

ALASKA LEGISLATURE

1717

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998



Terminal Redevelopment Project Overview: *Today's Situation, Future Needs and Plan of Action*

Anchorage International Airport's Economic Importance

- State's # 1 transportation hub
- Serves over 5 million passengers per year
 - 60% Alaskans
 - 25% Visitors
 - 15% International Transit
- Jobs in the community: about 1 in 10 jobs in Anchorage
 - 7,000 airport jobs
 - 4,000 community jobs

Today's Situation

- Domestic Terminal inadequate for today's traffic
 - Concourse C, built in 1952, is functionally obsolete and code deficient- needs to be replaced
 - Ticket lobby is only 40% of the space needed today
 - Baggage claim lobby is only 43% of the space needed today
 - Curbside road needs to be 50% longer
 - Main terminal provides only 75% of space needed today

Future Needs

- Forecast over 6 million passengers by 2005
 - Expanded ticketing and baggage claim
 - Tour group processing facility
 - Additional aircraft gates (5 jets, 7 regional parking positions)
 - Improved road access, curbside road, and parking

Plan of Action

- Replace Concourse C
- Renovate and expand existing terminal and retail core
- Extend curbside road
- Construct new access road and terminal return road
- Expand aircraft gates and aircraft parking



Terminal Redevelopment Project Information

Elements, Size, Cost, Funding

Major Elements

5 new jet aircraft gates for total of 24
 7 new regional aircraft parking positions for total of 20
 Expanded and new ticket lobby and baggage claim
 Expanded curbside and road system
 New tour group processing facilities
 Expanded and new retail soace

Size

1997 Domestic Terminal	435,000 s.f.
Demolition of C Concourse	(85,000) s.f.
Replace C Concourse plus	
New terminal area	<u>367,000</u> s.f.
	717,000 s.f.

Cost

Project costs in 1997 dollars:

Early construction	\$ 5 million
Concourse C replacement	78
Terminal renovation and expansion	40
Roads and parking	32
Airside improvements	<u>36</u>
	\$191.0 million

Funding

Federal Highway funds	\$ 26.3 million
Airport revenue bonds	164.7
FAA fundir.g	<u> </u> *
	\$191.0 million

*FAA funding being sought to further reduce bond requirement or payment



Major Elements of Terminal Redevelopment Project

Early Construction

- *Utility Relocation* Relocate communications, water, sewer gas
- *Cargo aircraft parking positions replacement* Replace two aircraft parking positions displaced by construction
- *Modifications for temporary relocation of airlines and tenants* Relocation of tenants to allow for construction phasing
- *Relocate loading bridge* Relocate Gate B2 loading bridge for construction phasing
- *Demolition of C Concourse* Demolish C Concourse

C Concourse Replacement

- *C Concourse Replacement* New ticket lobby, baggage claim, gates, operations, north terminal connector
- *Group tour bag facility* Processing facility for tour passengers with baggage

Airside Improvements

- *Apron* New apron on new C Concourse and adjustments to Concourse B apron
- *Aircraft hardstands* Seven remote aircraft parking positions for overnight parking of passenger aircraft and daytime refueling of cargo aircraft

Roadway and Parking

- *Roadway and parking near terminal* Reconstruction of International Airport Road, new return loop road, connection to Postmark Drive, expanded surface parking, expanded upper curbside by 500'
- *Right of way acquisition* Acquire leases and property required for road improvements



Terminal Renovations

• *New construction*

30 foot expansion of terminal toward apron Gates A1-A3

30 foot expansion of terminal toward apron Gates A4-5

• *Renovation*

Renovation of ticket lobby and baggage claim



Terminal Redevelopment Project **Review of Process and Findings**

Process

The planning team has worked with the airlines to review enplanement (passenger traffic) forecasts and to make input into the master plan in a series of meetings and workshops over the past year. Both the Airline Technical Committee and the Airline Affairs Committee have been an integral part of the terminal concept development.

Forecasts

The enplanement forecasts, which are the foundation upon which the facilities requirements are based, considered historical air traffic growth, tourism, and governmental policies affecting international trade. Interviews with signatory airlines provided important information to the forecasting process. The projected growth for domestic passenger enplanements compares favorably with FAA's average percentage growth for the nation over the same time period.

Forecast for ANC
1996 to 2005 = 4.3%

US Aviation Forecast
1996 to 2005 = 4.15%

The forecast and associated program requirements were calculated in a conservative range to ensure a favorable bond rating and to avoid over-building. In light of the new tour ships being constructed, the number of new hotels and rooms, and an on-going effort to market Alaska as a tourist destination, the above forecast meets this goal.

Program Requirements

The terminal expansion concept developed for the year 2005 is based on aviation forecasts and program requirements which provide reasonable levels of service to the traveling public during an average summer peak hour. This means that even with the new expanded terminal facility, the public will still experience some delays and inconvenience.

It is important to remember that of the 661,800 s.f. required for the year 2005, 454,761 s.f. is needed to meet today's passenger traffic. This means that 207,200 s.f. is required to meet future demand in the year 2005. Construction is currently scheduled to be completed in 2004 only one year prior to the forecast demand.

Impact of Delay or Phasing

To delay or phase construction of the project will result in the lost opportunity to sell bonds at current historic low rates. The cost to build this same space in the future would be increased by escalation and potentially higher lending rates on



bonds. An extended construction period would also unreasonably inconvenience the traveling public.

Financial Impact on Airlines

The airline costs resulting from the requested bond package are on the low side of the average cost to do business at other medium and large hub airports in the US. This fact does not justify the project but does show building much needed facilities at Anchorage International Airport results in landing fees and terminal rental rates which are still below the national average.

Comparison of AIA Landing Fee with Other Airports

In a comparison of AIA projected landing fee with the average landing fees at other United States airports, AIA compares well. The comparison is based on the 1996 AIA landing fee (which has since become even lower) with the 1995-96 American Association of Airport Executives landing fee statistics.

Average Landing Fees

Medium Hub Airports			
<u>Passenger Signatory</u>	<u>Passenger Non-Signatory</u>	<u>Cargo Signatory</u>	<u>Cargo Non-Signatory</u>
\$1.19	\$1.42	\$1.25	\$1.46
Large Hub Airports			
<u>Passenger Signatory</u>	<u>Passenger Non-Signatory</u>	<u>Cargo Signatory</u>	<u>Cargo Non-Signatory</u>
\$1.79	\$2.00	\$1.85	\$1.96

AIA Projected Equivalent Landing Fee for Year 2002

(*factored from takeoff weight fee of \$.92)

\$1.16

*Some airports in the US, like Anchorage International, charge a landing fee that is based on aircraft takeoff weights. Other US airports charge landing fees based on aircraft landed weights. In order to fairly compare landing fees, a conservative calculation is made above to fairly compare Anchorage's landing fee with other airports' landing fees. In any event, Anchorage's landing fee compares extremely well with other airports.



Airlines Contributing 89% of Domestic Passenger Airline Revenue Voted YES

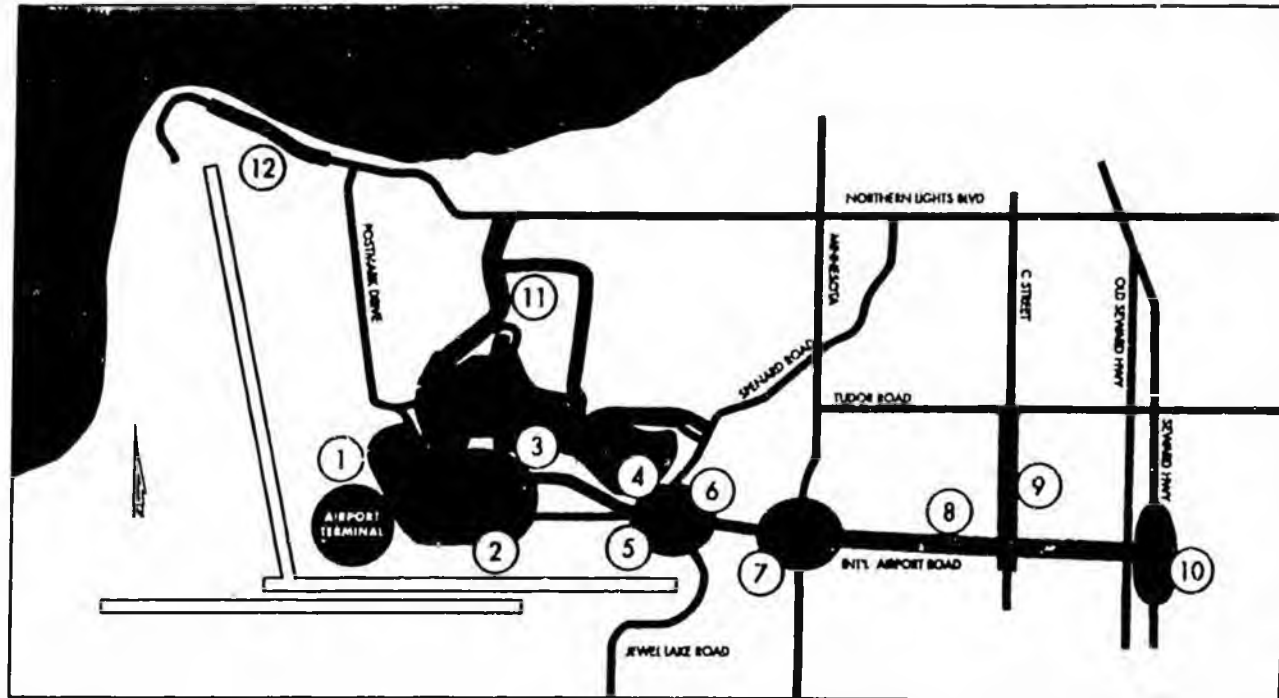
Airlines Representing 84% of Departing Domestic Passengers Voted YES

<u>Domestic Passenger Airlines</u>	<u>Vote</u>	<u>Domestic Airline Revenue</u>	<u>% of Total</u>	<u>Departing Passengers</u>	<u>% of Total</u>	<u>Samples of Increase per Departing Passenger*</u>
Alaska Airlines	Yes	\$3,687,952	45%	947,421	53%	\$0.96
Northwest Airlines	Yes	\$1,657,866	20%	129,380	7%	\$1.02
Delta Airlines	Yes	\$965,639	12%	215,627	12%	
United Airlines	Yes	\$851,133	10%	151,479	8%	
Reno Air	Yes	\$162,049	2%	61,616	3%	
America West	Yes	\$8,519	0%	3,479	0%	
Era Aviation	No	\$418,539	5%	201,012	11%	\$0.58
Reeve Aleutian	No	\$358,033	4%	39,593	2%	
Peninsula Airways	No	<u>\$139,477</u>	<u>2%</u>	<u>42,697</u>	<u>2%</u>	
		\$8,249,207	100%	1,792,304	100%	

**Based on flatline projection of FY 97 activity and rates*

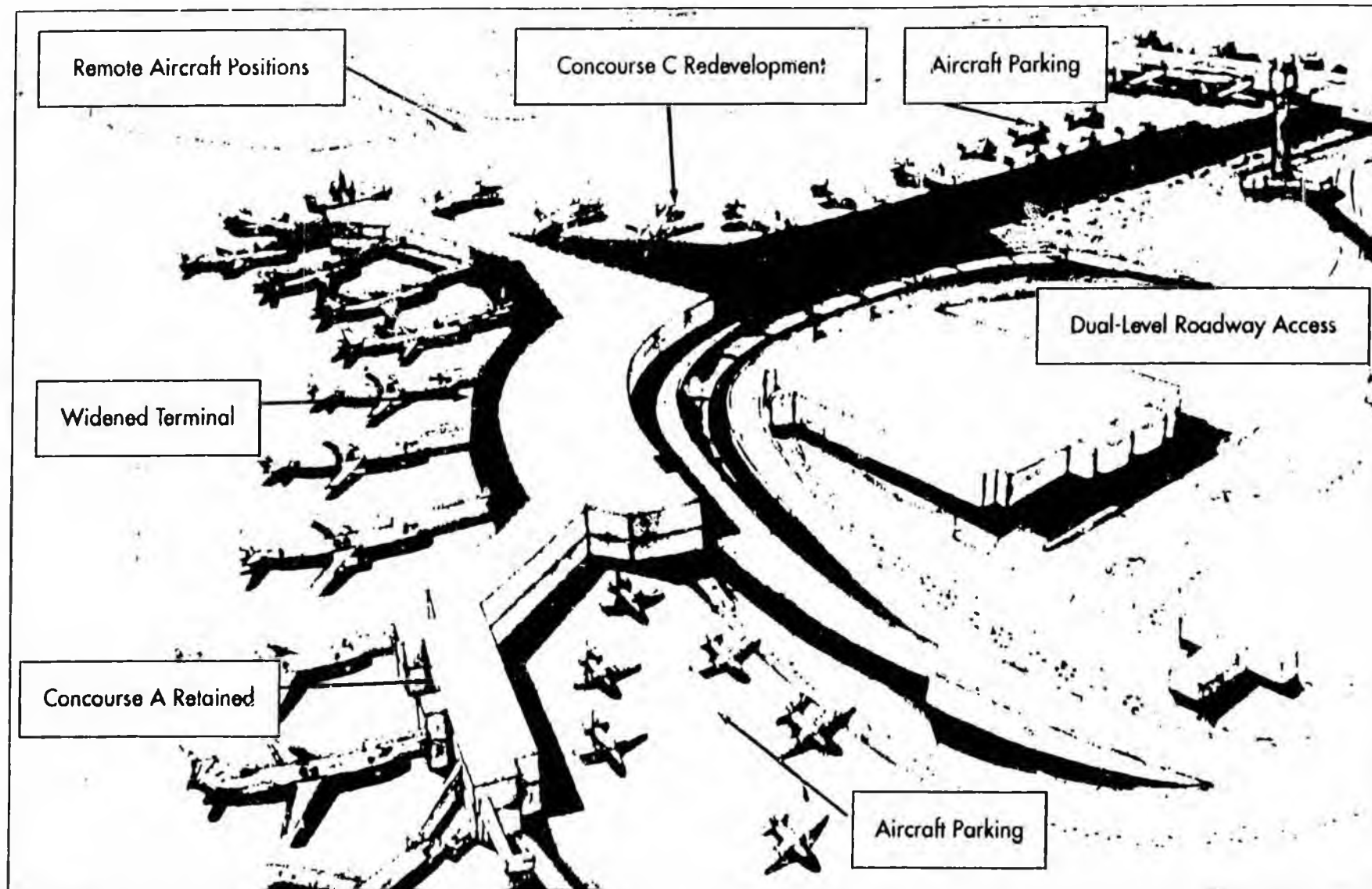


**Gateway
Alaska**

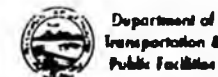


- 1 AIA Terminal Redevelopment-Terminal and Airside
- 2 AIA Terminal Redevelopment-Landside
- 3 Postmark Drive Interchange
- 4 Int'l Airport Road - Airport to Minnesota Drive
- 5 Old International Airport Road
- 6 Jewel Lake Road Interchange

- 7 Minnesota Drive Interchange
- 8 Int'l Airport Road - Minnesota Drive to Old Seward Hwy
- 9 "C" Street Widening
- 10 New Seward Highway Grade Separation
- 11 Lakeshore Drive Trail
- 12 Coastal Trail Bluff Stabilization



Terminal and Airside AIA Terminal Redevelopment



**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

PLAN OF FINANCE

DISTRIBUTION TO THE AIRLINE AFFAIRS COMMITTEE

NOVEMBER 5, 1997

ADDENDUM TO OCTOBER 15, 1997 PRESENTATION

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC *Aviation, Infrastructure & Project Finance***

Purpose of Addendum

- Incorporate State of Alaska Capital Contribution of \$26.3 million into Financial Model of terminal rents and landing fees
- Incorporate an assumption of less than 100% occupancy of the Airline Rentable area of the Terminal when the project comes on line in Fiscal Year 2002
- Incorporate updated concession revenues work based on the October 15th Design Presentation to the Airline Affairs Committee
- Incorporate higher operating assumptions in the areas of Custodial, Maintenance and Utility
- Update fuel flowage fee assumptions
- See pages 7 - 11 for details of assumption updates

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

Project Components

Note: This chart is included for illustration purposes and uses the Example of the revised Financial Model A (2001 Completion of Concourse C and 2003 Project Completion).

	Additions in \$	Subtractions in \$	Net in \$
Total Cost of Project in 1997 Dollars	190,800,000		
State Capital Contribution		26,300,000	
AIRPORT COST OF PROJECT IN 1997 DOLLARS			164,500,000
Fiscal Year 1998 Allocated Funds		6,100,000	
3% Escalation per Cash Flows	14,500,000		
24 Months Capitalized Interest	20,000,000		
Credit Construction Fund Earnings		21,000,000	
Financing Costs Including Bond Insurance	4,700,000		
CORE FINANCING	Total Additions	Sub-Total Subtractions	
	230,000,000	53,400,000	176,600,000
Optional Adjustment: Take Out Capitalized Interest		20,000,000	
ADJUSTED WITHOUT CAPITALIZED INTEREST		Total Subtractions	
		73,400,000	156,600,000

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

Total Debt Service Level Each Year

\$173,000,000 Project Fund from Bond Proceeds Amortized Over 25 Years

Par Amount of Bonds	\$177,205,000
Maximum Full Year Debt Service	\$14,583,284
Average Life of Bonds	16.51 years

Recommendation for Level Debt Service

- Level Debt Service facilitates long-term planning because it creates a consistent base
- Average Life of debt is substantially less than face term of bonds
- Effect of inflation is to reduce the fixed debt as percentage of total operating costs over time
- Level debt service makes project a gradually decreasing impact on various airport and airline financial rates, charges and ratios

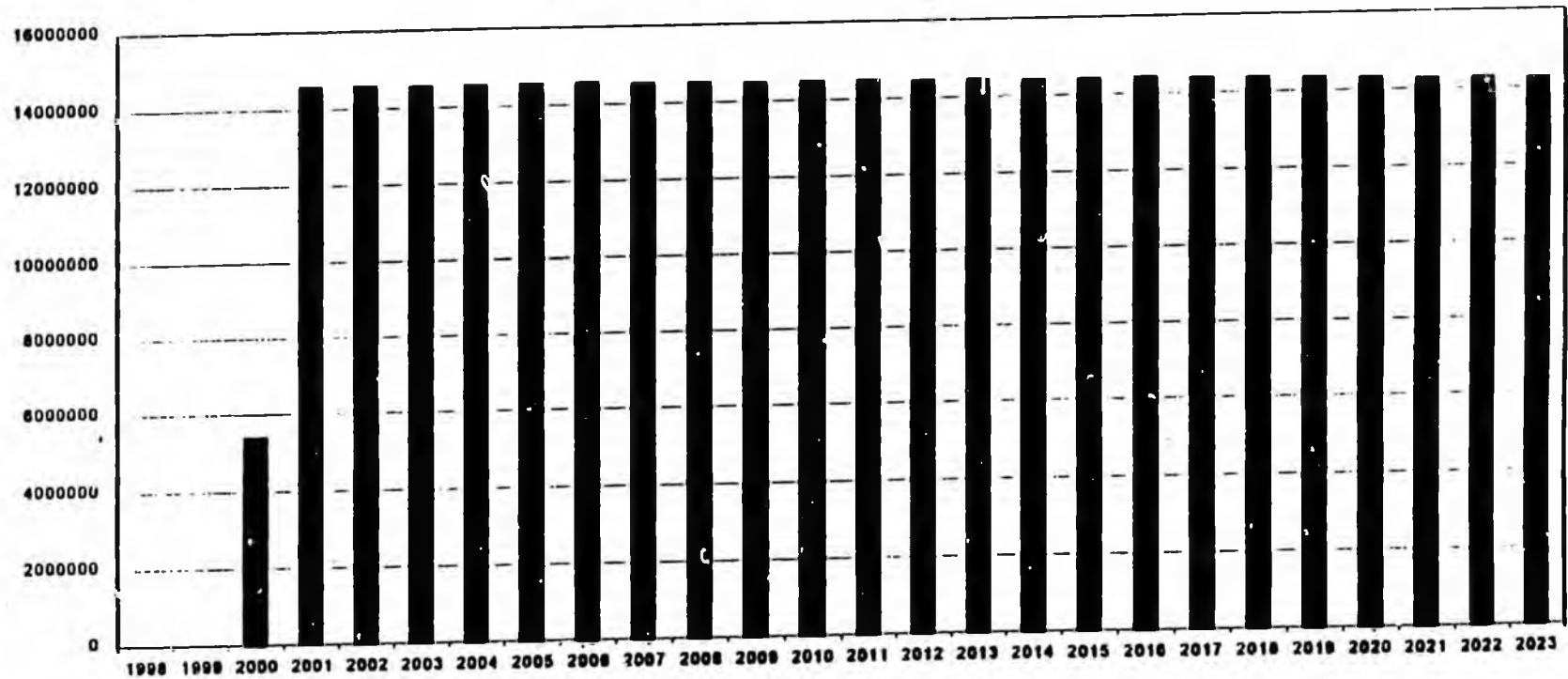
November 5, 1997

**Lelf Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

FY 1998 and FY 1999 are zero because of capitalized interest
 FY 2000 includes one semi-annual interest payment
 FY 2002 is In-Service Date for Concourse C, which is scheduled for completion during FY 2001

**Level Debt Service
for \$173,000,000 Project Fund
Annual Fiscal Year Net Debt Service**



November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

Summary of Rates and Charges

- FY 2001 Completion for Concourse C Replacement
- FY 2002 In-Service Date for Concourse C Replacement
- 24 Months Capitalized Interest
- Chart begins with FY 1999 because Rates and Charges for FY 1998 were set prior to July 1, 1997 using assumptions which are different from the November 5 Scenario of Model A.

Terminal Rents November 5 Scenario A	Terminal Rents October 15 Scenario A	Year	Landing Fees November 5 Scenario A	Landing Fees October 15 Scenario A
32.97	32.97	1999	0.70	0.69
33.24	33.24	2000	0.68	0.68
37.81	38.65	2001	0.76	0.77
39.71	39.08	2002	0.93	0.93
40.19	39.36	2003	0.89	0.93
40.70	39.63	2004	0.86	0.91
40.72	39.92	2005	0.83	0.89
40.44	40.21	2006	0.82	0.87
40.75	40.51	2007	0.80	0.85
41.07	40.81	2008	0.79	0.84
41.41	41.12	2009	0.77	0.82
41.75	41.43	2010	0.75	0.80

November 5, 1997

**Lelf Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

Summary of Rates and Charges (cont.)

Terminal Rents November 5 Scenario A	Terminal Rents October 15 Scenario A	Year	Landing Fees November 5 Scenario A	Landing Fees October 15 Scenario A
42.16	41.82	2011	0.75	0.80
42.59	42.22	2012	0.75	0.79
43.03	42.63	2013	0.75	0.79
43.48	43.05	2014	0.75	0.79
43.93	43.47	2015	0.75	0.79
44.42	43.92	2016	0.75	0.78
42.36	41.86	2017	0.71	0.74
42.79	42.33	2018	0.71	0.74
43.31	42.80	2019	0.71	0.74
43.84	43.29	2020	0.71	0.74
44.38	43.80	2021	0.71	0.74
44.93	44.32	2022	0.71	0.73
45.52	44.85	2023	0.71	0.73
46.10	45.40	2024	0.71	0.73
33.14	30.91	2025	0.54	0.55

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

State Contribution

- **October 24, 1997 Letter from Commissioner of Department of Transportation and Public Facilities to the Chairman of the Airline Airport Affairs Committee**
- **\$26.3 million commitment of federal highway funds to be received by the State which will be used to fund terminal access roads**
- **Clear demonstration of the State's good faith in committing non-airline funding sources**
- **October 24th letter refers to additional \$15 million in non-airline funds:**

"The State has also identified a minimum of \$15 million in airside development which is eligible for FAA Discretionary Funds. We commit to aggressively pursue these funds to further reduce the airline share of the project costs."

- **October 24th letter joins the State with the airlines in pursuing lower rates and charges to make Anchorage International Airport more competitive in the aviation market**
- **The most explicit value of the State contribution is the lowering of annual debt service on the bond issue (see following chart)**

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

	<u>October 15 Bond Issue</u>	<u>November 5 Bond Issue</u>
Par Amount of Bonds	\$199,130,000	\$177,205,000
Project Fund from Bond Proceeds	177,207,788	152,000,031
Project Fund from Airport Capital Allocation	6,400,000	6,100,000
Project Fund from State Capital Allocation	0	26,300,000
Capitalized Interest Fund Deposit	22,477,655	20,002,796
Maximum Annual Debt Service (Level Debt Structure)	16,388,159	14,583,284

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

Update of Other Assumptions

- New Project Fund bonding requirement based on 1997 Dollars and 3% Escalation is as follows:

Cash Flow Line	1998	1999	2000	2001	2002	2003	
6.1	6.1						
18.4	18.4	19.0					
41.9	41.9	43.2	44.5				
42.3	42.3	43.6	44.9	46.2			
42.1	42.1	43.4	44.7	46.0	47.4		
13.7	13.7	14.1	14.5	15.0	15.4	15.9	
164.5	6.1	19.0	44.5	46.2	47.4	15.9	179.0 TOTAL

Note 1: \$6.1 million in FY 1998 is not included in the 172.9 million Project Fund bonding requirement.

Note 2: prior 1997 dollars were \$190.9 million, escalating to a total of \$207.5 million.

November 5, 1997

**Leif Seikregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

- Incorporate an assumption of less than 100% occupancy of the Airline Rentable area of the Terminal when the project comes on line in Fiscal Year 2002

Fiscal Year	Total Usable Square Feet	Total Available Airline Rentable Square Feet	Actual Rented as % of Available Rentable (rounded)	Total RENTED Airline Rentable Square Feet	Total VACANT Airline Rentable Square Feet
2002	591,565	232,256	80.51%	187,000	45,256
2003	631,863	257,357	80.43%	207,000	50,357
2004	631,863	257,357	83.54%	215,000	42,357
2005	631,863	257,357	89.37%	230,000	27,357
Thereafter	631,863	257,357	89.37%	230,000	27,357

- Update fuel flowage fee assumption to tie to takeoff weight assumption rather than 3% straight line growth

November 5, 1997

**Lelf Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**

**Airline Affairs Committee Presentation
Anchorage International Airport
Passenger Terminal Expansion Program**

- Incorporate updated concession revenues work based on the October 15th Design Presentation to the Airline Affairs Committee; concession consultant has identified several additional design factors which strengthen the outlook for concession revenues, including, for example, location, size, configuration, and store content

Fiscal Year	Food & Beverage Per Enplaned Passenger	News, Gifts & Specialty Per Enplaned Passenger
1997	0.39	0.27
1998 to 2001	increase at 1.5% per annum	increase at 1.5% per annum
2002 (New Program)	0.64	0.58
2003 and thereafter	increase at 1.5% per annum	increase at 1.5% per annum

- Incorporate higher operating assumptions in the areas of Custodial and Building Maintenance for the AIA Main Terminal only

Custodial	One time step up of 10% in FY 2002; then resume 3% escalation
Building Maintenance	Includes two components: Maintenance one time step up of 5% in FY 2002; then resume 3% escalation Utilities one time step up of 15% in FY 2002; then resume 3% escalation

November 5, 1997

**Leif Selkregg Associates Program Management Team
by Hudson AIPF, LLC Aviation, Infrastructure & Project Finance**



**Anchorage Chamber
of Commerce**

**Resolution in Support of Revitalizing the Anchorage International Airport
Anchorage Chamber of Commerce
Resolution 97/98-6**

WHEREAS, legislation to consider revitalizing the Anchorage International Airport (AIA) will be introduced during this legislative session; and

WHEREAS, AIA is the state's largest transportation hub, with more than five million passengers traveling through the domestic terminal last year and a forecasted increase in passengers in excess of three percent annually through the year 2005; and

WHEREAS, future expansion of Alaska's economy is tied closely to the airport, with more than 11,000 jobs already directly related to AIA activities and further increases in airport activities expected to create new employment opportunities; and

WHEREAS, a recent study by nationally recognized consultants identified many structural and design deficiencies at the AIA terminal and documented the need to expand and improve it to meet the requirements of the year 2005; and

WHEREAS, project financing has been approved by the airlines in accordance with the terms of the Airport Operating Agreement, to be financed through revenue bonds, which bonds are expected to be repaid through user fees; and

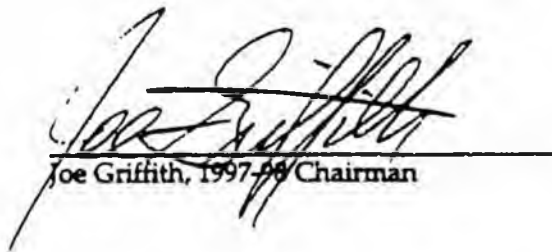
WHEREAS, the remaining costs will be paid by the federal government; and

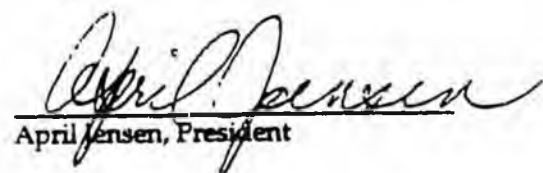
WHEREAS, the airlines that carry the preponderance of the passenger traffic and produce most of the passenger revenue have approved the proposed AIA terminal revitalization;

THEREFORE, be it resolved that the Anchorage Chamber of Commerce endorses revitalization of Anchorage International Airport, as approved by the airlines, and urges approval of the necessary authorizing legislation; and

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to all members of the Alaska State Legislature, Governor Knowles, and members of Alaska's Congressional delegation.

Approved this 16th day of January 1998.


Joe Griffith, 1997-98 Chairman


April Jensen, President

ALASKA STATE CHAMBER OF COMMERCE

Position 98-1

Revitalizing the Anchorage International Airport

WHEREAS, the Alaska State Legislature will be considering revitalizing the Anchorage International Airport (AIA) during this legislative session; and

WHEREAS, this airport is the state's largest transportation hub; and

WHEREAS, more than five million passengers traveled through the AIA domestic terminal last year, and an annual increase in excess of three percent in passengers is forecast through the year 2005; and

WHEREAS, air transportation is extremely important to Alaskans, who travel by air at more than three times the national average; and

WHEREAS, the future expansion of Alaska's economy is tied to AIA's ability to serve an increase in passenger and cargo service; and

WHEREAS, a recent six month study pinpointed the many deficiencies at AIA's terminal; and

WHEREAS, the study documented the need to expand and improve the AIA terminal to meet the needs of the traveling public for the year 2005; and

WHEREAS, the airlines that carry 84 percent of the passenger traffic and produce nearly 90 percent of passenger revenue support an AIA terminal revitalization; and

WHEREAS, significant costs will be paid by the federal government;

THEREFORE BE IT RESOLVED that the Alaska State Chamber of Commerce endorses revitalization of the Anchorage International Airport.

ADOPTED

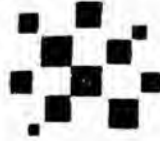
BY

Pamela La Bolle
President

BY

David Marquez
Chairman, Board of Directors

Signatures due 2/11/98



Anchorage Economic Development Corporation
The Center of Opportunity

February 9, 1998

Governor Tony Knowles
Office of the Governor
State Capitol
Juneau, Alaska

Dear Governor Knowles:

At the full meeting of the Board of Directors on February 4, 1998, The Anchorage Economic Development Corporation adopted the enclosed position of support for the improvement of the Anchorage International Airport.

The AEDC recognizes the need to improve the passenger terminal and to provide appropriate amenities supporting travelers. The AEDC also recognizes the importance of cargo traffic to the economic viability of the Anchorage International Airport. The transportation and access corridors play an important part in the future growth of the cargo business in Anchorage. It is important for these elements to be included in the planned improvements to AIA. The AEDC supports a financing approach that maintains the cost competitiveness of carrier operations at AIA.

Please keep us advised of the progress of this project. We will provide appropriate comment and documentation during the process of moving this complex undertaking forward.

Sincerely,

Ernest E. Hall
Chairman of the Board

cc: Joseph Perkins, Commissioner, Dept. of Transportation & Public Facilities
Mort Plumb, Director, Anchorage International Airport
Randy Simmons, Director, AIDEA

**Anchorage Economic Development Corporation
Statement of Position on
Anchorage International Terminal Expansion
February 4, 1998**

I. Introduction

The Anchorage Economic Development Corporation (AEDC) has identified the Anchorage International Airport (AIA) as one of the most important economic engines of the metropolitan area of Anchorage. With over 11,000 employees and \$319 million in payroll, the AIA accounts for almost one job in 10 in Anchorage. In 1997, 34 air carriers have landing rights at AIA. The airport currently serves over five million passengers annually, over half are Alaskans, with 25% domestic visitors, and 15% international travelers. Based on current trends, six million passengers are expected by the year 2005. The Anchorage International Airport is the top U.S. cargo airport based on landed weight of all-cargo aircraft. Over 95% of the cargo between the U.S. and Asia stops in Anchorage. The expanded cargo transfer capability ruling approved by the U.S. Department of Transportation has enhanced the ability of cargo carriers to transfer cargo in Anchorage. This makes AIA even more attractive for cargo hub operations and inter-airline cargo transfers.

II. Three Reasons to Support the Terminal Expansion

Anchorage International Airport has proposed a terminal expansion project based on forecasts of need to the year 2005. A number of scenarios were reviewed and evaluated, and the program is designed for implementation over a period of years. AIA proposed financing of the project projects results in fees for doing business at the airport which are competitive with those of medium and large hub airports in the United States.

A. Anchorage is the passenger gateway to Alaska. Based on national industry standards, current terminal facilities are inadequate for today's needs and insufficient to accommodate growth.

- Main terminal provides only 75% of space needed today.
- Ticket lobby is only 40% of the space needed today.
- Baggage claim lobby is only 43% of the space needed today.
- Concourse "C" is functionally obsolete. Built in 1952.

B. Cargo activity provides a business-based reason for aircraft to land in Anchorage.

- Of the \$191 million in the terminal expansion project, \$18 million is earmarked for hard stand development for cargo carrier refueling
- Facility and transportation infrastructure is required to support growth of cargo operations at AIA. Efficient road access for cargo and freight movement between industrial parts of the city and the airport need to be addressed.
- The AIA improvement plan includes the road access and taxiway development requirements to support cargo movement into and within the airport.

C. Through its airport, Anchorage can make a good first impression. Vacationers and business travelers first exposure to Alaska is the Anchorage International Airport. The current terminal would benefit from amenities found at most major airports. The terminal expansion includes the following major elements:

- Five new jet aircraft gates.
- Seven new regional aircraft parking positions.
- Expanded and new ticket lobby and baggage claim.
- Expanded curbside and road system.
- New tour group processing facilities.
- Expanded and new retail space.

III. AEDC Supports Revitalization of the Anchorage International Airport

The AEDC supports essential improvements to the passenger terminal at AIA as well as the improvements to cargo carrier service. The AEDC also supports the upgrading of roads to expedite movement of passengers and cargo between the AIA and destinations within Anchorage. The financing of these improvements should be phased to provide a continuation of competitive costs for use of the airport for both passenger and cargo carriers. The revitalization of AIA will enhance its role as a major economic engine of Anchorage and will provide a facility commensurate with its world class status in global travel and trade.

**Resolution in support of revitalizing
Anchorage International Airport**

This resolution is consistent with the Commonwealth North study focusing on economic development, quality of life, education, and the role of state government entitled Agenda 2000. Alaska's Future in a New World.

Commonwealth North:

Endorses the Anchorage International Airport revitalization project as approved by the airlines; and

Requests all state legislators to approve the authorizing legislation to revitalize the Anchorage International Airport; and

Forwards this resolution to all members of the Alaska State Legislature, Governor Tony Knowles, and Alaska's congressional delegation.

Resolved for the following reasons:

1. This airport is the state's largest transportation hub with more than five million passengers per year and an annual increase exceeding three percent forecast through the year 2005; and
2. Air transportation is extremely important to Alaskans, who travel by air at more than three times the national average; and
3. The future expansion of Alaska's economy is tied to AIA's ability to serve an increase in passenger and cargo service; and
4. More than 11,000 jobs are already directly related to AIA's activities and further increases in airport activities will create new employment opportunities; and
5. A recent six month study pinpointed the many deficiencies at AIA's terminal and documented the need for expansion and improvement to meet the needs of the traveling public for the year 2005; and
6. The majority of the \$191 million related to the terminal revitalization will be financed through revenue bonds which will be repaid through rates and fees collected from air carriers; and
7. The remaining costs will be paid by the federal government; and
8. Project financing has been approved by airlines in accordance with the terms of the Airport Operating Agreement. Airlines that carry 84 percent of the passenger traffic and produce nearly 70 percent of passenger revenue have approved the proposed AIA terminal revitalization.

Post-It Fax Note		7671	
To	Pauline	Date	5-4
Co./Dept.	House Finance	From	Cliff Argue
Phone #	(907) 465-6813	Co.	Alaska Airlines
Fax #	(907) 465-6813	Phone #	(206) 433 3184
		Fax #	(206) 431 7031
		# of pages	2

TESTIMONY
OF
CLIFFORD T. ARGUE

BEFORE
ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

MAY 3, 1998

Chairman Hanley, Chairman Therriault, and Members of the Committee:

My name is Clifford Argue. I am Staff Vice President-Properties and Facilities for Alaska Airlines, Inc., and also serve as Chairman of the Anchorage/Fairbanks Airlines Airport Affairs Committee, an organization comprised of some 25 airlines who have signed Lease and Operating Agreements with one or both of the international airports.

I am speaking today in favor of House Bill 432 which will authorize the issuance of revenue bonds to fund the much-needed expansion of the domestic terminal at Anchorage International Airport. There are three areas of focus in my testimony, the process, the project, and of special interest to this committee, the payments.

First, I would like to discuss the process. Last November, the airlines voted, in accordance with the agreements each has executed and long-standing past practice, to approve the financing and construction of the proposed Terminal Redevelopment Project at Anchorage with a total estimated cost of \$191 million. The vote also approved the Alaska International Airport System(AIAS) to issue airport revenue bonds in an amount necessary to cover the project cost, plus financing and escalation, with the understanding that AIAS would continue to "use it best efforts to obtain alternate sources of funding/financing to reduce airline cost exposure." We hope, but are not certain at this time that there will also be Federal Airport Improvement Program funds available to help in this regard.

I believe you have already been provided details of the actual votes, so I will not restate them here.

Having been involved for nearly 30 years in the planning and development of airport terminal facilities, I can tell you that the work to date on the Anchorage project is among the most thorough and professional such efforts I have seen. The needs assessment, conceptual solutions, and financing plan were carefully developed by an expert team of airport staff and consultants. There was excellent coordination with the airlines at every step in the process

as we participated in numerous meetings and reviews. My colleagues from a number of other airlines including Reeve, Lynden, Northwest, United, Delta, Reno, America West, Federal Express and U.P.S. share this feeling on the quality of the process and support for the project.

Last week I served on a panel at the annual Economic Conference of the Airports Council International in San Francisco. This session, which was co-sponsored by the Air Transport Association, focused on airline/airport relationships. While we heard about some very difficult situations around the country, I was pleased that I could point to Anchorage as a model of good cooperation resulting in a project endorsed by the airlines.

With respect to the project, the serious deficiencies in the existing Anchorage domestic terminal are well-known, both as documented in the studies and certainly experienced at one time or another by each of you when traveling or meeting someone who is. The plan to remedy these shortcomings, as well as accommodate forecast growth between now and 2005 is sound and conservative. It will provide the citizens of Alaska and the many visitors from outside a modern, efficient, and functional airport terminal serving the largest city and air transportation hub of the state. It will also allow passengers flying out of Anchorage to use the newest technologies to speed their progress through the terminal. We at Alaska Airlines are especially excited about the opportunities this project presents for implementing our "Airport of the Future" concept and offering better customer service as quickly as possible.

Finally, and probably the most important consideration is the payment. As you consider this legislation, I urge you to give AIAS the maximum flexibility to issue the bonds necessary for the project all at one time and immediately. This is the most cost-effective way to proceed rather than try to phase it. These bonds will be backed by airport revenues generated from rates, fees, and charges to the airlines, concessions, and others benefiting from the airport. The proposed bonds in no way impact the state's general fund nor will they harm the ability for either Anchorage or Fairbanks airports to continue to develop other necessary improvement projects using already established capital project funding sources. The additional cost to the airlines when considered on a cost per enplaned passenger basis is modest, and the airlines are ready to pay. The AIAS proposal is a prudent and reasonable approach to funding much-needed improvements to one of the major economic engines of the state.

This is a project whose time has come. The need is overdue and well-justified. I request your favorable action on HB 432 to allow this important work to move ahead in a timely and complete fashion.

Thank you for the opportunity to comment. I will be pleased to answer your questions.

HB

452

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 1, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/2/98

The FINANCE Committee considered:

HB 452

HOUSE BILL NO. 452

NONPROFIT CORPORATIONS DISCLOSURES

"An Act relating to registration, disclosures, and reports by certain nonprofit corporations."

recommends it be replaced with the following committee substitute CS HB 452 (Jud) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____
 zero fiscal note(s) _____ zero fiscal note(s) H Jud, 5/1/98

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Therriault</i> Therriault			X	
<i>Chon Mulder</i> Mulder			X	
<i>Terry Martin</i> Martin				✓
<i>Vic Kohring</i> Kohring				✓
<i>Paul Gussendorf</i> Gussendorf				X
<i>Charles Moses</i> Moses			X	
<i>David Davis</i> Davis			X	
<i>Pat Kelly</i> Kelly	✓			

CHAIR'S SIGNATURE *Gene Therriault*
Gene Therriault

FISCAL NOTE

Version: CSHB 452(JUD)
(H) Publish Date: 5/1/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date: _____
Title: Nonprofit Corporate Disclosures
Sponsor: Representative Green
Requester: House Judiciary Committee

Dept. Affected: _____
BRU: Banking, Securities, Corps
Component: _____
Component Serial No.: _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: House Judiciary Committee
Division: _____
Approved by: Representative Joe Green, Chairman
Agency: House Judiciary Committee

Printed: _____
Date: 4/29/98
Date: 4/29/98

Alaska State Legislature

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DEVELOPMENT
ALASKA COURT SYSTEM

Representative Joe Green
District 10

Sponsor Statement

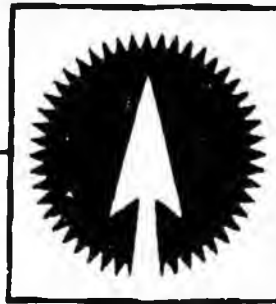
HB 452 - Financial Disclosures of Non-profit Corporations

I believe that public policy formulation in Alaska should be just that -- public. Unfortunately, forces not apparent to most Alaskans are participating in some of the most important debates of our day.

Private, non-profit foundations, headquartered far from Alaska, are participating in the public policy process by directing large sums of money to organizations active in our state. While I support the right of foundations to donate money to organizations of their choice, and of their client organizations to participate in public, political discussions, I also believe Alaskans have a right to "follow the money."

HB 452 will allow the public to follow the flow of money from donors to recipients. It allows the public to observe the activities of various organizations with full knowledge of the source of financial support. Reporting and disclosure requirements also provide the public with the data necessary to detect irregularities in the process. In short, I agree with former Supreme Court Justice Louis Brandeis when he said "Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."

Alaska Forest Association, Inc.



111 STEDMAN SUITE 200
KETCHIKAN, ALASKA 99901-8599
Phone 907-225-6114
FAX 907-225-5920

March 5, 1998

The Honorable Joe Green
House of Representatives
State Capitol
Juneau, AK 99801

Dear Representative Green:

The Alaska Forest Association supports the concept of House Bill 452, "An Act relating to disclosures and reports by certain nonprofit corporations." Alaskans have a right to know about the unseen hand providing money to organizations in Alaska, especially those that primarily exist for political purposes. Many of these organizations work to influence public policies that affect the lives of working Alaskans. Disclosure is especially important for money directed to those organizations which hide their political activities under the guise of disseminating "educational" information, thereby retaining the full benefit of their 501(c)(3) tax status.

It is entirely reasonable for the state to require non-Alaska based organizations to report grants given to groups in Alaska. The public needs a mechanism which allows it to stay abreast of Outside forces working to change the conditions under which they live and work.

Thank you for introducing this legislation. We will be carefully monitoring its progress.

Sincerely,

Jack Phelps
Executive Director



ALASKA MINERS ASSOCIATION, INC.

3305 Arctic #202, Anchorage, Alaska 99503 FAX: (907) 563-9225 Telephone: (907) 563-9229

April 21, 1998

Honorable Joe Green
Chairman, House Judiciary Committee
Capitol Building
Juneau, AK 99801

RE: House Bill 452, Reporting of Outside Monies to Non-Profits

Dear Representative Green,

The Alaska Miners Association supports House Bill 452 regarding disclosure reports by certain non-profit corporations and we urge its passage. This bill will not in any way restrict grants to non-profits but it will require public disclosure of the amounts and the purposes for which outside monies are being brought into Alaska.

This legislation will allow Alaskans to learn who is providing outside money to influence and oppose various activities in Alaska. Outside money from organizations having the 501(c)(3) tax-free status is being funneled into Alaska to other organizations having the same 501(c)(3) status. This tax status explicitly prohibits both the funding and the receiving organizations from engaging in lobbying activities. Yet it appears that such lobbying is one purpose, if not the primary purpose, for the grants.

Funds from outside Alaska have been used for the past 11 years in an attempt to block any development in wetlands. Outside funds have been used to block development of ANWR and to block logging in the Tongass and force the closure of the Sitka and Ketchikan pulp mills. Outside funds continue to be used to lobby for the lock-up of more land into parks, preserves, monuments, wild & scenic rivers, etc.

Enclosed are three articles that show how outside grants are being used apparently affect state and local democratic processes. These articles appeared in the March 1998 issue of *the Alaska Miner*. For example, The Brainerd Foundation (1995-96) provided \$47,000 for "development of effective messages and communication training for Alaska environmental groups". The Pew Charitable Trusts in 1997 alone provided \$800,000 for the Alaska Rainforest Campaign. These numbers come directly from web pages, annual reports, etc. Such information should be reported to the State of Alaska so all Alaskans can decide for themselves who is affecting state and local policies.

We urge passage of this important bill.

Sincerely,

Steven C. Borell, P.E.
Executive Director

enclosures

Bankrolling the Alaska Greens:

WHO ARE SOME OF THE PLAYERS?

The Environmental Grantmakers Association (EGA) was established in 1987 in order to promote recognition that the environment and its inhabitants are endangered by unsustainable human activities, develop collaboration among active and potential members, and increase the resources available to address environmental concerns. Grantmakers decide who gets the money; therefore, they have a powerful voice in setting the environmental agenda and influencing the programs carried out by the activists. The EGA coordinator is Donald Ross, also director of the Rockefeller Family Fund, who believes that foundations have a "major role to play" in determining environmental policies. At the beginning of 1995, EGA had 182 members from private, corporate and community foundations.

The Pew Charitable Trusts consists of seven individual trusts established between 1948 and 1979 by the four sons and daughters of Joseph N. Pew, founder of the Sun Oil Company. The Pew Trusts are presently the largest environmental grantmakers, giving about \$23 million annually to environmental groups. Pew may soon find itself in competition with the Turner Foundation for its ranking as the largest grantmaker. Known for its hard-hitting, aggressive style, Pew has financed initiatives to protect Alaska's coastal forest, national forests in the southwestern United States and Utah wilderness. A recent effort to form "religious" groups supporting renewal of the *Endangered Species Act* and organize them into a coalition was a Pew brainchild. Pew's assets consisted almost entirely of Sun Oil Co. stock until the 1970's when the foundation began divesting this stock. The last Sun Oil stock was sold in 1996. Assets exceed \$4 billion.

The Bullitt Foundation was established in 1952 by Dorothy S. Bullitt, founder of KING Broadcasting in Seattle. The primary goal of the Foundation is to protect and restore the natural physical environment of the Pacific Northwest. One of the Foundation's main interests is the *Alaska Rainforest Campaign*. The foundation is run by Denis Hayes, founder of Earth Day 1970. "If there's a group involved with fish or forests in the Northwest, we probably give them money," Hayes says. Bullitt doles out around \$4.6 million a year to Northwest environmental groups. Assets are \$100 million.

Surdna Foundation is a family foundation, established in 1917 by John E. Andrus (Andrus spelled backwards is Surdna) whose businesses included gold, oil, timber, and real estate. Surdna owns and operates about 75,000 acres of timberlands in northern California as part of its investment portfolio. The foundation maintains a longstanding interest in a Yonkers, New York children's home and a retirement home in Hastings-on-Hudson, New York. Remaining grants are made in four program areas: community revitalization, environment, effective citizenry, and arts. Surdna disbursed over \$5.9 mil-

lion in grants during 1996. Assets are more than \$465.8 million.

Brainerd Foundation was founded in 1994 by Paul Brainerd. Brainerd, the inventor of PageMaker software that made desktop publishing possible, He is one of the new generation of fabulously wealthy, young Americans created by a roaring economy and soaring stock market. When Brainerd sold Aldus Corporation, the software firm he founded, for \$130 million in 1994, he used one-third of his money to create the Brainerd Foundation. The foundation seeks to "help protect the environmental quality of the Pacific Northwest in partnership with nonprofit environmental organizations in the region." Funding priority is given to projects that "build broad citizen support for environmental protection, and have the potential to inform public policy." In 1996, the Brainerd Foundation had assets of \$43.4 million and disbursed about \$1.1

million in grants.

Turner Foundation is one of the newest big environmental grantmakers. Founded in 1990 by media mogul Ted Turner, the foundation limits its activities to the environment and population control. Turner tripled the foundation's endowment to \$500 million after he sold the Turner Broadcasting Network to Time-Warner. In the near future, the Turner Foundation will probably overtake the Pew Charitable Trusts as the largest environmental grantmaker since Turner announced plans to increase the foundation's grants to \$25 million a year. The Executive Director of the foundation is Peter Bahouth, former head of Greenpeace, USA. The Turner Foundation often makes grants to radical environmental groups that other foundations will not fund. In 1995, the foundation divided grants worth \$5 million among 300 organizations. ♣

...FOUNDATION GRANTS

Continued from page 8

campaigns to achieve success. The emphasis is on winning. Reichert once told writer, Mark Dovic, "I don't want someone who knows the facts, or can articulate them persuasively. I want someone who wants to win and knows how." He went on to say that the ideal project leader would be someone like Clinton campaign strategist James Carville.

Pew has poured lots of money into the *Alaska Rainforest Initiative*. Since 1995, Pew has advanced ACF almost \$1.3 million to conduct this initiative. At least another \$1 million was contributed to the Rainforest campaign by seven other foundations belonging to EGA. This campaign has been augmented by several hundred thousand additional dollars that EGA members have made in direct grants to the Southeast Alaska Conservation Coalition.

During the February, 1997, annual EGA meeting in Washington, D.C., it was revealed that three new coalitions were being formed to support the environmentalists' continuing effort to end logging in the Tongass National Forest: (1) Alaska Conservation Alliance, (2) Alaska Conservation Voice, and (3) Alaska Conservation Voters PAC. A meeting for EGA members was held at the Alyeska resort in Girdwood, Alaska, the following September to emphasize Alaska environmental initiatives. Grants from EGA members to get the first two organizations up and running started flowing into ACF's coffers during the latter part of 1997. The formation of the Alaska Conservation Voters PAC will likely be handled through the League of Conservation Voters (LCV) which recently opened an Anchorage office.

The role of large foundations in funding environmental advocacy raises disturbing questions. When used to finance "public interest" group advocacy, foundation wealth can have an enormous influence on shaping the issues and

in determining which public policy is adopted. Environmental groups mold their programs to please large grantmakers. Can anyone be surprised that environmental groups develop Alaska programs and set up Alaska operations when they know that foundations are pumping millions of dollars into wilderness initiatives and efforts to promote logging, oil and mining developments? As former Wilderness Society director Bill Turnage said, "If a foundation had a large interest in Alaska and a lot of money, you definitely had a large interest in Alaska."

Even some environmentalists are uncomfortable with the role of foundations in funding the environmental movement. Sam Hill, an environmental activist in the Southwest United

Continued on page 17



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ALASKA CONSERVATION FOUNDATION'S ROLE IN FUNDING ENVIRONMENTAL ACTIVISM

The Alaska Conservation Foundation (ACF), headquartered in Anchorage, is a tax-exempt, nonprofit with the stated purpose of awarding grants to environmental groups and encouraging scientific efforts in support of the environment and conservation issues in the public interest. ACF receives large foundation grants and in turn, makes smaller grants to regional and local environmental organizations. As a 501(c)(3) corporation, ACF cannot engage in lobbying, but it does finance groups who do engage in lobbying and political advocacy.

In 1996, ACF had revenues of \$2.4 million, almost all of which, came from private foundation (see box) and federal grants. The Pew Charitable Trusts, William and Flora Hewlett Foundation, The Bullitt Foundation, Charles Stewart Mott Foundation, Surdna Foundation, David and Lucile Packard Foundation and the Rockefeller Brothers Fund are major funders of ACF. Federal grants from the Department of State, National Fish and Wildlife Foundation and the U.S. Agency for International Development also provide a significant source of ACF's funding.

ACF also runs Alaska Community Share which collects money from payroll deductions by federal and other public employees and distributes this money to environmental groups. Membership dues make a minor contribution to revenues.

ACF funds initiatives to ban timber harvests in Alaska coastal forests, emphasize protection of the Arctic, prevent oil development on the Arctic Coastal Plain and stop mining developments in Southeast Alaska. In 1995, ACF gave out 116 grants to Alaska environmental groups. The Alaska Rainforest Campaign, Alaska Marine Conservation Council, Southeast Alaska Conservation, Alaska Center for the Environment were the top beneficiaries of ACF's largesse. ACF also finances local environmental advocacy against oil development in ANWR and mining in Southeast Alaska. Examples of the latter are grants to the Gwich'in Steering Committee to organize Alaska Native opposition to oil development in Alaska's Arctic Coastal Plain and in the Thana Neighborhood Association to pay for legal costs of a suit to halt development of the AJ Mine near Juneau. Presently, ACF is an active partner with the

Pew Charitable Trusts, which has bankrolled ACF with nearly \$2.5 million in grants, in the *Alaska Rainforest Campaign*, currently ACF's major activity. The ultimate goal of this initiative appears to be to shut down the timber industry in the Tongass National Forest.

ACF also plays a major role in the Arctic Network which tries to influence official positions

adopted in the Arctic Council/Arctic Environmental Protection Strategy (an international diplomatic organization comprising the eight arctic nations) and raise the importance of the Arctic among policy-makers. Most of the Federal money ACF receives helps finance ACF's Arctic Network activities. **A**

SOME FOUNDATION GRANTS TO THE ALASKA CONSERVATION FOUNDATION

Foundation and purpose (if known)	Amount of grants
Bullitt Foundation - development of effective messages and communication training for Alaska environmental groups; public education for outreach concerning Tongass forest issues (1995-1996)	\$ 47,000
Bullitt Foundation - (1995)	130,000
George Gund Foundation - general support	50,000
William & Flora Hewlett Foundation - Community Development Grantmaking Fund (1997-2 years)	200,000
Charles Stewart Mott Foundation - Alaska Rainforest Campaign (1996-2 years); Rapid Response Fund (1998-2 years)	100,000
Ruth Mott Foundation - Alaska Rainforest Campaign (1994)	25,000
David and Lucille Packard Foundation - Alaska Marine Conservation Council Clean Fishing Program (1996)	90,000
Pew Charitable Trusts - Alaska Rainforest Campaign (1997)	800,000
Rockefeller Brothers Fund - (1995)	200,000
Rockefeller Family Fund - Olukhich Alaska (1996); funding for citizen participation initiatives to increase the capabilities and effectiveness of indigenous Alaskan groups (1996)	40,000
Tortuga Group - (1995)	35,000
Weeden Foundation - (1994, 1995)	20,000
Wilburforce Foundation - Alaska Conservation Alliance stipend (1997)	32,500

...FOUNDATION GRANTS

Continued from page 9

States, told reporter Mike Medberry, "When Pew steps in, it's like a death star in the solar system. They set up their own gravitational field and everyone begins to revolve around them. I've watched activists go through this dance of making themselves look fundable to Pew by altering their priorities to meet Pew's goals. I've had it with those guys."

Those who run big foundations represent a small, elite, insulated group most of whom live in the eastern United States, hundreds or even thousands of miles from the area affected by the environmental policies they support. Foundations have no voters, no customers, no investors. They have no way of receiving feedback from those affected by their decisions, nor are they accountable to anyone for funding policies which adversely affect the well-being of people and local economies.

The foundation funded campaign against the Tongass timber industry has caused two pulp mills

and a saw mill to close, seriously impacting local economies in Sitka, Wrangell and Ketchikan. Breadwinners for hundreds of Southeastern Alaska families have lost their jobs and been forced on relief. The region's economy is in a tailspin. What public interest has been served by allowing a few elitists, living in Philadelphia and New York, to use a pile of tax-exempt money that they control to destroy a regional economy thousands of miles away in Alaska and ruin hundreds of lives in the process?

Funding of political causes by tax-exempt foundations is unfair. The playing field is tilted against the views and input of those most affected because they must reach into their pockets, at a time when their very livelihood is threatened, and pony up after tax dollars to oppose a foundation favored initiative. The average citizen's voice and input in the government decision-making process is drowned out by the foundation funded advocacy groups, making government seem ever more remote and less responsive to the needs of the average person. **A**

The Role of Foundation Grants in Environmental Advocacy

Are Foundations Subverting the State and Local Democratic Process?

Foundations and "public interest" non-profits are a big, influential and expanding industry. During the last 15 years, the number of foundations has nearly doubled from 22,000 to 39,000, and their assets are nearly \$225 billion. Foundations are required to give away about 5 percent of their invested assets annually to maintain their tax-exempt status. Large foundations use their tax-exempt dollars to fund everything from the environmental movement to studies supporting the welfare state to population control.

Activist environmental groups are now part of the Washington, D.C. establishment, having 3,400 full time employees, including leaders who often make \$150,000 or more, as well as a small army of outside contractors such as scientists, lobbyists, lawyers, and public affairs specialists. The success of environmental advocacy programs depends on political contacts, legal expertise and public relations -- not closeness to nature.

Environmental campaigns run on money. The growing activism of environmental groups requires increased funding at a time when grassroots contributions have been declining. According to *Boston Globe* journalist, Scott Allen, the proportion of households that make individual donations to environmental causes has

dropped from 16.3 to 11.5 percent since 1990.

Private Foundations have come to the rescue by pumping millions of dollars into the treasuries of environmental groups. Jonathan Adler, with the Competitive Enterprise Institute, estimates that foundations bankrolled more than one-fifth of the environmental movement's annual expenditures in 1996. Allen calculates that foundations currently fund around \$400 million a year in environmental advocacy and research.

A long running bull market in stocks, the principal assets for most foundations, and significant increases in the endowments of the Turner and the David and Lucile Packard Foundations, both major funders of environmental advocacy, indicate that foundation support of environmental activism will increase significantly in the near future. In 1997, the wealth of the 121 largest foundations increased 22 percent, driving the total endowment of these foundations to more than \$126 billion. Ted Turner gave the Turner Foundation an additional \$350 million, tripling its endowment, after Time Warner acquired Turner Broadcasting in 1995. Turner also announced plans to increase grants from \$5 million to \$25 million annually by 1998, making the Turner Foundation one of the top funders of the environmental movement. In the near future, the final installment of Hewlett-Packard stock will be transferred from the estate of David Packard, who died in 1996, to the David and Lucile Packard Foundation. This gift will increase the

Packard Foundation's assets to \$8.9 billion, catapulting it from the tenth to the third largest foundation in the nation.

Environmental organizations put special emphasis on obtaining foundation grants. After all, for the average environmental group, membership dues account for less than 25% of revenues and membership services and recruitment expenses eat up most of this revenue. A nice grant from a large foundation represents a horn of plenty in today's difficult fund-raising environment.

Foundation grants to environmental groups are usually coordinated through the Environmental Grantmakers Association (EGA), an organization of 182 private, corporate and community foundations. EGA acts as the planning, coordination and monitoring center for hundreds of millions of dollars worth of grant money spent on environmental activism. EGA members and representatives of environmental groups gather at secret annual retreats (the few invited guests are carefully screened) to provide an opportunity for funders and fund-raisers to get together and share information on grant-making and lay their plans for the coming year.

Environmental advocacy campaigns in Alaska provide a typical illustration of how EGA operates. Most environmental advocacy in Alaska, including initiatives against logging in Southeast Alaska's Tongass National Forest, opening ANWR and developing the AJ and Kensington mining projects is funded by non-profit foundations belonging to EGA. Members of the EGA, both directly and through the Alaska Conservation Foundation (ACF), channel millions of dollars each year into advocacy campaigns for Alaska environmental issues and into litigation over environmental policies in Alaska. ACF, also a member of EGA, acts as a grant retailer, receiving money from big national foundations and then dispensing this money as small grants to local and regional environmental advocacy groups in Alaska.

Pew Charitable Trusts, which handed out \$23 million in environmental grants in 1996, is the largest grantmaker to environmental causes and a driving force within the EGA. One of Pew's main program areas is preserving old growth forests such as the Tongass. Working through the ACF, Pew has been the major force behind the *Alaska Coastal Rainforest Initiative* to end logging in the Tongass. According to Allen, the Director of Pew's Environmental Program, Joshua Reichert, is credited by environmentalists with devising this national strategy that forced cancellation of two major logging contracts in the Tongass.

Pew is very result-oriented and has encouraged development of new tactics including the use of environmental coalitions and regional

Continued on next page



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1993

Nonprofit Organizations and the Foundation Grants They Received

First Edition

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Ruth Kovacs, Editor

Daniel Hodges, Assistant Editor

Published by
The Foundation Center

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Environment/Animals

ALABAMA

- 8559. Cahaba River Society, Birmingham**
8559.1 \$60,000. 2-year grant. W. Alton Jones Foundation, Inc. To preserve biologically diverse region of Cahaba River. 1990. 1990 BR.

ALASKA

- 8560. Alaska Center for the Environment, Anchorage**
8560.1 \$14,720. Alaska Conservation Foundation. For general support. 1991. 1991 AR.
8560.2 \$20,000. The Bullitt Foundation. For state land-use specialist to track events and initiate protective measures for 104 million acres of lands owned by state of Alaska and under pressure from developers, industrialists and oil companies. 1991. 1990 AR.
8560.3 \$33,500. Charles Stewart Mott Foundation. For technical and scientific assistance to Alaskan citizen groups working to protect their communities from existing and future environmental health threats with focus on Kenai Peninsula, home to much of Alaska's petrochemical industry and site of widespread groundwater contamination. 1991. 07/91 GL.
- 8561. Alaska Health Project, Anchorage**
8561.1 \$50,000. Charles Stewart Mott Foundation. For Small Business Waste Reduction Project. 1991. 03/91 GL.
- 8562. Northern Alaska Environmental Center, Fairbanks**
8562.1 \$15,905. Alaska Conservation Foundation. For general support. 1991. 1991 AR.
8562.2 \$10,000. Alaska Conservation Foundation. For continuing support of Last Great Wilderness Roadshow that toured 18 states educating citizens about beauty of and threats to pristine ecosystem of Arctic Refuge. 1991. 1991 AR.
8562.3 \$10,000. The Educational Foundation of America. For Last Great Wilderness Project. 1991. 02/07/92 FF.
- 8563. Sierra Club Legal Defense Fund, Juneau**
8563.1 \$45,325. Alaska Conservation Foundation. For full-time mining information specialist/mining engineer to assist grassroots organizations working to stop or modify proposed new mines. 1991. 1991 AR.
- 8564. Southeast Alaska Conservation Council, Juneau**
8564.1 \$14,720. Alaska Conservation Foundation. For general support. 1991. 1991 AR.
8564.2 \$20,000. The McIntosh Foundation. 1990. 1990 990.
8564.3 \$15,000. The New-Land Foundation, Inc. 1990. 1990 990.
- 8565. Trustees for Alaska, Anchorage**
8565.1 \$40,000. Alaska Conservation Foundation. For staff attorney to work on oil and gas issues. 1991. 1991 AR.
8565.2 \$14,720. Alaska Conservation Foundation. For general support. 1991. 1991 AR.
8565.3 \$23,500. The Educational Foundation of America. For Arctic Marine Species Protection Program. 1991. 02/07/92 FF.
8565.4 \$30,000. Public Welfare Foundation, Inc. For Alaska Clean Water Preservation Project assisting community and native groups across state to stem growing list of water quality problems resulting from mining activities and improper sewage disposal. 1991. 12/15/+0-07/31/91 GL.

ARIZONA

- 8566. Border Ecology Project, Naco**
8566.1 \$225,000. 2-year grant. The Ford Foundation. To expand project's research and public education on transboundary environmental issues in western region of U.S.-Mexico border. 1991. 12/91 NL.
- 8567. Drylands Institute, Tucson**
8567.1 \$58,950. Wallace Genetic Foundation, Inc. 1990. 1990 990.
- 8568. Kino Learning Center, Tucson**
8568.1 \$25,000. The Hearst Foundation, Inc. For educational programs for at-risk youth. 1991. 03/91 GL.
- 8569. Nature Conservancy, Tucson**
8569.1 \$50,000. Wallace Genetic Foundation, Inc. 1990. 1990 990.
- 8570. Tucson Botanical Gardens, Tucson**
8570.1 \$25,000. Dr. Scholl Foundation. Toward sensory garden project. 1990. 1990 990.

CALIFORNIA

- 8571. Agape Foundation, San Francisco**
8571.1 \$15,000. Columbia Foundation. For project to research, document and publicize toxic contamination on military installations in Bay Area and to provide assistance to neighborhood and community organizations for oversight of clean-up activities. 1991. 1991 AR.
8571.2 \$20,000. Richard and Rhoda Goldman Fund. For Arms Control Research Center's Campaign on Military Toxics in the Bay Area. 1991. 1991 AR.
- 8572. Audubon Canyon Ranch, Stinson Beach**
8572.1 \$50,000. The Howard Gilman Foundation, Inc. For general support. 1990. 1990 990.
8572.2 \$10,000. The San Francisco Foundation. For general support. 1991. 1991 AR.
- 8573. Audubon Society, Sacramento**
8573.1 \$31,000. S. D. Dechtel, Jr. Foundation. For wetlands and water fowl habitat improvement. 1990. 1990 990.
- 8574. Bay Institute of San Francisco, San Francisco**
8574.1 \$10,000. Compton Foundation, Inc. To continue producing and distributing publication, Bay on Trial. 1990. 1990 990.
8574.2 \$15,000. Dean Witter Foundation. For monitoring water quality in Suisun Marsh. 1990. 1990 AR.
8574.3 \$48,000. Marin Community Foundation. To continue support of work to obtain sufficient freshwater flows through Sacramento River to protect fish, wildlife and water quality of San Francisco Bay Delta. 1992. 06/24/92 NR.
8574.4 \$40,000. Marin Community Foundation. For efforts to preserve remaining flows in Sacramento River for fish, wildlife, and water quality of San Francisco Bay-Delta estuary. 1992. 04/11/91 NR.
- 8575. Bayfront Conservancy Trust, Chula Vista**
8575.1 \$25,000. Stephen and Marjorie Birch Foundation, Inc. Gregory R. Cox Environmental Education Fund. For unrestricted grant. 1990. 1990 990.

March 1997 Grant Highlights

from the website of the Pew Charitable Trusts at <http://www.pewtrusts.com/>

The Pew Charitable Trusts support nonprofit activities in the areas of culture, education, the environment, health and human services, public policy and religion. Based in Philadelphia, the Trusts make strategic investments that encourage and support citizen participation in addressing critical issues and effecting social change. In 1997, with more than \$4.5 billion in assets, the Trusts awarded \$181 million to 320 nonprofit organizations.

Environment

Alaska Conservation Foundation
Anchorage, AK
Granted \$800,000 for 2 yrs.

The temperate rainforest of Alaska covers 12 million acres and stretches 1,000 miles from Ketchikan in the southeast to Kodiak Island in the Western Gulf. Although extensive logging has occurred, 11 million acres of old-growth forest still remain. **The Trusts are providing ongoing support to the Alaska Conservation Foundation for a campaign to help protect these remaining ancient forests.**

Over the next two years, the **Alaska Rainforest Campaign** will develop a comprehensive proposal to **protect the entire** Alaskan temperate rainforest and to **expand public support throughout Alaska and the U.S.** In addition, the campaign will continue its efforts to **shape the management plan for the Tongass National Forest** and to **challenge new logging proposals** in the southeast.

Foundations' growth may mean more grants

The Washington Post

The nation's biggest charitable foundations grew 22 percent richer last year as skyrocketing stock prices increased the value of their assets by more than \$23 billion.

The growth means foundations will have more money to give away in 1998, according to the Chronicle of Philanthropy, a publication that surveyed 121 of the nation's largest private foundations.

The latest increases drive the total endowments of the top foundations to more than \$126 billion, or more than 12 times as much as the U.S. government spent last year on welfare aid to the poor.

The soaring value of foundation assets might spur new discussion of how much foundations should give away each year. Foundations receive federal

tax breaks and are required, in turn, to give away about 5 percent of investment assets annually to comply with the law.

While most foundations will increase their largess to meet the 5 percent requirements, some critics are suggesting that boom times should trigger even greater generosity in grant-making.

"I believe that 5 percent in recent years is on the low side" for grants, said Waldemar Nielsen, an author and foundation adviser. "The purpose of foundations is not to accumulate further wealth for some time in the future when there are not going to be any more philanthropists. This doesn't make any sense."

Seven of 10 foundations surveyed by the Chronicle reported plans to increase grants. The J.A. and Kathryn Albertson Foundation in Boise, Idaho, experienced

the largest percentage increase in assets last year, growing from a \$40 million to a \$700 million institution with the gift of Albertson's grocery chain stock. The foundation plans to increase its grants from \$2 million to about \$35 million this year, primarily to improve public education in Idaho. While the actual dollar amount is significantly more, the percentage of assets is still about 5 percent.

The W.K. Kellogg Foundation, which saw its assets increase from \$5.9 billion to \$7.8 billion last year, intends to increase its giving this year, but "it is too early to say how much," according to Thomas Springer, staff editor at the foundation. Kellogg is the nation's fourth largest foundation, after the Lilly Endowment, the Ford Foundation and the David and Lucile Packard Foundation.

ALASKA CONSERVATION FOUNDATION

Jonathan Adler's book, Environmentalism at the Crossroads: Green Activism in America, prompted extensive curiosity about how the environmental movement in Alaska is financed. In order to answer this question, recent reports (1993) filed by the Alaska Conservation Foundation were examined.

The Alaska Conservation Foundation (ACF), headquartered in Anchorage, is a tax-exempt, non-profit with the stated purpose of awarding grants to environmental groups and encouraging scientific efforts in support of the environment and conservation issues in the public interest. As a 501(c)(3), the Foundation cannot engage in lobbying, but as we shall see, it does finance groups who do engage in lobbying and political advocacy.

In 1993, ACF had revenues of \$1,691,645. Over ninety percent of this was from foundation grants including grants from The Pew Charitable Trusts, Joyce Mertz-Gilmore Foundation, The Bullitt Foundation, Surdna Foundation and the American Conservation Association. The donors of two large grants are confidential. ACF also received about \$145,000 in Federal grants from the Department of State, National Fish and Wildlife Foundation and the U.S. Agency for International Development. Membership dues make an insignificant contribution to revenues.

A generous portion of ACF's revenues (\$324,299 plus an unknown confidential amount) is spent on grants to environmental organizations involved in the Alaska Rainforest Campaign. The Foundation has also given grants (\$25,467) to the Thane Neighborhood Association for legal efforts to halt AJ mine and has given significant grants to advocacy groups involved in Alaska boreal forest issues. ACF also runs Alaska Community Share which collects and distributes money contributed by Federal and other public employees through payroll deductions to environmental groups.

ACF also plays a major role in the Arctic Network which tries to influence official positions adopted in the Arctic Council/Arctic Environmental Protection Strategy (an international diplomatic organization comprising the eight arctic nations) and raise the importance of the Arctic among policy-makers. Apparently, most of the Federal money ACF receives helps finance ACF's Arctic Network activities and ACF also made a confidential grant to the Network.

The following environmental groups have received grants totalling more than \$10,000 from ACF: Trustees for Alaska (\$104,020), Sierra Club Legal Foundation (\$103,350), Southeast Alaska Conservation Council (\$91,750), Alaska Center for the Environment (\$89,355), Natural Resources Defense Council (\$69,250), Northern Alaska Environmental Center (\$38,420), Alaska Environmental Lobby (\$25,810), Thane Neighborhood Association (\$25,467), Alaska Wildlife Alliance (\$14,000), American Rivers (\$12,449), Alaska Environmental Assembly (\$10,000) and the Amiq Institute (\$10,000). ACF made confidential grants to the Alaska Marine Conservation Council, Wilderness Society and U.S. Arctic Network which were probably large.

President Jimmy Carter is the national trustee of ACF and David Rockefeller, Jr. is the Vice Chair, National Trustees. The paid staff are Jan Konigsberg and Jim Stratton, both of Anchorage.

BANKROLLING THE ALASKA CONSERVATION FOUNDATION -- WHO ARE THE PLAYERS?

The Alaska Conservation Foundation (ACF) and the foundations which support it are members of the **Environmental Grantmakers Association (EGA)** which was established in 1987 in order to promote recognition that the environment and its inhabitants are endangered by unsustainable human activities, develop collaboration among active and potential members, and increase the resources available to address environmental concerns. Grantmakers decide who gets the money; therefore, they have a powerful voice in setting the environmental agenda and influencing the programs carried out by the activists. The EGA coordinator is Donald Ross, also director of the Rockefeller Family Fund, who believes that foundations have a "major role to play" in determining environmental policies. At the beginning of 1995, EGA had 182 members from private, corporate and community foundations.

The Pew Charitable Trusts (bestowed \$515,000 on ACF) consists of seven individual trusts established between 1948 and 1979 by the four sons and daughters of Joseph N. Pew, founder of the Sun Oil Company. The Pew Trusts are reportedly the largest environmental grantmakers, giving about \$35 million annually to environmental groups. Assets exceed \$2.3 billion.

Joyce Mertz-Gilmore Foundation (gave \$175,000 to ACF) was established as the Mertz Foundation by the Mertz family of New York. The name was changed in 1974 when Joyce Mertz Gilmore died and left the Foundation a considerable bequest. The Foundation gives around \$2.5 million annually in environmental groups. Assets exceed \$66.6 million.

The Bullitt Foundation (granted \$106,000 to ACF) was established in 1952 by Dorothy S. Bullitt, founder of King Broadcasting in Seattle. The primary goal of the Foundation is to protect and restore the natural physical environment of the Pacific Northwest. One of the Foundation's main interests is the Alaska Rainforest Campaign. The Bullitt Foundation distributed over \$4.1 million in environmental grants in 1993. Assets are \$88.3 million.

Surdna Foundation (dispensed \$100,000 to ACF) is a family foundation, established in 1917 by John E. Andrus (Andrus spelled backwards is Surdna) whose businesses included gold, oil, timber, and real estate. Surdna disbursed nearly \$5.3 million in environmental grants during 1993. Assets are more than \$354.7 million.

American Conservation Association (granted \$85,000 to ACF) was founded by Laurance S. Rockefeller in 1958. It usually receives a large annual contribution from the Jackson Hole Preserve, another environmental grantmaking entity supported by Rockefeller funds. In 1992, the American Conservation Association also gave \$75,000 to the Sierra Club Legal Defense Fund for "protection of natural resources in Alaska." The American Conservation Association disburses about \$1.5 million per year to environmental groups.

RECENT FOUNDATION GRANTS FOR GREEN GROUPS ACTIVE IN ALASKA

Brainerd Foundation

Alaska Center for the Environment (1996) <i>membership canvassing and outreach focusing on Chugach forest issues</i>	\$15,000
Alaska Clean Water Alliance (1995) <i>for monitoring pulp mill pollution in Southeast Alaska</i>	\$15,000
Alaska Conservation Foundation (1995) <i>for development of effective messages and communications training for Alaska environmental groups</i>	\$35,000
Alaska Conservation Foundation (1996) <i>for development of effective messages and communications training for Alaska environmental groups</i>	\$35,000
Alaska Conservation Foundation (1996) <i>for public education and outreach concerning Tongass forest issues</i>	\$12,000
Alaska Forum for Environmental Responsibility (1996) <i>for general support and watchdog for Trans-Alaska Pipeline</i>	\$10,500
Alaskans for Juneau <i>for organizing public participation in A-J permitting process</i>	\$6,000
Lynn Canal Conservation <i>for organizing opposition to the Kensington mine</i>	\$7,500
Northern Alaska Environmental Center (1995) <i>for protection of ANWR</i>	\$19,500
Sitka Conservation Society (1996) <i>for GIS analysis of USFS data showing areas affected by alternatives of draft Tongass Management plan</i>	\$15,000
Southeast Alaska Conservation Society (1995) <i>for general support</i>	\$14,500
Southeast Alaska Conservation Society (1996 - 2 grants) <i>for general support (\$20,000) and computer equipment (\$17,750)</i>	\$37,750

**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Brainerd Foundation (cont'd)

Tongass Conservation Society (1995) <i>for awareness of local discharges of hazardous substances</i>	\$10,000
Tongass Conservation Society (1996) <i>for public health expert to address pollution problems caused by Ketchikan pulp mill</i>	\$15,000
Trustees for Alaska (1996) <i>to research environmental threats to ANWR</i>	\$10,000
The Wilderness Society (1995) <i>for national ANWR campaign</i>	\$15,000

Bullitt Foundation

Alaskans for Juneau (1996) <i>for organizing public opposition to re-opening A-J mine and computer upgrade</i>	\$8,000
Southeast Alaska Conservation Council (1994) <i>for training activists to appeal USFS timber sales</i>	\$20,000

Compton Foundation

American Wildlands, Englewood CO (1994 or 1993) <i>for Tatshenshini Campaign</i>	\$10,000
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Energy Foundation

Alaska Center for the Environment (1994 - 2 years) <i>for promoting alternative and efficient transportation in Alaska</i>	\$60,000
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George Gund Foundation

Alaska Conservation Foundation (1997 - 2 years) <i>for general support</i>	\$50,000
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**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Ben & Jerry's Foundation

Gwich'in Steering Committee (1996) \$10,000
for campaign against oil development in ANWR

William & Flora Hewlett Foundation

Alaska Conservation Foundation (1997 - 2 years) \$200,000
for the Community Development Grantmaking Fund

McIntosh Foundation

Southeast Alaska Conservation Council (1993) \$50,000

Charles Stewart Mott Foundation

Alaska Conservation Foundation (1996 - 2 years) \$200,000
for Alaska Rainforest Campaign

Alaska Conservation Foundation (1996 - 2 years) \$100,000
for Rapid Response Fund

New-Land Foundation

Southeast Alaska Conservation Council (1993) \$15,000

Patagonia

Alaska Boreal Forest Council (1996) \$2,945
to fight timber industry proposals to log the state's pristine boreal forests

Alaskans for Juneau (1996) \$7,500
to fight the Kensington and AJ mines.

Northern Alaska Environmental Center (1996) \$10,000
to duplicate and distribute a video to combat oil exploration in ANWR.

Public Media Center (1996) \$1,100
to fund printing of a brochure opposing oil development in ANWR

**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Patagonia (cont'd)

Southeast Alaska Conservation Council (1996) \$9,000
to fund opposition to logging in the Tongass National Forest.

David and Lucile Parkard Foundation

Alaska Conservation Foundation (1994) \$20,000
for Alaska Marine Conservation Council's bycatch reduction program

The Pew Charitable Trusts

Alaska Conservation Foundation (1995 -- 15 months) \$470,000

Rockefeller Family Fund

Alaska Conservation Foundation (1994) \$40,000
support for its fourth biannual membership challenge campaign

Alaska Conservation Foundation (1995) \$40,000
support for grassroots organizing and media activities in Washington, D. C., to increase level for concern among national organizations for Alaskan issues, especially clearcutting in Tongass and opening ANWR to oil exploration

Alaska Conservation Foundation (1996) \$20,000
for Oilwatch Alaska

Alaska Conservation Foundation (1996) \$20,000
funding for citizen participation initiatives to increase the capabilities and effectiveness of indigenous Alaskan groups

Alaskan Forum for Environmental Responsibility (1996) \$25,000
to assist whistleblowers who work on the Alaska pipeline

Alaska Wilderness League (1996) \$75,000
funding for an organizing and advocacy campaign on Alaska wilderness issues, particularly protection for ANWR

**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Rockefeller Family Fund (cont'd)

Government Accountability Project (1994) <i>funding for the Alaska Project which will work with whistleblowers to promote reforms and increase accountability in the Alaska oil industry</i>	\$30,000
Government Accountability Project (1995) <i>funding for Alaska Forum for Environmental Responsibility to protect whistleblowers, address employee concerns about safety of the Alaskan pipeline, create a timber observer program, and promote reforms in the Alaska oil industry</i>	\$30,000
Northern Alaska Environmental Center (1996) <i>assistance for ANWR protection efforts and defend it from "oil drilling assaults"</i>	\$20,000
Southeast Alaska Conservation Council (1996) <i>support nationwide organizing drive to respond to attacks on the Tongass Timber Reform law and develop strategies for timber industry conversion</i>	\$20,000
Trustees for Alaska (1995) <i>funding for its work as advisor and counsel to the Cook Inlet keeper project</i>	\$20,000
Trustees for Alaska (1994) <i>for litigation and creation of a Cook Inlet keeper program, which will be largely supported by settlements paid by polluters</i>	\$25,000

Rockefeller Brothers Fund

Alaska Conservation Foundation (1995 -- 2 years)	\$200,000
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Florence and John Schumann Foundation

Alaska Wilderness League (1993) <i>for "protecting" ANWR</i>	\$75,000
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Strong Foundation for Environmental Values

Northern Alaska Environmental Center (1993)	\$1,900
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**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Surdna Foundation

Alaska Center for the Environment (1994 - 2 years) <i>for promoting alternative and efficient transportation in Alaska</i>	\$60,000
Alaska Coastal Rain Forest Campaign (1994 - 2 years)	\$200,000
Alaska Conservation Foundation <i>help mobilize Alaskan environmental interests and citizens for a national public education initiative that will counter threats to the ANWR, the Tongass National Forest and other ecologically valuable public lands</i>	\$50,000
Alaska Marine Conservation Council (1996) <i>to support fundamental fisheries management reform in the North Pacific at the regional and federal levels</i>	\$40,000
Southeast Alaska Conservation Foundation (1996) <i>for an initiative to protect the Tongas National Forest</i>	\$25,000

Town Creek Foundation

Alaska Wilderness League (1993)	\$15,000
Gwich'in Steering Committee (1993)	\$10,000

Turner Foundation

Gwich'in Steering Committee (amount unknown)

Weeden Foundation

Alaska Conservation Foundation (1994, 1995 -- 2 grants)	\$20,000
American Rivers (1994, 1995 -- 2 grants)	\$25,000
American Wildlands (1994) <i>for Taishenshini River Campaign</i>	\$10,000

**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Wilburforce Foundation

Alaska Center for the Environment (1997) <i>for grassroots membership development</i>	\$30,000
Alaska Center for the Environment (1996) <i>for Alaska message development project and Alaska reorganization project</i>	\$25,000
Alaska Center for the Environment (1997) <i>for the Alaska Conservation Alliance start-up (\$30,000) and travel expenses for Alaska Conservation Alliance planning meeting (\$1,000)</i>	\$31,000
Alaska Clean Water Alliance (1996) <i>for strategic planning retreat</i>	\$5,000
Alaska Wilderness League (1997) <i>for ANWR Campaign</i>	\$40,000
Forest Service Employees for Environmental Ethics (1997) <i>for the Tongass in transition program</i>	\$40,000
Great Land Trust (1996) <i>for start-up funding and organizational development</i>	\$7,000
Gwich'in Steering Committee (1997) <i>for press relations training</i>	\$15,000
Kachemak Heritage Land Trust (1996) <i>for the Alaska Land Trust Computer Network</i>	\$15,000
Kachemak Heritage Land Trust (1997) <i>for the Kenai Peninsula Riparian Corridor Protection Strategy</i>	\$15,000
National Wildlife Federation (1997) <i>for the Alaska Women's Environmental Network</i>	\$10,000
Northern Alaska Environmental Center (1996) <i>for capacity building and general support of work to protect ANWR</i>	\$41,000

**RECENT FOUNDATION GRANTS FOR GREEN GROUPS
ACTIVE IN ALASKA (Cont'd)**

Wilburforce Foundation (cont'd)

Southeast Alaska Conservation Council <i>for the Native Claims education project</i>	\$10,000
Trustees for Alaska (1996) <i>for a strategic planning retreat</i>	\$30,000
Trustees for Alaska (1997) <i>for general support</i>	\$30,000
Trust for Public Land <i>for development of Alaska programs</i>	\$100,000

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The greening of a movement

Big money is bankrolling select environmental causes

By Scott Allen, Globe Staff, 10/19/97

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First of two parts

Oil baron Joseph N. Pew Jr. was an old-time Republican Party boss who despised government regulation and whose oil refinery in Marcus Hook, Pa., emitted noxious fumes that made the town's air almost unbreathable.

The senior executive of Sun Oil Company in Philadelphia in the 1940s and '50s was called many things in his life: humorless, corrupt, Roosevelt-hater. "Environmentalist" was not one of them.

But 35 years after his death, a family charity started by Pew is one of the leading funders of the American environmental movement, pumping an expected \$22.5 million this year into causes that Pew himself might well have loathed. In particular, the Pew Charitable Trusts played a key role in convincing President Clinton to adopt tough air pollution regulations that the oil industry strenuously opposed.

"The founders of Pew would be rolling in their graves if they knew," said Robert Schaeffer, a Boston-based consultant to environmental groups.

In growing numbers, the heirs of yesterday's polluters are becoming the allies of today's environmentalism, one of the fastest growing causes in the United States over the past decade. And environmental coffers also are being swollen by newer fortunes built on modern technologies like computers and television.

This growing stream of "big money" support has buoyed the environmental movement even as grass-roots contributions have faltered, but in some eyes it raises a troubling question: Are the funders now calling the shots?

In one of history's ironies, a generational shift among wealthy families in the last 15 years has brought environmentally conscious leaders to

Low-graphics version

charities built on the profits of such historic targets of environmentalists as Sun Oil, The Wall Street Journal, and H.J. Heinz.

The shift has brought into power new philanthropists such as Joseph N. Pew's grandson, J. Howard "Howdy" Pew II, an avid outdoorsman who visits environmental hot spots like the Amazon rain forest. The result has been a windfall for groups such as the influential Conservation Law Foundation of Boston, which gets 60 percent of its income from foundations such as Pew.

Likewise, people who got rich in newer industries are increasingly targeting their largesse at environmental causes. A charity run by Cable News Network founder Ted Turner and wife Jane Fonda is on track to become one of the top two or three environmental funders by 1998, while Microsoft cofounder Paul Allen gave \$5 million last year to the Nature Conservancy.

Including new money from corporate foundations such as Exxon's, which just pledged \$5 million to protect tigers from extinction, charities invest at least \$400 million a year in environmental advocacy and research.

But the rise of environmental philanthropists is creating a new - and controversial - class of powers behind the throne who are shaping the movement with their money. Some, such as Turner and Teresa Heinz, wife of Senator John F. Kerry, are well known; many more, such as Joshua Reichert at Pew, are obscure. But collectively they are putting an indelible stamp on the movement by picking which issues get the public's attention - and which don't.

For instance, foundations have pumped millions of dollars into Alaska in recent years to preserve wilderness, holding the annual meeting of the Environmental Grantmakers' Association near Anchorage last month to underscore the issues. Meanwhile, urban-based groups that work on issues like hazardous waste complain they can't get the attention of major funders.

Critics on the left, suspicious of the money's origins, believe that foundations are turning environmentalists into compromisers rather than principled battlers. While groups that espouse confrontation are starved for money, they say, millions flow toward organizations that preach market-based environmental solutions or collaboration with industry.

"The environmental movement is now accurately described as just another cynical, well-financed special interest group," sneers Jeff St. Clair, editor of the Wild Forest Review, who argues that the movement's stock portfolios give foundations a vested interest in environmental destruction.

But conservatives, too, are aghast that so much money from wealthy

families and corporations goes to a cause that often costs business money. The pro-business Capital Research Center released a report last year denouncing corporate giving to most environmental groups as "funding enemies, forsaking friends."

Conservative "wise use" activists have targeted foundations, too, accusing them of being a "cartel of eco-money." Two years ago, they picketed a Washington meeting of the Environmental Grantmakers.

And the growing importance of charity - highlighted by this year's national summit on voluntarism in Philadelphia - has put a critical spotlight on an enterprise that was thought of as do-gooder work, if it was thought of at all. The Philadelphia media has been rife with attacks on the Pew Trusts from people who didn't get grants or who disagree with its interventionist style.

"We expect to be treated very much like environmental groups are treated," says Reichert, shrugging off the criticism. "We are a foundation ... trying to effect powerful changes from the unique perspective of an American philanthropy."

Unlike traditional charities, whose trustees are more at home giving to museums and universities, the new philanthropists are sophisticated students of environmental issues. Teresa Heinz is vice chairman of the 300,000-member Environmental Defense Fund, while Ted Turner hired the former director of Greenpeace USA to run his charity.

Many of the new philanthropists see themselves as guiding - or even shoving - activists away from the polarized thinking that often framed issues as a choice between jobs and the environment. As wealthy people, the philanthropists are certainly not antibusiness, and many are Republicans, but they disagree profoundly with recent Congressional attempts to weaken or repeal environmental protections.

In New England, four leading foundations met with area groups in 1995 and concluded that the movement needed a less confrontational approach, moving away from attacking farmers, fishermen, and other "resource users" and instead working with them toward conservation goals.

"If environmental protection is imposed upon people, we will surely fail. But if it is accomplished with, for, and because of people, we may succeed," said the foundations' report, titled "New England's Environmental Futures."

The rise of the environmental philanthropists comes at a time when the movement is trying to recover from the disappointment that the 1990s did not turn out to be "the decade of the environment." Although author Gregg Easterbrook regards environmentalism as the most successful social movement in the United States since World War II, its growth

clearly has stalled.

Since the heady days of 1990, when the 20th anniversary of Earth Day drew 250,000 people to a celebration on the Charles River Esplanade, the proportion of households that make individual donations to environmental causes has dropped from 16.3 to 11.5 percent.

Greenpeace USA is the most prominent casualty so far. In August, Greenpeace laid off three-quarters of its 400 employees, closed its 10 regional offices, and canceled door-to-door fundraising after membership dropped from a high of 1.2 million in 1991 to only 400,000.

"I don't think it's a question of whether we are going to survive at this point. [But] if we hadn't taken such drastic measures ... that would be in question," said Deb Rephan, a Greenpeace spokeswoman.

In the face of this decline, environmental groups have turned to the wealthy. The Sierra Club began soliciting large individual donations from wealthy donors several years ago after falling membership forced the group to lay off 26 employees. Today, 15 percent of the group's \$52.6 million in income comes from "major donors."

"We were one of the few that had not invested in a major donors program," says Sierra Club conservation director Bruce Hamilton, adding, "Strictly relying on our dues was not a way we could sustain ourselves."

In truth, wealthy Americans were among the earliest supporters of conservation. They were the hunters, fishermen, and backwoods hikers who saw firsthand the threat that unchecked development and industry posed to nature, and they had the resources to do something about it.

To this day, conservatives and corporations are major supporters of land preservation. The Nature Conservancy, a largely apolitical group focused on acquiring and preserving unspoiled land, collected more than \$1 million each last year from General Motors, Dow Chemical, and power plant developer Enron Corp., all of whom have tangled with environmentalists.

But foundations only came to support a tougher brand of activism, such as suing polluters, as changes in the controlling families or professional staffs brought a new generation to power.

McGeorge Bundy, a former top aide to President John F. Kennedy, set the tone in the late 1960s when he took over the Ford Foundation and began underwriting environmental causes. Established by pioneer car maker Henry Ford, the foundation even put up \$400,000 for the Natural Resources Defense Council to sue the US Environmental Protection Agency for not controlling smog - much of it caused by auto exhaust.

By the early 1980s, when President Reagan slashed environmental programs and scandal engulfed the EPA, foundations began steering big money toward the environment.

Charles H.W. Foster, former dean of the Yale School of Forestry, was invited to Charlottesville, Va., in 1982 to start one of the first of a new wave of environmental charities. The modest W. Alton Jones Foundation had suddenly been catapulted into the ranks of the top 100 charities when Occidental Petroleum bought out Cities Service Oil, sending the value of stock owned by the foundation through the roof.

Founder W. Alton "Pete" Jones, a former chief executive of Cities Service, was known for his big heart, but he was no environmentalist. "Mr. Jones himself had no perceived interest in such things," recalled Foster.

But Foster's widow, Nettie Marie Jones, and their two daughters had different ideas, and concentrated their giving in two areas: the environment and the nuclear arms race.

Today, the W. Alton Jones Foundation is a major thorn in the side of Pete Jones' former industry. Not only is it the sixth largest foundation supporter of environmental causes, but the charity gave \$1 million in 1995 alone to promote automobiles that run on batteries and fuels other than gasoline.

The shift at Jones has been replicated around the country, including New England. In Massachusetts, the 1982 death of Jessie B. Cox, heir to the company that owns The Wall Street Journal, created a charity that gave more than \$1 million to the environment last year. Similarly, Francis W. Hatch, a former Republican leader and candidate for governor, began directing money from the John Merck Fund toward the environment in 1987, following the death of his mother-in-law, Serena Merck.

But the biggest conversion of all came at the Pew Charitable Trusts. Long a conservative organization, the \$3.8 billion Pew Trusts had helped create the Hoover Institution on War, Revolution, and Peace at Stanford University, where economist Milton Friedman argues that corporations should give nothing to charity except to gain tax breaks.

After the four founding family members died, reform-minded Pew trustees hired former nurse Rebecca Rimel as executive director to reorganize the grant programs. Rimel replaced her senior staff with knowledgeable activists, including Joshua Reichert, who created one of the largest and most influential environmental giving programs in the country.

Though Pew grants began paying for work that the oil industry

disagreed with, Reichert kept the support of Pew family members on the board, especially Howdy Pew. An avid hunter and fisherman, Pew traveled with Reichert and Rimel on environmental field trips to Madagascar and the Amazon.

And Reichert suggests that the founders of the Pew Charitable Trusts might also support the new direction had they lived to see it. "The Pew family members look at this institution evolving as American society evolves," he said.

In this decade, a wave of newly rich people, most of whom came of age after the first Earth Day in 1970, have begun paying for more controversial efforts. Ted Turner's foundation, for instance, will give away \$18 million this year, mainly to new groups that include such hardliners as the Native Forest Council in Oregon, which opposes almost all logging on federal land.

Now, with philanthropy analysts predicting an unprecedented inter-generational transfer of wealth as an unusually large number of wealthy people die, environmentalists appear to stand on the brink of another leap in foundation support.

Already, the children of Hewlett-Packard founder David Packard, who died last year, have said that a chunk of the \$4.6 billion he left to the family foundation will fund environmental causes, while Turner has pledged \$1 billion to the United Nations and plans to leave much of his vast estate to fund environmental and youth concerns.

The looming question is what effect all this money, and influence that comes with it, will have. On the one hand, philanthropists have been a shot in the arm, allowing start-up groups to survive and funding new ideas such as a bank that loans only to environmentally friendly businesses. But, some wonder, can a wealthy elite really guide a popular movement?

"These are not people who have been to inner city Chicago or to 'cancer alley' or on a Native American reservation in the southwest," says William Shutkin of Alternatives for Community and Environment in Roxbury. "That's where you run into the limits of foundations."

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Environmental donors set tone

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Activists affected by quest for funds

By Scott Allen, Globe Staff, 10/20/97

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S econd of two parts

Not long ago, environmentalists didn't have to worry about the corrupting influence of money - they didn't have much.

In the 1970s, major groups such as the Environmental Defense Fund in New York and the Conservation Law Foundation in Boston were run by low-paid idealists, and grassroots groups had almost no budget at all. The joke about so-called "tainted money" from corporations was that there `taint enough of it."



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Today, the environmental movement is far more diverse, sophisticated, and affluent. The 10 largest groups alone have 3,400 full-time employees, including leaders who often make \$150,000 a year or more, as well as a small army of outside contractors such as scientists, lawyers, and public relations specialists.

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"A lot of the environmental movement's message has been embedded in the society. In many ways, we've won," declares Doug Foy of the Conservation Law Foundation, whose \$3.7 million budget is 40 times bigger than it was two decades ago.

But success has its price. Large donors increasingly shape the environmental agenda, pushing activists to the political center and away from hard-line positions that call for drastic changes in the economy or society. The quest for money, say critics, is poisoning the environmental movement.

movement.

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"It's like throwing a huge steak in among a bunch of starving lions. The lions will jump on it even if it is laced with arsenic," said Tim Hermach of the Oregon-based Native Forest Council, who blames big donors for undermining his campaign to end commercial logging on federal land.

Most of the environmentalists' \$4 billion in annual revenue comes from average individuals in the form of membership dues, T-shirt sales, entry fees at sanctuaries and so on, but that's not the money that speaks the loudest.

Charitable foundations, which allow wealthy individuals, families, and corporations to give away money tax-exempt, may be the most influential income of all, even though it accounts for less than 20 percent of environment groups' income. Foundation grants are vital to centrist groups such as the Conservation Law Foundation in Boston (60 percent grant-funded) and the Environmental Defense Fund in New York (28 percent). Many new groups such as Alternatives for Community and Environment in Roxbury (70 percent grant-funded) would never get started without grants.

Even groups that get only a small portion of their income from foundations put special emphasis on their needs. Unlike membership drives, which are both labor-intensive and time-consuming, getting a grant is like winning the lottery. In 1995, the average Pew Charitable Trusts grant was \$340,000.

As a result, foundations get up to 10 times as many requests for money as they can grant - and environmentalists willingly modify their agenda to please big funders.

"If a foundation had a large interest in Alaska and a lot of money, you definitely had a large interest in Alaska," joked former Wilderness Society director Bill Turnage to journalist Mark Dowie a few years ago.

But parroting a foundation's agenda is not enough to get its money. Faced with the deluge of applications, foundation officials often target the big bucks to environmentalists they know, creating an inner circle of "haves," along with a bunch of outsiders looking in.

"It is an extraordinarily incestuous world out there," said Bob Schaeffer, a Boston-based consultant who represents several groups that are heavily funded by foundations.

The Heinz Endowments, for instance, gives large grants to people Teresa Heinz knows personally, such as environmental architect Bill McDonough, a family friend who once employed Heinz's son, or the Environmental Defense Fund, of which Heinz is vice chairwoman.

And when the Pew Charitable Trusts moved its marine fellowship

program to the New England Aquarium, it was only a matter of months before the Trusts gave a \$150,000 fellowship to Greg Stone of the aquarium, to go with a \$266,000 grant Stone had received a few months before.

While the grant recipients may be deserving, the "have-nots" complain that they tend to fit a narrow profile: political centrists who push scientific research or solutions that industry can support.

That may reflect the roots of the leading environmental foundations in heavy industry - two carmakers, two oil executives, real estate developers, and a bigtime logger founded six of the 10 largest environmental charities. The foundations are run separately from the people who founded them, generally by people who see themselves as committed environmentalists, but the founders' influence often continues on the board of directors or in the stock portfolio.

Bill Shutkin, director of Alternatives for Community and Environment in Roxbury, said urban-based groups such as his simply can't crack the inner circle of these elite foundations, forcing them to turn to smaller organizations, such as Echoing Green or the Nathan Cummings Fund of New York, for help.

The big funders, Shutkin said, "have got a ton of money, but if you're not right at the core of the mainstream organizations, it's really hard to break into that circle."

Inside the downtown Philadelphia offices of the nation's fourth largest charity, Pew Charitable Trusts, Joshua Reichert plays a subtle game of kingmaker. As the man in charge of doling out the single largest block of money earmarked for environmental causes, Reichert's ideas have a way of becoming reality.

When Reichert suggests two environmental groups should merge, they quickly meet to discuss the idea. When Reichert became frustrated that environmentalists are losing the public relations wars, Pew created a public relations firm to join the fray. If Reichert doesn't like the way a group is being run, he withholds its money.

Most importantly, Reichert consistently pushes environmentalists to be practical, even if that means bruising egos or accepting compromises that purists detest. Along the way, Pew has reshaped the debate on issues such as logging, air pollution and energy conservation - and made some enemies, too.

"They have been bullies They are arrogant," said Beth Daley, vice president of the National Center for Responsive Philanthropy in Washington, D.C., which monitors foundations.

The ascendance of Reichert, who has a doctorate in anthropology and a

deep background in international environmental issues, marks a dramatic change from the days when charities were staffed with men in green eyeshades who passively wrote checks to causes they dimly understood. Pew and other foundations are more like overseers of environmentalists, auditing their books, suggesting personnel changes, and specifying in great detail how the money should be spent.

The agendas of the funders are as varied as the people providing the money, who range from the ambitious Reichert to the more restrained Francis W. Hatch, the 1978 Republican candidate for governor in Massachusetts.

But philanthropists increasingly view their charity as "strategic investments" with a business-like demand for performance. "We are very product-oriented," said Reichert. "We need to demonstrate a return on these investments ... that is measurable."

The demand for performance can range from the trivial - Appalachian Mountain Club staffers had to dress up in costumes to help with a corporate-sponsored Halloween Party last year to please one funder - to profound issues such as how to balance the needs of industry and the environment.

And, if existing environmental groups can't do the job, foundations may set up new ones. This year, officials at the Heinz Endowments of Pittsburgh set up a \$700,000 organization to scrutinize deregulation of the electric industry, complete with a "grassroots" coordinator to whip up support among groups such as the elderly and organized labor.

Pew Charitable Trusts has created several environmental organizations, including a strategy-plotting group, a Boston-based task force on air pollution and energy, and a public relations firm, the Environmental Information Center, which played a key role in pressuring President Clinton to approve new air pollution rules this year.

Taken together, these new activist foundations are reshaping the movement in controversial ways. Working largely out of the limelight, people such as Reichert, Rockefeller representative Donald Ross and Denis Hayes at Seattle's Bullitt Foundation are making the movement more pragmatic and, some say, less worthy. For example:

A growing emphasis on "winning" rather than being ideologically correct. Reichert has said his ideal strategist would be James Carville, the ultrapragmatic consultant behind Clinton's election in 1992. "I don't want someone who knows the facts, or can articulate them persuasively; I want someone who wants to win and knows how," he told one interviewer.

More emphasis on solutions that balance environmental and economic interests. The national environmental group that receives the greatest

share of its income from foundations, the Environmental Defense Fund, has pioneered partnerships with industry, including a highly touted waste-reduction program with the McDonald's restaurant chain.

And the largest environmental gift in US history, a \$20 million donation from the Heinz Endowments, created a research center in Washington, D.C., to bring together industry, academics, and environmentalists to solve environmental problems.

More emphasis on national, rather than local, issues.

Though there have been efforts to shift the balance - several Massachusetts foundations set up a new fund for grassroots groups, and Ted Turner specializes in funding small upstarts - foundation money still flows overwhelmingly to big organizations working nationally. Half of all donations last year went to a handful of organizations with budgets above \$5 million.

"We're kind of lost in the cracks," said Matt Wilson of the Toxic Action Center, a Boston-based group that assists 60 local groups on toxic-waste issues. "Our status in the funding world is not where it should be."

Some of these trends might have happened without foundation influence, of course. The Republican takeover of Congress in 1994 threw environmentalists onto the defensive as they fought off efforts to weaken or repeal environmental laws. Under the circumstances, winning and compromising became hot topics and the political focus was naturally on the national stage.

But there is little doubt that the foundations are getting more heavily involved in directing environmental activism - and opinion is sharply divided as to whether that is a good thing.

Armond Cohen, director of the Pew-backed Clean Air Task Force, believes leading environmental funders are bringing some order to a movement that has often been too decentralized for its own good. Pew, in particular, has relentlessly pushed environmental groups to work together in alliances.

"As a community, we are all tactics and no strategy," said Cohen, whose organization works behind the scenes to educate politicians about air pollution and energy issues.

At their best, say defenders, foundations can be the voices of reason, drawing attention to problems before they become a crisis. For instance, the Merck Fund of Boston helped short circuit the antienvironment "wise use" movement in New England by calling attention to their activities early and persuading activists to take a more conciliatory approach toward forest and river issues.

For those who have the funders' trust, there is sometimes an invigorating dialogue about where the environmental movement ought to go. In Alaska, environmentalists credit Reichert with devising the national strategy that helped bring an end to two subsidized logging contracts in the Tongass National Forest.

"I treat the relationship as honest partnering," said Jan Konigsberg of the Alaska Conservation Foundation. "I tell [Reichert] what I think, and he tells me what he thinks. That sort of dialogue is essential to any project."

And lawyers at the Conservation Law Foundation, the most successful New England environmental group at attracting grants, succeeded in turning around both Pew and the San Francisco-based Energy Foundation on the issue of energy deregulation.

Both foundations had invested heavily in energy conservation programs across the country that would be imperiled if the power industry were no longer required to do them. However, Conservation Law director Douglas Foy argued that deregulation was inevitable and could even be helpful to the environment if it encouraged the construction of less polluting power plants.

"You couldn't stop a freight train, but you could steer it," said Foy, describing his argument that environmental groups should encourage rather than fight deregulation. Now, Conservation Law Foundation has collected more than \$1 million in grants from the Energy Foundation to push deregulation.

But Conservation Law's position is at odds with most other environmental groups in the region, which has prompted bitter fights and, recently, a decision by the Merck Fund to help other groups working to keep deregulation from proceeding too quickly.

It is precisely such conflicts that convinces some observers that the power of the charitable foundations will always be limited. Despite critics' theories that the foundations are coming together as an "eco-cartel," others say the foundations simply disagree too much to wield power collectively.

In fact, Denis Hayes of the Bullitt Foundation says that's exactly the problem: the environmental movement has always been decentralized and lacked a charismatic leader such as Ralph Nader or Jesse Jackson who could unify it, making it vulnerable to internal division.

Since the 1994 elections, he said, some environmentalists "started training their guns on one another rather than on people they have nothing in common with. It's time for us to step back a little bit from that confrontation."

But others argue that foundations such as Hayes' helped cause the internal fighting by giving compr... users the loudest voice in environmental debates and marginalizing the purists. For instance, the foundation-funded Northern Forest Alliance, the dominant environmental voice in New England's Northern Forest, stresses sustainable logging and alliances with businesses, leaving the messy business of protest to low budget groups such as the Native Forest Network, whose members chained themselves to logging equipment in August.

"Foundations think they are a moderating influence, but they are a stifling influence," said Mark Dowie, who is writing a book about the role of charity in social causes.

End of series

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TED TURNER

Media mogul on course to be one of movement's top funders

By Scott Allen, Globe Staff, 10/19/97

Ted Turner painted himself into a corner last year when he called rival billionaires "ol' skinflints" for giving so little to charity and suggested that someone make a list of the most generous among America's super-wealthy.

Imagine the embarrassment of the Cable News Network founder when Bill Gates' on-line magazine, Slate, took him up on it - and Turner didn't make the list. There, at No. 10, was the "skinflint" founder of Microsoft with \$27 million in donations, much of it to Harvard University.

But Turner became one of the big guns of American charity last month with his promise to give the United Nations \$1 billion for causes such as removing land mines and helping refugees. "What good is wealth sitting in the bank?" he asked.

With less fanfare, Turner also has set a course to become one of the top funders of the US environmental movement, handing out \$18 million this year through his seven-year-old Turner Foundation. His 1998 goal of dishing out \$25 million is likely to be exceeded by only two or three other philanthropies.

"It is not so much that he wants this foundation to be No. 1, but it is more a reflection that he would really like to see people measure their success by something positive," says Peter Bahouth, the former Greenpeace USA director who runs the Turner Foundation.

But Turner's links to the environmental scene go back much further, at least to the 1970s when he began reading about over-

population, resource depletion, and species extinction. In the early 1980s, he began airing National Geographic and National Audubon Society programs on his Turner Broadcasting System, along with "Captain Planet," an ecological cartoon that annoys conservatives.

Then came Jane Fonda, who met Turner in 1989 and married him two

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years later. A longtime activist, she quickly took a lead role at the foundation and helped focus it on environmental and youth issues.

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Forest activist Jeff DeBonis, who obtained an early Turner grant, recalls the day in 1992 when Fonda took him on a tour of the CNN Center in Atlanta while they waited for Turner. After swinging through the news studio, she led DeBonis into a meeting room adorned with the politically incorrect heads of big game animals.

"This is from Ted's old days," said Fonda, suggesting, not too subtly, that Turner had changed since he met her. Turner quickly approved the grant to DeBonis's group and left it to Fonda to work out the details.

Unlike foundations that give mainly to established groups and institutions, Turner seeks out effective and sometimes scrappy grass-roots groups. He has funded protest groups, such as the Native Forest Network, whose members chained themselves to logging equipment in Vermont last August.

But Bahouth, who led flamboyant protests at Greenpeace in the 1980s, stressed that Turner is not on the political left. He noted that the foundation also funds hunters who want to help the environment.

But to get his money, environmentalists must put up with Turner's quirks. He gives preference to groups in Montana, New Mexico, and other states where he owns ranches. Bahouth defends the favoritism, suggesting that the states where Turner owns land need more activism.

Denis Hayes, an environmentalist in Turner-ranch-free Washington state, figures there is a way to capitalize on Turner's idiosyncrasy:

"We're trying to convince Ted to buy a ranch in Washington."

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TERESA HEINZ

Senator's wife uses influence, donations to effect change

By Scott Allen, Globe Staff, 10/19/97

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One day, she is having dinner with a Republican presidential candidate, urging him to call her friend, energy guru Amory Lovins, to learn about global warming.

On another, she is giving the Chinese ambassador a list of "environmentally friendly" companies that could help his country's economy and impress the United States at the same time.

On still another, she is approving the largest environmental grant in American history, \$20 million for a research center named for her late husband, Senator John Heinz.



"Teresa is very well respected in the environmental community. This is very near and dear to her heart," says Anthony Cortese, president of a Heinz-financed company, Second Nature, which helps colleges teach about the environment. "She challenges people to think and act differently."

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Heinz, a leading stockholder in the \$10 billion H.J. Heinz Co., has been deeply involved in environmental causes for decades. In 1989, she helped stop a highway through the Amazon jungle, and in 1984 she and Sen. Heinz created a foundation that paid for causes such as a guide to socially responsible grocery shopping and a public relations firm that recruits Hollywood stars to support environmental efforts.

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But she rose to new prominence after her husband's death, reorganizing the \$1.1 billion Heinz Endowments in Pittsburgh and creating a program to aid environmental groups. Under Andrew McElwaine, Heinz' former Senate aide, the environmental program gave out \$8.2 million last year, mainly in Pennsylvania. And, McElwaine says, "We're just hitting our stride."

But that hasn't kept her from coming under attack from some environmentalists because of her ties to the H.J. Heinz food company, whose tuna suppliers were once blamed for killing dolphins. Heinz says

[Low-graphics version](#)

the attacks were untrue and unfair, noting that she pushed the company back in 1990 to reduce the number of dolphins caught in tuna nets. It was one of the first to go "dolphin-safe," losing \$15 million in business in the process, according to company estimates.

In general, Heinz dismisses attacks from both left and right, arguing that their ideologies make them inflexible.

"All I want is for people to be practical," says Heinz, a native of Mozambique who speaks with a slight Portuguese accent. "It's not comfortable because you can't be pure You have to wallow in practicality, but to raise a child you have to change dirty diapers."

Like many of the new generation of environmental philanthropists, Heinz regards money as only one tool in her arsenal. As the wife of a US senator, a major corporate stockholder, and a top official at a big environmental group, she has extraordinary access to advance her causes.

For instance, when Heinz became concerned about a proposed Air Force bombing range in Idaho three years ago, she met with Air Force Secretary Sheila Widnall to object. The Air Force subsequently shelved the plan.

Yet Heinz believes that her initiatives are small steps toward profound changes that are needed to save the planet and the people on it.

"I don't think we will ever be able to turn our ways around unless we rethink what is really valuable for us," Heinz says. "Look at how we measure the gross national product. How do we value poetry reading? How do we value good marriages? We have been asking the wrong questions."

SCOTT ALLEN

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LOIS GIBBS

Bricklayer's daughter woos wealthy benefactors

By Scott Allen, Globe Staff, 10/20/97

Lois Gibbs was nervous when she pulled up to Abby Rockefeller's home in Cambridge last May - with good reason.

Gibbs, the self-described housewife made famous by her fight against the infamous Love Canal hazardous-waste site, had asked a member of America's most famous rich family to host a fundraiser for Gibbs' environmental group.

Though Gibbs was accustomed to giving rousing speeches to large crowds without notes, her brush with 20 members of society's upper crust was different. She had made her reputation as an environmentalist for the Big Mac crowd, helping community groups fight sludge dumps, incinerators and the like, and she was braced for a stiff, conservative crowd.

It turned out that Rockefeller, daughter of financier David Rockefeller, shared Gibbs' passion for sludge, even running a company that makes composting toilets. Dressed in a vest and with her long gray hair tied back, Rockefeller looked more like an activist than an heiress as she introduced Gibbs to affluent guests such as Pillsbury heir George Pillsbury.

"They were very much like people I work with, except they have more money," jokes Gibbs, director of the Virginia-based Center for Health, Environment and Justice.

Environmental causes can make for strange bedfellows, bringing together well-to-do funders with front-line activists who are often both less wealthy and more liberal than their benefactors. One survey of leaders of charitable foundations found that 53 percent regard themselves as Republicans, while environmental groups more often support Democrats.

"It's demographical; , socially, culturally very different sets of people," said Ruth Hennig, environmental program officer at the Boston-based

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John Merck Fund. "Our board wouldn't necessarily have cocktails with" the activists they fund. "They don't even see them, but they very much support the work they do."

In fact, protecting the environment, especially the land, appealed to some conservatives and wealthy people long before the Democratic party discovered the issue. Republican Teddy Roosevelt, after all, is the father of the national park system, while foundations controlled by the Rockefeller family are among the biggest funders of environmental causes.

The Merck Fund, a \$102 million charity set up by Serena Merck, widow of the chief executive of Merck Pharmaceuticals, became the top funder of Massachusetts environmental groups under Francis W. Hatch, the 1978 Republican candidate for governor and author of one of the state's first wetland protection laws.

Hatch, derided during his 1978 campaign for a privileged lifestyle that included a Beverly Farms estate with horses, pool, and tennis court, has readily reached across economic and political lines to make grants, Hennig says. Among others, Merck funds the Massachusetts Public Interest Research Group, founded by consumer crusader Ralph Nader.

"Our board has been able to stretch and to understand where the best value for our resources lie," Hennig explains.

Meanwhile, activist Gibbs, the high school educated daughter of a bricklayer, is learning to woo upper income people who can help her fight to clean up Superfund sites and other hazards.

For years after she succeeded in pressing the federal government to evacuate the Love Canal neighborhood near Buffalo, she paid for her fights with grassroots support and small grants. But now, with an \$800,000 budget, Gibbs needs affluent benefactors.

"The people we are working for don't have the resources to support us," concedes Gibbs. "We need to talk to people who do have the resources."

This story ran on page A06 of the Boston Globe on 10/20/97.
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