize workers, known as the Employee Free Choice Act, and health care reform.

While the union's hope that the administration could push through its original version of the organizing legislation has been dashed in recent weeks, it remains hopeful it will see worker-friendly changes in health care.

Write to Kris Maher at kris.maher@wsj.com