

Nonprofit subsidizes Schwarzenegger travel frills

The group that funds Schwarzenegger's jets and luxury suites writes off the cost. Its donors can get tax breaks.

By Paul Pringle
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SACRAMENTO — California's larger-than-life governor is unabashed about living large, but keeping him in luxury sometimes depends on the same taxpayer subsidies granted to hand-to-mouth charities.

Arnold Schwarzenegger, a millionaire many times over, bills much of his overseas travel to an obscure nonprofit group that can qualify its secret donors for full tax deductions, just as if they were giving to skid row shelters or the United Way.

Whether journeying to China, Japan or last week's destinations — Austria, England and France — Schwarzenegger typically flies on top-of-the-line private jets like the plush Gulfstream models and has booked hotel suites that can run thousands of dollars a night.

Nonprofit watchdogs say using charitable write-offs to pay for sumptuous travel is an abuse of tax codes.

"Wow, that's a problem," said Daniel Borochoff, president of the American Institute of Philanthropy. "Why should our tax dollars subsidize his lavish lifestyle?"

Making matters worse, Borochoff and others say, is that the nonprofit that finances Schwarzenegger's globe-trotting, the California State Protocol Foundation, could be a vehicle for interests that hope to curry favor with the governor.

By giving to the foundation, donors avoid having their identities made public, because charities are not governed by the disclosure rules that apply to campaign contributions. And they can donate unlimited amounts to the nonprofit, which is not subject to contribution ceilings the way campaign accounts are.

Representatives for Schwarzenegger and the foundation say there is nothing inappropriate about his arrangement with the group, which is closely associated with the California Chamber of Commerce.

The foundation declined to release details of its expenditures, despite expectations in the nonprofit world that charities be as transparent as possible.

"Good nonprofits are open books," said Trent Stamp, president of Charity Navigator, an online rating service. "Good nonprofits relish the opportunity to be accountable."

Schwarzenegger has tapped at least one other charity for some of his travel. The Simon Wiesenthal Center, celebrated for its Museum of Tolerance in Los Angeles and far-flung Nazi-hunting efforts, paid more than \$51,000 to help send the governor to Israel in 2004, a year when the charity ran a deficit, records show.

The trip carried a steep tab because of the private jet, said people familiar with Schwarzenegger's travel.

A Wiesenthal spokesman said that the center had invited the governor to Israel for a museum groundbreaking and that the \$51,000 paid for part of the jet costs.

The governor could easily pick up outsized travel bills himself, and a spokesman said Schwarzenegger does pay for his private jet when he flies domestically on state business.

But trips abroad are something else.

"That jet for those international jaunts is extremely expensive," said one person with knowledge of the governor's itineraries, who requested anonymity so as not to alienate him. "China was probably well north of \$100,000."

Schwarzenegger spokesman Aaron McLearn said specific breakdowns for the governor's jet expenses were not immediately available. But costs for flying on a Gulfstream or similar aircraft often are many times greater than the price of a first-class ticket on a commercial airline.

On that basis alone, well-run charities generally bar or strictly limit private flying, the watchdogs say.

Allan Zarembeg, the Chamber of Commerce president and a foundation board member, said the protocol group pays whatever bills the governor's office submits. "How they allocate that money is up to them," he said.

He declined to release any financial information about the charity beyond the summary data on its tax returns, which it must disclose by law.

In an e-mail, a foundation spokesman said the returns are "sufficient to demonstrate how the foundation pursues its mission of relieving the taxpayers of the cost burden of certain government activities, especially those related to international trade and diplomacy."

McLearn echoed that statement in part, saying the foundation saves tax dollars.

"I think that's a good thing," he said. "The governor looks to save the taxpayers' money every chance he gets."

But charity watchdogs and others say taxpayers *should* foot the bill for a governor's official travel. They also say Schwarzenegger would face a storm of rebuke if he tried to charge the state for private jets and posh hotel suites.

"Using nonprofits to pay for this type of travel is a way to avoid that," said Ned Wigglesworth, policy advocate for California Common Cause.

Schwarzenegger turns to other nonprofits to finance a range of his political activities, and to lease a Hyatt Regency hotel suite while he is in Sacramento. The suite costs about \$65,000 a year.

The number of charities tied to elected officials has grown in recent years, even as they have figured in a spate of corruption scandals, including those centered on jailed lobbyist Jack Abramoff. What sets Schwarzenegger apart in the nonprofit arena are his vast personal fortune and his repeated pledge to shun special-interest dollars.

Schwarzenegger's aides say the governor needs to fly privately for safety reasons — that commercial airlines cannot provide sufficient security for a celebrity with his drawing power. They also note that the protocol organization and its predecessors, such as the Golden State Host Committees, paid some travel costs for previous governors.

During the Gray Davis administration, the group's spending peaked at \$427,000 in 2000. Darius Anderson, its executive director that year, said Davis "flew commercially 90% of the time" but did charter a private jet while touring the Middle East.

The protocol foundation's expenditures have exploded since Schwarzenegger began relying on it — from \$55,000 in 2003 to \$1.8 million in 2005 and \$1.3 million last year, its tax returns show.

Nonprofit monitors say it is almost impossible to justify routine spending of charitable dollars on aircraft that can cost \$6,000 to \$10,000 an hour to lease.

"The boards of most charities would not accept such exorbitant travel expenses for their board members or executives,"

said Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy.

The protocol organization is a 501(c)(3) nonprofit, occupying the highest rung of tax-exempt groups as a public charity. The Governor's Residence Foundation, the nonprofit that pays for Schwarzenegger's home away from home at the Hyatt, is also a 501(c)(3).

The category includes basic-needs charities like soup kitchens and the Red Cross as well as nonprofit hospitals, schools and museums. All must provide a public benefit, are barred from engaging in elective politics and cannot take part in legislative or lobbying activity to a substantial degree.

Contributions to many other types of nonprofits, including chambers of commerce, are not tax deductible unless they can be claimed as legitimate business expenses or are directed to a charitable purpose. (Campaign contributions are not deductible.)

Most of Schwarzenegger's foreign sojourns have been trade missions, though his critics say the trips really are little more than junkets designed to boost his international profile.

Corporate executives who have accompanied the governor overseas prize the opportunity to make contacts in distant markets, Schwarzenegger confidants say.

Foundation backers have said that because the group doesn't disclose the names of donors, Schwarzenegger would not know if his corporate travel-mates helped pay for a trip and thus could not be influenced by their donations.

McLear said the missions have attracted investment and produced jobs on these shores: "The economic benefit to California is substantial."

State disclosure forms that Schwarzenegger filed for 2004 showed that the foundation spent about \$27,000 and \$18,000 for his trips to Austria and Japan, respectively. McLear said most of the money paid for the governor's hotel suites.

Schwarzenegger declines to take his state salary, and he does give to charities. From 2002 through 2004, for example, he reported \$2.5 million in charitable donations and about \$55 million in total income.

The governor's other charitable activities include his sponsorship of nonprofits that provide recreation programs for children.

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