

How the BIAW Funds Its Political Agenda

Ironically, the Building Industry Association of Washington paid for its successful effort to repeal the workplace ergonomic safety rule by using a state workplace safety program. According to state records, the BIAW received \$21 million in workers' compensation premium rebates between July 1, 2002 and June 30, 2003 through the retrospective rating program designed to promote safe workplaces.

The BIAW takes a 20% cut out of those rebates before forwarding them to their member businesses.

That means the BIAW made \$4.2 million in the past year, much of which is pumped directly into their political agenda.

Monopoly money

Insurance refunds help fuel the builders' political machine

The irony at the heart of the BIAW is that an organization so virulently anti-government—and so vigorously supportive of free enterprise—should owe much of its power and success to a government-run monopoly business. Yet that is, in fact, the case.

The BIAW attracts much of its membership, and draws much of its money, from an alliance with the state's workers' compensation insurance program. This program is, by the BIAW's own account, its no. 1 recruiting tool. It also provides BIAW with a significant cash windfall.

Every employer has to carry workers' compensation insurance, which pays for the cost of workplace injuries. In most states, workers' comp coverage is sold by private companies, just like auto or health insurance. But in Washington, workers' comp is run by the state, through the Department of Labor and Industries, which collects the premiums and pays claims.

For companies in the dangerous business of home construction, workers' comp premiums can be one of their most noxious costs. Rates for roofers, for instance, are more than \$5 per hour of work.

The BIAW offers a way to get some of this money back. Under the state's "retrospective rating" program, the group's members can get a refund if their claims over the course of the year turn out to be less than the premiums they paid. For a

safe employer, this program can translate into hundreds, even thousands of dollars in refunds each year.

But the program creates some resent-



ment for builders who aren't politically in tune with the BIAW. "It's a major scam," says Steve Fradkin, co-owner of Fradkin Mitterdorf Fine Construction in Seattle. "We hate the fact that some of our Master Builders money goes to them." Fradkin complains that in order to have an opportunity for a refund from the state, he has to be part of a lobbying organization that

sends "Craswell for Governor" brochures for him to stuff in his employees' paychecks.

(In fact, a builder can participate in the state's "retro" program on their own but it is highly risky to do so. One year of heavy losses could wipe out a small business, defeating the whole purpose of insurance.)

The BIAW charges a fairly low upfront fee—1 percent of premiums—for managing the program. That money—almost \$1 million last year—pays for about a dozen staffers who help manage the claims and provide safety training. But program administrator Tom Kwiecek says, "We really don't even break even on the 1 percent."

So BIAW pockets a sizable chunk of the workers' comp refund money as well. BIAW keeps 10 percent of the state's refund, and gives another 10 percent to its 15 local affiliates. Last year alone, the BIAW and its locals collected \$3.4 million in refund money. Once expenses are covered, that represents a major contribution to the builders' political war chest.

By law, most of BIAW's membership dues—which came to more than a half-million dollars last year—cannot be used for lobbying and other political activities. But there are no rules governing the profit BIAW makes from its workers' comp business. That can all be plowed into political action.

M.F.

Builders' lobby a political 800-pound gorilla

Money: BIAW backs candidates, causes

BY PAUL QUEARY *TACOMA*
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Conservative, combative and well-heeled, the Building Industry Association of Washington isn't afraid to use a little political muscle.

In this month's election, the political arm of the homebuilding industry helped swing control of the state Senate to the Republicans, persuaded voters to repeal a tax change it opposed, and came within a few hundred votes of putting its chosen candidate on the state Supreme Court.

Where other business groups tread lightly, the BIAW isn't afraid to stomp on a political system it sees as fundamentally hostile.

Sometimes, its bare-knuckled intensity makes enemies. And sometimes, its gambles pay off.

"We have a mission, which is to protect free enterprise and affordable housing," says Tom McCabe, executive director of the 9,500-member group. "We do not shy away from a fight if it involves those principles. We live in a liberal state that in many respects is antibusiness and anti-growth. We want to develop and grow, so we're up against it."

While McCabe concedes that not every builder follows the BIAW's line, there's little ques-

tion that he speaks for most as he ticks off a list of issues that, well, tick him off.

The Growth Management Act, intended to reduce suburban sprawl and its many associated problems? It's an elitist plan that lets environmentalists ride bicycles through green fields, while housing prices inside urban boundaries skyrocket beyond ordinary folks' means, McCabe says.

The state's workplace ergonomics rule, designed to cut down on injuries caused by repetitive motion and heavy lifting? It's government regulation run rampant, totally unsuited to the fluid work environment of a building site, the BIAW contends.

And the list goes on: the workers' compensation system, the unemployment insurance system, the sales tax on labor that goes into building houses.

So the group fights. It has spent hundreds of thousands of dollars on politics this year. It plays hardball in campaigns for the Legislature and lobbies lawmakers hard once they get to Olympia.

"They are known by everybody, their friends and foes alike, as being super-aggressive politically," says David Groves, a spokesman for the Washington State Labor Council, which often finds itself at odds with the builders. "They oppose anything they consider a burden for business. They're definitely somebody

that we butt heads with."

And if the group doesn't like what comes out of the Legislature, they're not afraid to go straight to the voters.

That's what happened this year when the BIAW found itself on the losing end of a rewrite of the unemployment insurance system, long criticized for favoring the builders.

They hired signature gatherers to force a statewide vote on the issue.

Once the referendum—a confusing issue dealing with a tax—was before voters, it was all over but the shouting because a "no" vote achieved the BIAW's goal. The association spent more than \$360,000 on the campaign and won easily on Election Day. Gov. Gary Locke and the business groups that supported the rewrite have asked the state Supreme Court to invalidate the referendum.

The association can afford this politicking through a quirk in the workers' compensation system. Groups of businesses can band together to share the risks of workers' compensation insurance, and share the refunds if the group's claims are less than its premiums each year.

The BIAW runs such a group and takes 20 percent of the refunds, which adds up to millions each year. Some goes to administer the program, but there's plenty left over for politics.

Attempts by unions and the Department of Labor and Industries to cut the BIAW's take have failed, McCabe points out the system is voluntary and doesn't work unless safety improves.

A big chunk of that money goes into legislative campaigns.

Just before Election Day, the BIAW spent almost \$10,000 to support Whatcom County Sheriff Dale Brandland's challenge to incumbent senator Georgia Gardner (D-Blaine). The money bought an oversize color mailer for Brandland and a Post-It-like note stuck to every copy of the local paper. Brandland won by 1,156 votes. The GOP took control of the Senate.

Less successful was the BIAW's bid to get Jim Johnson elected to the Supreme Court—a prime prize for an organization that often turns to the courts to recoup losses in the Legislature.

The builders spent more than \$200,000 on Johnson—the bulk of his campaign war chest. Johnson, a flamboyant appellate lawyer with a penchant for conservative causes, lost by 3,368 votes to Mary Fairhurst, who was backed by labor, environmentalists and other BIAW foes.

Just what the BIAW can accomplish may be tested next year. Incoming association president Randy Gold wants to mount an initiative to repeal the ergonomics regulations, which are in place but won't be enforced until 2004.