

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL  
JOINT BOARD OF DIRECTORS MEETING MINUTES  
THURSDAY, MAY 30, 1996 - 8:00 A.M.  
OMNI NETHERLAND PLAZA HOTEL, CINCINNATI, OHIO -  
CONTINENTAL ROOM**

The meeting was called to order at 8:30 a.m. on Thursday, May 30, 1996 by ALEC National Chairman Dale Van Vyven. In attendance:

**Legislative Members**

Representative Dale Van Vyven, Chairman, Ohio  
Senator Brad Gorham, First Vice Chairman, Rhode Island  
Representative Bonnie Sue Cooper, Second Vice Chairman, Missouri  
Representative Bobby Hogue, Treasurer, Arkansas  
Representative Carolyn Oakley, Secretary, Oregon  
Senator Ray Powers, Immediate Past Chairman, Colorado  
Senator Brenda Burns, Arizona  
Senator Emilio Cantu, Washington  
Senator George "Doc" Gunther, Connecticut  
Representative Roger Halvorson, Iowa  
Senator Ray Haynes, California  
Senator Owen Johnson, New York  
Senator Steve Martin, Virginia  
Representative Steve McDaniel, Tennessee  
Senator Dean Rhoads, Nevada  
Representative Tom Uher, Texas

**Private Enterprise Members**

Mr. Allan Auger, Chairman, Coors Brewing Company  
Mr. Ed Failor, Secretary, Iowans for Tax Relief  
Mr. Ron Scheberle, Immediate Past Chairman, GTE  
Ms. Jane Cahill, Cahill, Wolfgram & Associates  
Ms. Monita Fontaine, Distilled Spirits Council of the U.S.  
Mr. Les Goldberg, American Express  
Mr. David Halbrook, New Hope Foundation  
Mr. Michael Morgan, Koch Industries, Inc.  
Mr. Gerald Mossinghoff, Pharmaceutical Research & Manufacturers of America  
Mr. Roger Mozingo, R.J. Reynolds Tobacco Company  
Mr. Pete Poynter, BellSouth Telecommunications, Inc.  
Mr. J. Patrick Rooney, Golden Rule Insurance Co.  
Mr. Jerry Watson, National Association of Bail Insurance Companies  
Mr. Harry Winters, United Parcel Service

**Staff**

Mr. Dan Denning, Executive Director  
Mr. Duane Parde, Chief of Staff  
Ms. Lane Dolly, Director of Administration  
Mrs. Beverlee Anderson Lee, Director of Finance  
Mr. Brad Boutilier, Director of Membership & Conferences  
Mr. Tim Beauchemin, Director of Legislation and Policy  
Mrs. Lora Miller, Legislative Aide to the National Chairman

**Guests**

Mr. Andrew Lang, Lang & Associates  
Mr. Bryan Steigerwald, Lang & Associates

**REVIEW AND APPROVAL OF JANUARY 21, 1996 MINUTES**

Chairman Van Vyven asked for any additions or corrections to the minutes of the January 21, 1996 Board meeting and hearing none, the minutes were approved as submitted.

**NATIONAL CHAIRMAN'S REPORT**

Chairman Van Vyven stated that he is extremely pleased with how things are going now that Mr. Denning is on board and with how the staff has been performing. He added that there are a few new Board members, Senator Emilio Cantu from Washington state and Representative Steve McDaniel from Tennessee, and he welcomed them. He then asked Mr. Auger to introduce the new Private Enterprise Board members.

**PRIVATE ENTERPRISE BOARD CHAIRMAN'S REPORT**

Mr. Auger introduced Mr. Harry Winters of United Parcel Service and Mr. Pat Rooney of Golden Rule Insurance and welcomed them to the PE Board. Chairman Van Vyven then asked all Board members to introduce themselves. He then announced that the meeting was being taped and that everyone should speak into the microphones, first stating his or her name.

**EXECUTIVE DIRECTOR'S REPORT**

**NLS Update** - Mr. Denning stated that there are 253 registrants to the NLS, not including staff, with 106 legislators and 130 private sector participants. He announced that the meeting is operating in the black and that the level of support has been very gratifying. He added that he feels that everyone will be very pleased with the program sessions.

**Progress Report** - He stated that on the financial side, they have developed weekly and annual cash analysis templates, budget spreadsheets for program budgeting, revenue reconciliation sheets and have established bank accounts that for the first time segregate scholarship accounts from general operating accounts. He added that the software has been upgraded to enhance reporting capabilities. He said that they have also retained Feddeman & Co., an accounting services company, to help Mrs. Lee with the financial accounting activities and reporting requirements. He stated that the audit was completed in record time and at the lowest cost in recent history. He said that the Board will hear the results in the afternoon. He added that through the work of Mrs. Lee, they have resolved the outstanding grant situation with the FTA and the check for approximately \$21,000 will soon be received. He stated that they have about 20 new companies as members and that Mr. Watson has circulated an update on the Failor Challenge.

**Mission Statement** - Mr. Denning said that a mission statement draft is in the packets that has been created by staff and approved by the Executive Committee for consideration by the full Board. He asked the members to review the draft. Representative Oakley moved the acceptance of the mission statement with Mr. Halvorson giving the appropriate second and it was approved without objection. Ms. Cahill stated that she has already been using the mission statement and that it is an excellent tool for fundraising.

**US English** - Mr. Denning stated that the matter with US English has been resolved with a mutual consent and release effective April 10, 1996. US English has agreed to join ALEC at the Madison Club level, that they are participating in the NLS and the Annual Meeting and that the matter is now closed. Senator Powers questioned whether complimentary registrations and booth space are part of the agreement and Mr. Denning responded that they are not. Senator Powers added that he is very pleased with the end result and that this negotiation is a great accomplishment as it started out as a very hostile situation.

**Legislative Clean Air Policy Committee (LCAPC)** - Mr. Denning said that this issue was raised by Senator Johnson at the Richmond Board meeting and deferred to Senator Johnson for an update. Senator Johnson stated that the administrator of the Ozone Transport Commission (OTC) has approached the Council of State Governments with a proposal to allow the CSG representatives from the various NE regions to be the legislative body which gives legal sanction to the rump operations of the OTC in Washington, D.C. He said that they are trying to derail the LCAPC, which has filed a lawsuit backing up the actions of the state of Virginia in declaring the OTC rump group illegal and not a body capable of legislating for 13 states. He added that a meeting will take place with CSG on Saturday and he will be there to make sure the federal

representatives get the message that we don't consider some appointed bureaucrat in D.C. to be the right person to designate who shall make laws for various states. He said that the whole thing is so outrageous that it doesn't even bear discussion. He said that we have been working with Harris McDowell and his lawyers from Delaware with the hope that ALEC will be the sponsor of the LCAPC, which would include members of that committee being ALEC members. He added that it was also understood that any revenues being contributed to the lawsuit would be contributed by those who are or will become ALEC members and that this is all he knows at this time. Mr. Denning said that Senator Burns' Federalism Committee is going to consider this matter when they meet and make a recommendation. He added that they have viewed this as a matter of the federal/state relationship as opposed to an environmental issue. Senator Johnson stated that this is exactly how he views it as ALEC is not opposed to environmental issues but to bureaucrats making laws or regulations without any constitutional or legal authority. Mr. Denning concurred and stated that the litigation in question is Virginia vs. EPA which argues that there was an unconstitutional delegation under the Clean Air Act Amendments of 1992. He said that Congress unconstitutionally required states to set up the Ozone Transport Commission, giving them too much authority to set standards for the ozone in certain states, primarily from Virginia north to New York. He added that Virginia sued and that the briefing orders will be in order fairly shortly, possibly within the next month. The LCAPC was formed by a number of legislators in those NE states. He said that an amicus brief was filed on Virginia's side of this litigation last year. He mentioned that Senator Johnson had suggested that ALEC assist the effort by acting as the agent for the LCAPC, accepting donations to support the litigation and pay the bills of the law firm. He said that the proposal was taken up in detail by himself and the law firm that is handling the case. He added that after consultation with ALEC's attorneys, he proposed that as a matter of policy and principle, ALEC would like to assist the LCAPC in this matter and that we believe that Virginia's arguments have merit, however, due to legal advice they felt that most if not all of the members of the LCAPC need to be members of ALEC. He added that also those companies contributing need to be members of ALEC. He said that the Committee felt in response that this is not possible and that donors could not be required to become members of ALEC as a condition of participating. He stated that the staff opinion is that this places ALEC in a very uncomfortable position in that the LCAPC would be directing litigation to a law firm with ALEC being required to pay the bill and if a disagreement occurred between the two parties that ALEC would be in the middle. He said that he is not comfortable going any further with this without Board sanction one way or another. He added that the issue could be deferred until Senator Burns' Committee has a chance to review it and make a recommendation.

**New Members** - Mr. Denning reviewed a handout of new ALEC members contained in the Board packets. He pointed out a few who are former members who rejoined and thanked the Board members who have helped bring these new and former members on board.

**Council of World Regions (CWR)** - Mr. Denning stated that this issue had been brought up at the January meeting where the CWR was seeking a cooperative relationship with ALEC in advancing our mutual agendas. He added that we are continuing to develop the concept, however, what will be entailed in that cooperation remains to be determined. He said that he has communicated to Mr. Gardner that ALEC remains anxious to find ways to help the Council move forward and they will be having conversations about what the specifics of that will be. He said that he will report to the Board when he has some more concrete information to share. Ms. Cahill questioned the purpose of the CWR. Mr. Denning responded that their operating premise is that economic trade relationships in the future are going to evolve primarily between regions of the United States and regions of the world. He said that the Council's aim is to help facilitate and develop those relationships between groups of states and particular areas of the world. He said there are natural cinergies in trade patterns and trade relationships that are developing and the Council's mission is to try to engender and develop those patterns and relationships. He added that the Council saw a natural alliance with ALEC to help move that agenda forward. He said that Senator Powers has attended some of the Council's meetings. He mentioned that this strikes him as an idea worth exploring, however, until we can get some better definition about what exactly that cooperation will entail both in terms of resources and policy, he did not want to move forward without approval of the Board.

### COMMITTEE MEETINGS

Chairman Van Vyven announced that the Board Committee meetings will begin at this time and stated where each meeting will take place. He said that the full Board will reconvene at 11:00 a.m. He added that the new members who have not been assigned to committees should choose one to attend and they will be permanently assigned to one in the near future. Mr. Poynter pointed out that Representative Oakley should be on the Lobbying Regulation Committee. Chairman Van Vyven stated that the minutes state that Representative Oakley and Ms. Walls should be added to the Committee. Ms. Cahill brought up the image campaign that had previously been discussed and had never received action. She said that a number of members have faced ALEC's former image when out recruiting new members and she requested that the appropriate committee discuss some low-cost ideas on how to gain some positive publicity. It was pointed out that that Committee is not meeting today and Chairman Van Vyven said that if Senator Gorham wanted his committee to meet they could. Senator Gorham said that a few of them could get together for a quick meeting before going to the other committee meetings.

Mr. Denning introduced Mr. George Rasley who is joining the ALEC staff as the new Director of Development. He said that Mr. Rasley has over 20 years of experience in development and fundraising for not-for-profit organizations, campaign management and policy development. He said that Mr. Rasley has raised over \$26 million in grants and contributions over the years and has a track record of consistently producing results and he will hold him to that record.

Chairman Van Vyven then recessed the Board meeting at 9:05 a.m.

Chairman Van Vyven reconvened the meeting at 11:00 a.m. He announced that they would deviate from the schedule and move directly into the Financial Status Report.

### FINANCIAL STATUS REPORT

Mrs. Lee pointed out the location of the Financial Status Report of ALEC as of May 15, 1996 in the Board packets. She stated that before the issues in the packet are addressed, they should go through the audit report so that the starting point is December 31, 1995 and then the information in the Financial Status Report will be much more logical. She stated that the auditors, Andrew Lang and Bryan Steigerwald, are here and suggested that it should be turned over to them. Chairman Van Vyven agreed and asked Mr. Lang to start the presentation.

**1995 Audit** - Mr. Lang thanked everyone and introduced himself and stated that he will be reporting on information that the Board members have already received. Mr. Lang said that from a management perspective, there has been a wonderful turnaround in terms of how the operation is being done. He pointed out that this year the field work from the audit was completed in three weeks as opposed to the previous year when it took 2 1/2 months. He pointed out that this is obviously a cost savings to ALEC but it also shows how management is managing--the records were much cleaner. He asked the members to look at the document entitled "ALEC Internal Control Structure." He said that internal control structure has to do with serious and not-so-serious weaknesses in how you manage your operation, that is to say good internal controls protect the assets and improve the efficiency of the operation. He stated that there are two kinds of comments that they can make about the internal controls--reportable conditions or advisory comments. He said that reportable conditions are serious flaws that represent a situation where assets could be lost and that advisory comments are things that they want to tell you about but are not quite as serious. He said that he is delighted to show the Board a list of reportable conditions from 1994 that were corrected in 1995 or early in 1996 and that it is astonishing to him that so many things were corrected so quickly--it is an amazing turnaround. He then proceeded to go through the 1994 reportable conditions that were corrected and when they were corrected, as well as other comments and observations. He added that this is more than he has seen corrected in any one organization in any one year in his experience of about 20 years. He then went on to the 1995 reportable conditions and expressed that they are very important problems to fix. He said that these represent significant dangerous flaws and that the Board members should pay close attention. Mr. Lang stated that it is delightful to be in a situation where they make known a reportable condition and management fixes it as fast as they can. He said that this is the way a non-profit is supposed to work and ALEC is doing this. He then went on to discuss the other reportable conditions and advisory comments and observations. He concluded by saying that ALEC has

done a fantastic job of turning things around and that the organization is managing itself much better. He thanked Mr. Denning, Mr. Parde and Mrs. Lee for their help in completing the audit. He then went on to the report entitled "ALEC Financial Statements and Independent Auditor's Report," which he referred each member to in the packets. He said that the Independent Auditor's Report is an opinion regarding the accuracy of the financial statements. He said that ALEC has a clean opinion, meaning that the auditors feel that the financial statements are accurate and fairly represent what has gone on for the year and the position that the organization is in. He stated that the new name for the balance sheet is the "Statement of Financial Position." He also added that "Net Assets" has replaced the term "Fund Balance." He then reviewed ALEC's "Statement of Financial Position." He pointed out that ALEC lost about a half million dollars in income in 1995. He then went on to review the "Statement of Activities," formerly called the "Income Statement." He stated that income overall increased over \$300,000 in 1995, however, the problem is that total expenses increased about \$600,000. This on top of the prior year's loss of \$200,000 left ALEC with a \$511,000 loss for the current year. He also pointed out how ALEC is still losing money on conferences and that he is very saddened that general support and dues, a key source of revenue for ALEC, went down \$400,000. He said that on the expense side, Publications is of great concern to him. He said that overall, ALEC's loss went from [\$215,434] to [\$511,675], which is definitely not sustainable by the organization. Mr. Lang then referred the Board to page 12, Note 6 entitled "Going Concern." Mr. Poynter asked if it would be appropriate to interject questions and Chairman Van Vyven indicated that it was indeed appropriate to raise questions where they fit in. Mr. Poynter then asked to return to the "Statement of Financial Activities" and questioned how expenses for a task force can be greater than the revenue that is generated. Mr. Parde responded that the task forces did indeed lose money in 1995, a situation similar to the state scholarship accounts. He added that trips were taken and reimbursements were made without money in the accounts to cover them. Mr. Poynter stated that he wishes to see the Board address this issue so that this never happens again. Mr. Parde responded that he agrees and that this practice is no longer occurring. Mr. Scheberle added that it is important to note that Mr. Lang pointed out that new management is addressing these concerns and that the aforementioned problem occurred under the old management. He added that he does not think the Board should have to micromanage the staff. Mr. Lang concurred that things have been managed much more effectively, however, Board members should raise their concerns as they have a fiduciary responsibility to the organization. He added that Mr. Steigerwald pointed out to him that there is a very large number in overhead that has been charged to the task forces that would not necessarily be accounted for in their budgets. He said that under the rules, this must be allocated out. Chairman Van Vyven mentioned that ALEC now has a budget that they are operating under that goes from month to month. Mrs. Lee added that the budget the Board voted on in December of 1995 is an overall budget and staff has line itemed everything. She said they also have weekly meetings where costs are brought to the table and requests are approved or denied based on whether they have raised the necessary funds. Ms. Cahill stated that one of the problems with task forces is helping the task forces to budget better and also the issue of the private sector making commitments and not following through with them. Senator Burns asked whether the scholarship account is a separate account or whether the money is simply accounted for on a separate sheet in the same account. Mr. Parde responded that this is now a separate bank account totally. Senator Burns questioned why scholarships are shown as both revenue and expenses and the amount is the same. Chairman Van Vyven responded that this is now a separate account and can no longer be used as cash flow. Senator Burns confirmed that this is an in-and-out thing and that money goes into the general account from the scholarship account when it is needed. Chairman Van Vyven confirmed that it is a totally separate account. Mr. Poynter asked if the account would start showing more revenue than expense beginning this year. Mrs. Lee responded that the scholarship account is a liability until such time that it is used. She said that once a state uses it, the revenue is recognized and is an equal portion of the expense-- a dollar of revenue equals a dollar of expense. She said that this shows the activity in ALEC, but on the "Statement of Activities" there is a line item called "Scholarships" that gives ALEC the liability of all the states. She added that this is a liability because it is a restricted fund where the money is owed to the states. Senator Burns questioned the appropriate time to discuss scholarships and Chairman Van Vyven said there is a separate sheet on them that will be discussed.

Mr. Watson asked for confirmation that historically, certain expenses of ALEC generally have been allocated to various task forces but those task forces have historically not budgeted for them and that from now on each task force will assume some proportionate share of ALEC's general expenses and be responsible for raising that money along with its other specific task force expenses. Mr. Denning said that under previous management, ALEC's operating accounts were treated as one big pot of money and funds were shifted around. He said that they have endeavored to segregate scholarship accounts and task force operating accounts and to account for them separately. He added that the overhead of ALEC has to be loaded against each of the operating activities, task force accounts being one of them, so you will see an overhead load applied to each operating account. He said that when each task force comes up with its program for the year, there will be a percentage applied against the total of the operating budget to come up with a grand total which is then allocated out to task force members. Senator Gorham questioned net assets released from restrictions. Mr. Lang responded that this is a term that came in with SFAS 117 which means we have a certain amount of money which is located in the temporarily restricted fund balance which was restricted in some fashion according to time. He said the time ran out and the money was transferred on the statement over to the unrestricted and spent from the unrestricted. He added that the ruling from the SFAS 117 says that you can't spend any money out of the temporarily restricted or the permanently restricted funds and that it is cockamamey.

**Capital Campaign** - Mr. Lang then again asked everyone to turn to Note 6 on page 12 and asked everyone to focus on it as it is a very, very, very serious footnote called a "Going Concern." He said it basically says whether the business can stay in business or not. He then went over Note 6, saying that it is uncertain whether ALEC can continue to operate. He said that a "Going Concern" footnote is very serious. He went on to the next footnote entitled "Subsequent Event" concerning a former consultant who filed a lawsuit against ALEC. He then presented a graphics presentation about ALEC's financial status, which is not in the Board packets. He summarized his presentation by saying that ALEC is changing the way it does business, however, non-profits change the way they do business much as ocean liners turn--it takes a long time. He added that most of ALEC's problems are inherited and not the fault of current management. He said that current management just fixed a lot of things, which is an unusual turnaround. He added that nevertheless, the problem still remains that ALEC's liabilities are well in excess of current assets. Ms. Cahill questioned whether ALEC still needs to raise \$1.5 million in order to get ahead of the game and Mr. Lang responded yes. He stated that ALEC needs \$500,000 just to break to even. He said that in order for ALEC to grow, it will take \$1.5 million and that ALEC will go under if there is not a significant influx of money in a short period of time. Senator Johnson questioned whether the changes made in the first quarter of the year are helping and is ALEC now on the right track. Mr. Lang said that auditors generally look at the past so it is difficult for him to say anything about going forward. He did say ALEC will not get out of its current troubles by adding individual members; ALEC needs sizable chunks of cash. He added that he is concerned that the fundraising efforts are business-as-usual and that even though the Faylor Challenge has been somewhat successful, the sums raised don't even put a dent in the deficit ALEC faces. He said that there is too much in flux and the cash situation is perilous. He added that ALEC needs six to seven figures, with \$500,000 needed immediately. Once ALEC receives this infusion of money, business-as-usual will allow the organization to grow. Senator Johnson questioned if new corporate sponsors won't help, what will help. Mr. Lang responded that sizable contributions from corporate sponsors will help, not simply membership dues from corporations. Mr. Watson questioned whether it could be possible for Mr. Lang to assist management in the development of a business plan based upon which future earnings could relatively accurately be projected and he could substantiate those projections to enhance the ability of the organization to borrow money. Mr. Lang responded that no one can project the future with any accuracy. He stated that there are a number of assumptions you have to make, and his company does not accept responsibility for these assumptions. He added that what he can say is how ALEC got to where it was, how ALEC is not there any more and what management has done to improve the situation and the Finance Committee has asked him to do this. He added that in the current situation, it is very difficult to do this. Mr. Watson questioned how ALEC can approach a lending institution without such a business plan and future projections. Mr. Lang responded that no lending institution is going to look on ALEC favorably in its current

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situation. He added that the current line of credit has already secured whatever liquidity ALEC has left. Mr. Watson stated that preparing a business plan could encourage some co-signers. Mr. Lang stated that he would be delighted to help, however, he cannot soften the blow that ALEC is in a very tight situation. Mrs. Cahill added that a good business plan is a good idea, however, Mr. Denning has just put some pieces in place to help ALEC out of its problems that will take the organization farther faster than a business plan--the new fund development person. She added that making projections is not going to change the situation, but if Mr. Denning and Mr. Rasley can put together a fund development plan, along with some key Board members, this would probably help the fastest. She stated that it would probably not be helpful to borrow the money, that it needs to be raised. She added that ALEC not only needs to raise the \$1.5 million plus operating expenditures, but we need to figure out how to institutionalize this type of fundraising in order to do it consistently in the future. Mr. Denning stated that Mr. Von Kannon, Treasurer for the Heritage Foundation, is now a consultant to ALEC for fundraising development and that Mr. Von Kannon has prepared a business plan outline, meaning a fundraising development plan. He added that Mr. Von Kannon and Mr. Rasley are going to be working closely to develop the plan even further. He said that he is struck with the potential of ALEC, however, he needs some wind in his sails to get there and right now. He added that there is an immediate hard-core need for \$500,000 and another \$1 million beyond that. He stated that they need to spend some money to fix some things such as the database, the computer system and the phone system as these are the building blocks of the organization. Mr. Watson said that in order for him to assist in raising this type of money fast, he's going to need something such as a business plan in order to show potential contributors that ALEC is going to make it and here is why. Mr. Denning responded that they will come up with what the members need in 30 days or less as he has no other higher priority than raising this money. Mr. Failor added that in order to sell this to people, we are going to have to have a plan. Chairman Van Vyven stated that he wishes for Chairman Auger to gather the Private Enterprise Board over lunch to discuss the issue in the Wine Room and report back to the full Board after lunch at approximately 1:45 p.m. Mr. Lang added that he has seen ALEC grow over the years and it would be a tragedy to have ALEC cease to exist. He pleaded with the Board members to find a way to keep the organization going and make it strong again. Chairman Van Vyven stated that he doesn't know what the organization would have done without Mr. Lang's assistance. Senator Gorham stated that he has a check from the state of Rhode Island in the amount of \$80,000 for ALEC.

Chairman Van Vyven recessed the meeting at approximately 1:00 p.m.

Chairman Van Vyven reconvened the meeting at approximately 1:45 p.m.

He announced that a special session of the Joint Board of Directors will be held Saturday, June 1, 1996 at the Hyatt in the Buckeye Room A & B beginning at 2:00 p.m. to deal with three task force resolutions that have been appealed to the Board. He stated that he will have to leave shortly and that Senator Gorham will take over the meeting. He asked Mr. Auger to give a brief report of the luncheon meeting of the Private Enterprise Board. Mr. Auger stated that the meeting was very intense and that everyone had the opportunity to speak and ask questions. He said that one of the basic questions that was posed was is ALEC worth saving. He said the answer was yes, that this is an organization with a tremendous opportunity for the public sector and private sector to come together to prepare strategies to put forward in all the states. He said that they explored a lot of the hows about the finances of the operation and that the outcome of the meeting is to pull together a solution team that will reformulate the notes from the meeting, go over the suggestions and come back with some short term and long term solutions. He added the focus will initially be on the immediate short term need and the nucleus of the team will be the Private Enterprise members of the Finance Committee, including Mr. Watson and Mr. Morgan who were added. He said that any others from the Private Enterprise Board who wish to participate are welcome and it will be up to the National Chairman to determine any others who he wishes to help participate on that team. Chairman Van Vyven asked Mrs. Lee to continue with the Financial Status Report.

**Financial Status Report** - Mrs. Lee stated that most everything has been covered. She said that ALEC's cash status has slightly changed since April 30, but not by a lot. She stated that the accounts payable that they started with in January is now down to a manageable level, however, the cash flow still remains very tight. She added that they are reviewing all finances on a weekly



basis, including accounts receivable and that the invoicing is done on a daily basis so that they can continue to see where the projections are going. She stated that projections are now being done on a weekly basis instead of a monthly basis. She concluded by saying that several states are still in the negative on their scholarship accounts. Chairman Van Vyven said that 17 states are in the red on their scholarship accounts, which is down from 19. He asked for an update on those accounts that are still in the red. Mr. Parde stated that many of these states have been quite active in fundraising and that the state chairmen are aggressively raising money for the Annual Meeting and to build up their scholarship accounts. Senator Powers questioned if the losses in several states were written off, such as California. Mr. Denning stated that in the case of California, he met with the private enterprise chairs and Senator Haynes and given the situation with ALEC's accounting last year, we ended up writing off about \$8,000. Mrs. Lee clarified that this was done in North Carolina, however, with California, the money that was initially deposited into general support is now being recognized as scholarship funds, which puts their account into a positive situation. Mr. Denning said that ALEC repaid the California scholarship account and then identified an additional \$10,000 that California thought had been sent to their scholarship account and had not. Senator Powers stated that a policy should be adopted that says that states cannot continue to withdraw scholarship funds from accounts with negative balances. Senator Gorham clarified that this had already been adopted by ALEC as policy. Senator Gorham then took over the meeting in the absence of Chairman Van Vyven.

### COMMITTEE REPORTS

**Awards** - Senator Rhoads stated that there has been a lot of discussion over the past few years that ALEC has been giving too many awards out and it is becoming less meaningful to get one. He said that the Committee recommends that no more than 18 awards be given out, with a breakdown as follows: Legislator of the Year, 5; Private Enterprise Leader of the Year, 3; Host Committee awards, leave up to those making the nominations; Volunteer Staff Members, 2. He added that nominations could be made by both chairs of each task force, one candidate for each award, the chairman of the Board of Directors could nominate one legislator and the chairman of the Private Enterprise Board could nominate one private enterprise member. He stated that the Awards Committee would provide its recommendations for these awards to the Executive Committee of the Board. He said that legislator and private enterprise awards would be limited to ALEC members only and that non-ALEC members could be awarded certificates of appreciation for advancing an ALEC issue. He added that no legislator or private enterprise member should receive an award more than once. He said that the criteria for receipt of a legislator or private enterprise member award should be work on a task force, work on behalf of the ALEC state delegation or work in leadership positions. He added that the Board of Directors, on the recommendation of the Awards Committee, may create other awards or forms of recognition for meritorious service to ALEC. He said that in regards to the Thomas Jefferson Award, the new procedure would be that one nomination would be solicited from each member of the Joint Board of Directors and the Awards Committee would then create a slate of candidates, with names being added or deleted from the slate, with the Board of Directors making the final and the alternate choices from the slate. He added that if a final candidate could not accept the award in person at an annual meeting, the alternate candidate would be selected. He stated that in very rare circumstances, the award could be given in a video presentation, taped or via satellite. He said that the 1996 nominee based on the survey of ALEC's leadership is Governor George Allen of Virginia, who will be in attendance at the Annual Meeting. He stated that the Adam Smith Free Enterprise Award procedure is the same, with the Awards Committee recommending Mr. Dave Thomas, founder and Chairman of Wendy's. Mr. Poynter clarified that for the Thomas Jefferson Award, the Board would be polled and that the polling information and any other outside recommendations would go to the Awards Committee so that they could create a slate. He stated that the slate would be presented to the Board so that each member could vote and the top three choices would be referred back to the Awards Committee. He said that the Awards Committee would then make a recommendation back to the Board on who should receive the award. Senator Rhoads moved that the awards structure be adopted with the number of awards being reduced from 41 to 18, along with the criteria and system of recommending nominees to the Board of Directors. Representative Oakley gave the



appropriate second and the motion was approved without objection. Senator Martin moved to approve the nomination of Governor George Allen as the 1996 Thomas Jefferson Freedom Award recipient. Senator Rhoads gave the appropriate second and the motion was approved without objection. Senator Rhoads moved to approve the nomination of Mr. Dave Thomas as the 1996 Adam Smith Free Enterprise Award recipient with Representative Oakley giving the appropriate second. Mr. Scheberle questioned whether Mr. Thomas would be in attendance to receive the award and Senator Rhoads responded that he had not yet been contacted. Senator Rhoads added that if the recipient has a conflict with the annual meeting but agrees to show up at another ALEC meeting, they can be given the award at that time; if they do not agree, an alternate is selected. Vice Chairman Gorham questioned whether an alternate had been selected and Senator Rhoads responded no. Vice Chairman Gorham then said that the nomination could be accepted conditional upon Mr. Thomas' attendance. Mr. Poynter clarified that his selection would be conditional upon his attendance at one of the three upcoming ALEC meetings and if he could not attend the Annual Meeting, his selection would be announced there and at what meeting he will be in attendance to receive it. He stated that the reasoning behind this is that when we give awards to the caliber of people we are choosing, their schedules are such that we can't expect them to attend one specific meeting but we can expect them to attend one of them. Senator Johnson asked for clarification that no one has yet approached Mr. Thomas or his company about the award and Senator Rhoads responded no, that several others were being considered and they did not want to contact him until a final determination had been made. Senator Johnson then questioned whether Wendy's is a member of ALEC and Senator Rhoads replied no. Senator Johnson stated that this should be taken into consideration when choosing candidates, and although he is not suggesting that the awards be sold, however, successful businessmen such as this could be helpful in supporting ALEC and assisting in ending our budget deficit should they be given this type of recognition by ALEC. Senator Powers asked for clarification that the only two meetings that Mr. Thomas could attend would be the Annual Meeting and the NOC and Vice Chairman Gorham concurred. Mr. Poynter added that the '97 NLS would be included as well and Vice Chairman Gorham stated that a later report will announce that the '97 NLS will probably not take place, therefore, Mr. Thomas would have to appear at either the Annual Meeting or the NOC in order to receive the award. Representative Cooper stated that she is concerned with allowing an Adam Smith Award recipient to choose to attend a meeting other than the Annual Meeting as this is a major award as well and if the nominee cannot attend, the award should be given to someone who can. Mr. Scheberle questioned who the other candidates were that were in the running and Senator Rhoads responded that the Committee preferred not to do so as some of the nominees are in the room. Mr. Scheberle stated that he is curious how a non-ALEC member was nominated when there were ALEC members in the running. Senator Rhoads responded that the nominees were chosen by the Board and those who received the highest number of votes were the ones who were selected. Mr. Goldberg stated that he would have no problem with Representative Cooper's concerns if the process could be started six months earlier, however, determining an award recipient in June to attend a meeting in July can be a definite scheduling problem for the recipient. He said that this year the Board should go ahead with the Committee's recommendation that the recipient attend one meeting this year and then begin the process much earlier next year if the recipient has to attend the Annual Meeting. Representative Cooper responded that they are not being asked to attend the whole conference, just to stop in to receive the award. She also added that nothing says that the award has to be given this year and she feels that another precedent is being set. Senator Martin stated that allowing the recipient to attend another meeting can be an additional draw to a meeting that might otherwise not have a big attendance. He said that the importance of the Thomas Jefferson Award gives you flexibility with the Adam Smith Award. Vice Chairman Gorham restated that the motion is to present the Adam Smith Free Enterprise Award to Mr. Dave Thomas contingent upon his attendance at the 1996 Annual Meeting or NOC. He then questioned what would happen if Mr. Thomas could not make either meeting. Senator Rhoads responded that the Awards Committee would then reconsider at the Annual Meeting and the award would probably have to just be skipped this year. Vice Chairman Gorham asked if there could be an interim meeting held and Senator Rhoads responded that they have a conference call scheduled for late June to choose all the other award recipients so they could discuss it at that time. Vice Chairman

Gorham stated that the motion should be amended to state that if Mr. Thomas cannot meet the contingencies of the award, then the Awards Committee would choose another recipient who could attend the Annual Meeting. Senator Rhoads moved to so amend the original motion with Representative Cooper giving the appropriate second and the amendment to the motion was approved without objection. Hearing no objection, the amended motion was approved without objection.

**Federalism** - Senator Burns stated that the Committee has prepared several handouts which have been distributed to the Board. She asked to begin with the one entitled "Resolution Requesting Congress - Draft", which the Committee adopted, which urges Congress to support bills that would require them to identify from where in the Constitution they receive the authority to enact the legislation they are proposing to enact, as well as ensuring such things as agency rules and regulations do not go beyond the expressed statutory authority. She then moved for adoption of the resolution with Representative Oakley giving the appropriate second. The motion was adopted without objection. Senator Burns then went on to state that the responses to the presidential questionnaire that had been mailed to candidates did not get circulated as originally anticipated due to their late receipt, however, it was an educational experience and anyone wishing to obtain copies of the responses can let Mr. Beauchemin know. She said that they are still interested in escalating the discussion on Federalism into the presidential debate and therefore, they proposed to the Steering Committee that they work together on a presidential debate in conjunction with the League of Women Voters. She added that the Steering Committee felt that they should do their own presidential debate among the member groups. She said that the Federalism Committee voted today to work with the Steering Committee on that endeavor, however, they are pessimistic as to whether it can be done. She said that in the meantime, it is very important to work with the League of Women Voters to have them include this issue in their debate. Senator Burns moved for approval of the recommendation with Representative Oakley giving the appropriate second. Senator Powers mentioned that he was at the Steering Committee meeting and the organizations had instructed their executive directors to pursue sponsoring the debate and he questioned whether any of the directors had gotten back to us. Mr. Denning responded no, that Sherry Hendrickson of CSG was supposed to coordinate amongst the four organizations and he has heard nothing from her. Senator Burns stated that this is why the Federalism Committee feels it is important to proceed with questions for submission to the League of Women Voters and the Steering Committee can participate in this as well if they wish. She added that they hope the presidential debate becomes a reality, however, if we wait to see if it will come to fruition, we may miss the opportunity to get into the debate at all with the League of Women Voters. Senator Powers asked Senator Burns to contact Mr. Sprague at CSG during the meeting to find out if there has been any movement on the presidential debate idea and she agreed that she would. Vice Chairman Gorham stated that there are already five debates scheduled and it is highly unlikely that they would accept another one on the topic of federalism, so our best chance is to get specific questions posed in the debate sponsored by the League of Women Voters. Hearing no objections, the motion was approved. Senator Burns stated that the Committee is restructuring the presidential questionnaire for congressional candidates for distribution to the state chairmen for use in their states. She added that the Committee is interested in the possibility that the political parties might consider adding something to their party platform regarding federalism. She stated that they are proposing to work with the other Steering Committee members to have numbers two and three from the States Federalism Summit Statement incorporated into party platforms. She said that with the support of ALEC and the other four organizations we might be able to get this on the party platforms. She then moved the proposal with Senator Martin giving the appropriate second and the motion was approved without objection.

**Meetings and Conventions** - Senator Powers deferred to Mr. Boutilier for explanation of the Committee report. Mr. Boutilier stated that the Committee proposes to hold the 1996 NOC at the Capitol Hilton and the 1997, 1998 and 1999 NOCs being held at the Renaissance. He added that the dates are set through the year 2000. They also recommend that ALEC eliminate the National Leadership Summit and replace it with two things: 1) a springtime Board meeting; and 2) increase the number of focus/task force meetings around the states in the early part of the year and in the late winter. He stated that it is very difficult to get legislators to attend the NLS and to raise money and

it ends up detracting from the Annual Meeting. He added that the Annual Meeting for 1997 has been booked in New Orleans for the third week in August with only two hotels, the Sheraton and the Hyatt, that will handle well over 1,800 rooms. Senator Powers stated that since the Committee meeting that it has been brought to his attention that the rates at the Capitol Hilton are \$20 higher per night than the Renaissance and that the food is higher as well and Mr. Boutilier confirmed that. He then stated that he was hesitant to recommend the Hilton since the Renaissance is cheaper and available. Mr. Scheberle questioned the status of the obligation to the Ritz Carlton. Mr. Boutilier stated that it is being bought down with task force meetings there and Washington meetings, with the next meeting to be held there being the fall Board meeting, which has been expanded to a leaders' meeting. He stated that this expenditure, with one caveat being worked out through the attorneys, should end ALEC's obligation. Senator Johnson questioned whether there are two choices for the NOC, the Hilton and the Renaissance, and Mr. Boutilier stated that yes, there are. Senator Johnson then asked why that choice could not be made at this time as opposed to a conference call and Mr. Boutilier responded that it can be done today. Senator Johnson stated that at an NOC, ALEC pays the costs and with the Hilton being \$20 higher per room as well as higher meals this could add up to seriously higher costs. Mr. Boutilier stated that he had recommended that we go with the Renaissance who offered a multi-year fixed rate, which is about 20% less than the Hilton and the Hilton opted out of the multi-year package saying we were getting too big for their facility. He said that with the projected numbers for 1996 and the fact that they competitively bid the meeting, the Hilton was still considered but they opted out of the bidding for the out years, however, they are 20% higher. Senator Johnson asked how much more that would be in dollars and Mr. Boutilier responded that it would be about \$60,000 more with 100% of the cost being borne by ALEC. Vice Chairman Gorham asked for a show of hands of those who wanted to go to the Capitol Hilton and three raised their hands. He then asked for a show of hands for the Renaissance and it became apparent that the majority preferred to go to the Renaissance. Senator Powers then moved that ALEC not hold an NLS in 1997 and in lieu of that, a Board meeting and other leadership meetings be held. Representative Oakley gave the appropriate second and the motion was approved without objection. Vice Chairman Gorham stated that the Committee has recommended Chicago for the 1998 Annual Meeting as it will be the 25th anniversary meeting. Mr. Boutilier stated that the Capitol Hilton and Towers and the Palmer House have been chosen as the hotels for the third week in August. Senator Powers moved the recommendation with Representative Oakley giving the appropriate second. Mr. Poynter questioned whether these dates conflict with the meetings of other organizations. Mr. Boutilier stated that this date is not in conflict with any other meetings and dates will no longer be presented to the Board when they are in conflict with the meetings of other groups. The motion was approved without objection. Mr. Boutilier then said that the Committee recommends that a letter be sent to all Board members and state chairmen soliciting recommendations for locations for meetings in the years 1999, 2000 and 2001 and in the meantime he will be looking into locations at Nashville, Arizona, San Francisco and Seattle as possibilities. He added that as recommendations come in, they will be added to the list and presentations will be made to the sub-committee and then to the full Board. At the request of Vice Chairman Gorham, Senator Powers moved, with Representative Oakley giving the appropriate second, to give Mr. Denning the authority to negotiate for venues for fundraising dinners or affairs throughout the rest of the year. The motion was approved without objection. Ms. Cahill questioned whether plans for fundraising for the 1997 and 1998 annual meetings have been started as there doesn't seem to be a very active Illinois delegation. Mr. Boutilier stated that there has already been one meeting in Louisiana and the Host Committee is being put together and they are aware of the fundraising obligation. He added that now that the Board has given approval for the Chicago meeting, they can begin to plan for it as well.

**By-Laws** - Senator Johnson stated that there doesn't appear to be any need to make changes in the by-laws at this time to allow the position of Chairman Emeritus to be created, however, there could be the possibility of future revisions at which time the Board will be notified well in advance.

**Membership** - Speaker Hogue deferred to Mr. Watson for the presentation of the Committee Report. Mr. Watson referred to the brief two-page report from the Committee that shows that over \$350,000 has been committed as a result of the membership drive. He added that staff advised him that this has been the most successful Board fundraising effort in the history of ALEC. He

said that only about half of this money is in and they will be working hard to get the rest of it in. He sadly pointed out that only about half of the Board members have actively been involved in this campaign, however, many members have indicated that they have been extremely busy and still intend to get commitments. He asked Vice Chairman Gorham if the deadline for the Failor Challenge can be extended to the first day of the Annual Meeting as momentum is picking up and he feels that the additional time can help us reach our goal of \$500,000. Representative Oakley moved to extend the deadline for the Failor Challenge until the Annual Meeting with Mr. Halvorson giving the appropriate second. Mr. Poynter stated that although the Failor challenge has been very successful, it is dangerous to give individuals credit for securing new members. He added that it is better not to give credit and just worry about getting new members. Senator Johnson said that he disagrees with Mr. Poynter as people need to be encouraged to get additional memberships and giving recognition to those that do only encourages them to do more and motivates those that have not assisted. He also complimented Mr. Watson and his committee on their great work on the project. Mr. Watson apologized for failing to mention that Senator Martin also informed him of a commitment from Virginia Power, Commonwealth Gas and Norfolk Southern for at least \$6,000 total. He added that if anyone is having trouble getting hold of him, please feel free to talk to Tammy in his office or call him at home on the weekend. Ms. Cahill questioned what kind of net gain we have this year in members. Mr. Parde stated that it is in the cover memo from the monthly financial statements. Ms. Cahill then asked if this \$350,000 counts toward the \$1.5 million we need or is she understanding correctly that this doesn't relate to the \$500,000 we need by July. Mr. Denning responded that the latter is correct and to raise the kind of money we need we would need to bring in 100 members at the \$5,000 level. Senator Cantu stated that he has been told by the ethics board in his state that he cannot solicit money for any non-profit organization, except for one mailing to encourage people to join ALEC and he asked for advice from the Board members. He said that he was told by someone in his state that if it is so important, maybe the state should pay for it. Vice Chairman Gorham stated that states have made appropriations to ALEC from time to time and maybe he should attempt to get a solicitation from his state. With no objections, the motion to extend the Failor Challenge deadline was approved. **Task Forces** - Mr. Poynter stated that his Committee is trying to clarify the language in the Task Force Operating Procedures and they hope to have a proposal before the Board at the Saturday meeting.

Vice Chairman Gorham reminded everyone that there is a Board meeting Saturday afternoon. Mr. Parde stated that the meeting begins at 2:00 p.m. at the Hyatt in Buckeye Room A & B on the third floor.

### FUTURE MEETINGS

Vice Chairman Gorham stated that the issue of future meetings has already been covered, however, he gave a brief overview of the Annual Meeting in Newport. He said that the meeting starts on the evening of July 30 with the Leadership Dinner; Wednesday, July 31 is golf, tennis, skeet shoot and beach party with the opening reception at Eisenhower House at Fort Adams that evening; Thursday morning is the opening breakfast, plenary sessions, luncheon, and state night that evening; Friday morning breakfast, plenary sessions, luncheon, task force meetings and Summerfest at the yachting center that evening; Saturday morning breakfast, plenary sessions, luncheon, task force meetings and the annual awards banquet at Marble House with the dessert and dancing sponsored by Philip Morris immediately following; Sunday morning program at Trinity Church, Board meeting and an informal awards program that evening for the Board being arranged by Mr. Goldberg. He added that the Board members should plan on staying through Sunday for the Board meeting and the informal awards banquet. Ms. Cahill said that if anyone from your state has not made arrangements for state night, they should do it now and not wait until the week before. Vice Chairman Gorham stated that there are still rooms available in Newport and if anyone needs assistance getting a room, please let him know as soon as possible. Mr. Auger questioned whether rooms were being held at the host hotels for the Board members and Mr. Parde stated that this is correct and everyone should have received confirmation letters. Representative Oakley questioned who to contact to set up dinner reservations and Vice Chairman Gorham said to contact Mr. Boutilier, however, if they have problems, contact him personally.

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Vice Chairman Gorham asked Mr. Denning to wrap up the meeting. Mr. Denning asked Mr. Rasley to say a few words to the Board. Mr. Rasley stressed three points: 1) the challenge before ALEC is about message, not about money - it is about continuing the work that ALEC has been doing; 2) we need to be creative and to think beyond the old-fashioned ways that people raise money, identifying some new profit centers for ALEC; and 3) we need to recognize that fundraising involves everyone--when the organization succeeds, everyone benefits. He thanked everyone in advance for their participation in this effort. There being no further business, Vice Chairman Gorham adjourned the meeting at 3:45 p.m.

Respectfully submitted,



Representative Carolyn Oakley  
National Secretary