

Details of governor's travel costs lacking

Luxury trips paid by a nonprofit are itemized vaguely, records show. Schwarzenegger's aides say the practice is legal

By Paul Pringle
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Gov. Arnold Schwarzenegger's office has avoided fully disclosing payments of \$1.7 million in nonprofit funds for private jets, hotel suites and support staff for his trips overseas, according to state documents and interviews.

Record-keeping for many of the governor's luxury-class jaunts has been by word of mouth. Asked how the staff tracks the costs, subject to public disclosure laws, Schwarzenegger attorney Daniel Maguire said: "Orally."

In late 2004, the multimillionaire governor stopped reporting the travel expenses on state disclosure forms that itemize gifts to elected officials. Instead, Schwarzenegger's top aides recorded some of the costs -- and made only general references to others -- in memos they wrote to themselves and filed away in the governor's legal affairs office.

Several of the memos did not include dollar amounts, even though regulations under the state Political Reform Act require that such figures be disclosed in a written public record within 30 days of payment. After The Times asked for those amounts -- some missing since 2004 -- the governor's office took more than two months to produce them.

Schwarzenegger has frequently called for more transparency -- what he calls the "antiseptic of sunshine" -- in state government. But nonprofit watchdogs and open-government advocates called his aides' handling of the travel costs deceptive, a way to thwart scrutiny of the lavish spending by the taxexempt charity that foots the bill.

"They're trying to not have written records," said Bob Stern, president of the Center for Governmental Studies. "I would call it creative accounting -- creative oral accounting."

Schwarzenegger spokesman Aaron McLearn said the governor's office did nothing wrong. "We've been following the law all along," he said.

The expenses include leased Gulfstream jets costing up to \$10,000 per hour and suites going for thousands of dollars a night. They are paid for by the California State Protocol Foundation, a Chamber of Commerce-aligned nonprofit whose usually secret contributors receive the same tax deductions as donors to food banks and universities.

Unlike campaign contributors, the foundation's supporters can donate unlimited amounts without revealing their names in most cases.

The financial information in the gift memos created by the governor's aides came from conversations with officials, said Maguire, Schwarzenegger's deputy legal affairs secretary.

"We hear it," he said. "It's a phone call."

Stern scoffed at such a procedure for large and specific dollar figures. "Oh, sure," he said with a laugh.

Maguire insisted that the memos are public records that satisfy disclosure rules. Several costs, among them \$353,000 for a single round-trip to China on a private jet in 2005, did not initially appear in the memos. They were added after The Times filed state Public Records Act requests for them.

Maguire said the governor's office did not keep any copies of invoices that it submitted for payment to the Protocol Foundation, which also has paid for some ground transportation and commercial flights on the trips.

Trent Stamp, president of Charity Navigator, an online rating service for nonprofits, said the lax disclosure was "beyond the pale."

Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, said the actions by Schwarzenegger and the foundation are "highly irregular," and "a clear example of

philanthropy being abused."

Not true, said Larry Dicke, treasurer of the foundation and chief financial officer of the chamber. He said the gifts benefited all Californians by promoting investment in the state.

"I don't think they're trying to hide anything," Dicke said of the governor's office.

Schwarzenegger's representatives say he did not have to report the travel costs on the standard disclosure form because the payments for the jets and suites were gifts to his office, not to him.

That marks a reversal of the governor's previous practice, which was to report the payments on his annual Statement of Economic Interests, a form whose contents are routinely reviewed by the news media. The Reform Act requires officials to include on the statements any gifts they receive as individuals.

"We have since determined they are gifts to the office," McLear said of the travel expenses, adding that the governor must fly on private aircraft for security reasons.

But Dorfman and others said it was obvious that the jets and hotel suites were intended for Schwarzenegger's personal comfort and enjoyment.

And two people with ties to Schwarzenegger said that he cherishes the jets as a lifestyle perk, and that his staff decided that reporting the costs on the disclosure forms would become embarrassing. The two said they believe that his aides looked for a less visible way to meet the public records requirement.

"They are super-sensitive about the jet," said one of the people, who, like the other, asked not to be named for fear of angering Schwarzenegger.

The second source said Schwarzenegger's staff thought it was "covered" legally after the Protocol Foundation solicited an advice letter from the staff of the state Fair Political Practices Commission on whether the payments were gifts to the governor as an individual or to his office.

The letter said, in part, that the expenses need not be reported by Schwarzenegger personally if they

are for official business and the governor's office determines which individuals get use of them.

But it was unclear whether the foundation had spelled out to the commission that the bulk of the payments often go to Schwarzenegger's Gulfstream and his hotel suites. If the commission had been aware of that, Stern said, it might have advised the foundation that the payments were for the governor -- not the office -- and should be disclosed on his Statement of Economic Interests.

When The Times asked the commission about Schwarzenegger's travel expenses, Chairman Ross

Johnson issued a prepared statement suggesting that the rules should be tightened.

"Reform by its very nature is an ongoing process, and it may well be time for the commission to revisit our gift regulations," said Johnson, a Schwarzenegger appointee.

The Protocol Foundation is a 501(c)(3) nonprofit, occupying the highest rung of tax-exempt groups as a public charity. It has paid for the governor's travels to Japan, Europe, Canada and Mexico, in addition to China. Schwarzenegger touts the trips as trade missions; critics have belittled them as junkets and an opportunity for wealthy donors to curry favor with the governor.

By far the largest expense has been the jets, whose per-passenger leasing costs can be many times the price of first-class tickets for a commercial flight.

["This kind of spending is out of line with what any prudent 501\(c\)\(3\) would approve," Dorfman said.](#)

Last month, Schwarzenegger hosted a fund-raiser for the Protocol Foundation that collected \$435,000 from a variety of business interests. Stamp said the governor's role in the fund-raiser was inappropriate, since he is its principal beneficiary.

"When you're a charity mostly serving one individual and that individual is of great wealth and privilege, it's perverse," Stamp said.

On Thursday, the governor's office released the names of the donors who had attended the fundraiser.

Under disclosure rules, the office was required to do so because the governor helped solicit the donations.

It was the first time a list of foundation donors had been made public.

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