

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL
JOINT BOARD OF DIRECTORS MEETING**

March 21, 1997

Stations Casino Hotel, Kansas City, MO

The meeting was called to order at 9:00 AM by Chairman Bonnie Sue Cooper. In attendance were:

Legislative Members:

Rep. Bonnie Sue Cooper, Missouri
Speaker Bobby Hogue, First Vice Chair, Arkansas
Sen. Ray Powers, Colorado
Sen. Jim Dunlap, Oklahoma
Rep. Susan Wagle, Kansas
Rep. Carolyn Oakley, Second Vice Chair, Oregon
Sen. Philip Hoffman, Michigan
Rep. Donna Jones, Idaho
Sen. Ray Haynes, Treasurer, California
Rep. Steve McDaniel, Tennessee
Sen. Billy Hewes, Mississippi
Sen. George Doc Gunther, Connecticut
Rep. Donald Ray Kennard, Louisiana

Private Sector Members:

Mr. Al Auger, Coors Brewing Co., Chairman
Mr. David Halbrook, New Hope Foundation
Mr. Ron Scheberle, GTE, Immediate Past Chairman
Mr. Jeff Lane, Procter and Gamble
Mr. Edward Failor, Iowans for Tax Relief, Secretary
Mr. Les Goldberg, American Express
Mr. Pete Poynter, Bell South
Mr. Jerry Watson, Natl. Assn. Of Bail Insurance Companies
Ms. Marie Chelli, Joseph E. Seagram and Sons
Mr. Roger Mozingo, RJ Reynolds
Mr. Scott Fisher, Philip Morris Corp. - for Tina Walls
Mr. Dick Costigan, Pfizer Inc. - for Charles Hardwick
Mr. Alan Cobb, Koch Industries - for Mike Morgan

ALEC Staff:

Mr. Duane Parde, Executive Director
Mr. Brad Boutilier
Ms. Beverlee Lee, Director of Finance
Mr. Neil Willoughby
Mr. Andrew Lang, Independent Auditor of Lang and Assoc.

CALL TO ORDER

The meeting was called to order at 9:00 AM by National Chairperson Bonnie Sue Cooper. The minutes of the December 4, 1996, Board meeting were voted on and approved, as corrected, following the motion of Sen. Ray Powers and second by Rep. Carolyn Oakley.

NATIONAL CHAIRMAN'S REPORT

Task Forces

Rep. Bonnie Sue Cooper, the National Chairman, reported on a long list of accomplishments for the first quarter. Cooper noted that all 800 legislators appointed to ALEC Task Forces received letters of appointment for the first time ever. A schedule of Task Force meetings was provided to the Board. Cooper said that 100 people attended the Health and Human Services Task Force summit on Kassebaum-Kennedy in Dallas, including 90 legislators from 36 states.

Publications and Projects

Cooper said ALEC published the following: two State Factors on tort reform, and one on Kassebaum-Kennedy, and a State Legislator Guide on Teacher Empowerment. More than 600 legislators signed an ALEC letter to Congress urging passage of the federal balanced budget amendment and ALEC lead the effort to get over 200 economists to sign a similar letter, said Cooper. She said ALEC is now focusing on states calling a limited convention under Article V of the Constitution.

Cooper noted that ALEC has published three editions of FYI, held a media campaign regarding the BBA during which David Halbrook represented ALEC, and published a series of commentaries in newspapers nationwide on ozone emissions. The Prospectus kit has been updated and upgraded and the ALEC website is up, Cooper said. She said the Exhibitor guide has been upgraded and mailed for the annual convention and that everyone should be getting their annual meeting brochure within the next two weeks.

Finances

Cooper said ALEC's primary goal for the year is to achieve financial security. She thanked Philip Morris, RJR, and UPS for their critical gifts above their usual contribution level. She also thanked Koch Industries and E&M Charities for their loans. The Board was provided with a list of the 14 new Private Sector members added this year. Cooper thanked Jerry Watson for his effort on membership with the State Chairs. Cooper said each Task Force has been given the challenge of adding five new national members per Task Force. Cooper thanked the Louisiana host committee for their continuing and successful efforts at fundraising for the national meeting.

Cooper said six state membership focus events have been held with two others planned. She noted that Director Duane Parde has been getting out to states to recruit new members and raise ALEC's profile. Parde gave a speech on devolution at a Governing magazine conference and he spoke in Ohio to the Center for Urban Progress. Cooper also noted Parde has overseen the total restructuring of the ALEC budgeting and finance system in the first quarter, as well as writing the first ever ALEC business plan.

PRIVATE ENTERPRISE REPORT

Mr. Al Auger, Chairman, said that the strong leadership of the past and current ALEC Chairs has assured that private sector members will be in ALEC for the long haul. Auger announced the following "sit-in" attendees: Scott Fisher for Philip Morris, Dick Costigan for Pfizer, and Al Cobb for Koch. Auger said Monita Fontaine resigned from the Distilled Spirits Council and there is not an automatic replacement by Distilled Spirits. Tina Walls of Philip Morris relocated to Europe, she was First Vice Chair.

Auger announced the new Private Enterprise Officers, as follows: Chairman Al Auger, First Vice Chair Mike Morgan of Koch Industries, Second Vice Chair Harry Winters of UPS, Treasurer Les Goldberg of American Express, Secretary Ed Failor of Iowans for Tax Relief, and Immediate Past Chair Ron Scheberle of GTE.

Auger said that Finance Committee work on the proposed budget left many feeling it was the best budget ever produced by ALEC and that the Business Plan was a big asset.

EXECUTIVE DIRECTOR REPORT

Budget

Mr. Duane Parde, Executive Director, said the budget prepared over the last 2 ½ months was a total staff effort which started with zero base and examined historical trends. Parde reviewed the proposed budget noting that Section 1 was pie charts of revenue and expenses (p A1), Section 2 is the unaudited 1996 actual budget and a 1997 comparisons projection, Section 3 is the 1997 Cash Flow Projection, and Section 4 is a 1997 Department by Department budget.

ALEC is projecting nearly \$5.8-million in 1997 revenue with approximately \$5.3-million in expenditures leaving a year end surplus of about \$476,000. Parde said primary budget features include the following:

- a 10% decrease in expenses in 1997 from 1996,
- a \$100,000 increase in Task Force revenue, earned from activities such as the Kassebaum Kennedy conference,
- an expected 2,260 paid registrant attendance at the New Orleans conference,
- an increase of \$160,000 in exhibitor fees,
- a substantial decrease in consulting fees due to non-renewal of several contracts from 1996,
- and entertainment should be the single largest decrease in expense due to no need for tent rentals for the Annual meeting.

Parde noted that the 1997 draft budget provides monthly totals and reflects the new integration of ALEC accounting, budgeting, and the business plan. Parde says the budget also shows yearly revenue flow, noting the largest income months are March through June with largest expenses, generally, in August through October and December. He said the Departmental budgets, by month, are presented, including sources of expenses and revenues in each. Parde said the format is approved by Andrew Lang and Assoc. Parde

added that if ALEC reaches the \$400-thousand plus surplus for the year, the organization would still have an overall small negative balance from previous years' debts. Parde opened the Floor for questions.

Rep. Donna Jones thanked Parde for the best ALEC documentation she had ever seen.

Mr. Jerry Watson asked about the fact that it appears a Director of Development is budgeted. Parde said that position is budgeted at last year's level and a search is ongoing. Mr. Al Auger said some private sector members have concern over that position and would like some input in the selection for two reasons: 1) ALEC gets buy-in from the private sector members, and 2) it takes some heat off the Director. Parde said the search is generating applicants through ads and supporters. He hopes to narrow the prospective applicants to three to five and put the selection to the appropriate Board members.

Mr. Pete Poynter thanked Parde for a budget he can understand. Parde introduced Neil Willoughby who is working with Beverlee, and doing a great job.

Sen. Ray Haynes said the budget is a great document and he requested quarterly actuals be provided to the Board for comparison with the budget. Parde said that would be done.

Sen. Ray Powers said the Federalism budget may fall a little short due to the fact that in the past they received \$6,000 of \$10,000 from a private sector member who is no longer a member. Parde said that the Federalism Task Force will be busy working with NCSL, CSG, and NGA on the Federalism Summit II in November in Virginia with a goal of drafting legislation.

Mr. Andrew Lang, Auditor, noted the budget is not actual numbers, it is just a projection. He said the format is the best in the business and state of the art for the Association business. Lang said Duane Parde's leadership made it a reality.

Scott Fisher asked why legislative dues were projected down 50%, why exhibitor income was projected up 500%, and why insurance increased? He also asked what could be done to bring publication expense in line with revenue. Parde said the legislative decrease was due to an increased processing of 2 and 4-year pre-pays, but he thought the projection would be exceeded. He said the increased insurance budget was due to the fact that he was probably going to recommend an insurance upgrade in the future. In regard to publication expense, Parde said some revenue could be made through ad sales, but the publications are primarily a service so the trend will likely continue. Parde said that a goal of 71 Annual meeting exhibitors has been set and a goal of 40 at the NOC. He said that Exhibitor increase has been set as a primary goal and that ALEC is determined to do it. Parde explained that the Exhibitor Prospectus has been re-done and would be mailed before NCSL's.

Mr. Ron Scheberle asked for details on the Scholarship account. Parde explained that it reflects projected revenues from the states, as well as an internal transfer to make up for past borrowing from the account.

Business Plan

Parde said the Business Plan provides an overview of where we are, where we're going, and how we intend to get there as an organization. The sections include an Overview, a Market Analysis, Missions and Goals, a Development Plan, a Financial Plan, and a Budget Summary. Parde said the Development Plan is to increase private membership by 20%, with 14 members picked up so far which puts us on track. He said the Financial Plan details the 10% planned expense reduction and the new internal accounting and financial controls.

Sen. Ray Powers asked for an update on legislative members. Parde said we have about 3,000 and are receiving renewals. Mr. Les Goldberg said the document is fantastic and long overdue. He asked if specific staff had been assigned to each goal listed on Page 11. Parde said it will be done next week, after the document is approved.

Parde said ALEC is working to "beef-up" the Task Forces by identifying key and potential issues like Kassebaum-Kennedy. He hopes to have additional similar summits. He says these are efficient for staff and financially profitable. Parde said every Task Force staff person has identified 5 potential new members who are being invited to attend a meeting to observe. Parde added that Chairman Cooper has asked that the Agri-Business Task Force "beef-up" due to environmental threats, issues, etc.

Goldberg said the document should be the Board focus and that each item and goal should be reported on at each meeting. He expressed concern that the document did not address the issue of "buying access." Parde said he shares that concern and outlined the following as ways ALEC is steering clear of that charge: 1) fundraising for general, rather than specific, support, and 2) task force operating procedures have been changed to limit exposure in that area, such as fundraising is now done yearly, rather than per event. Mr. Pete Poynter said its important to emphasize that contributors have input, but not sole selection over speakers etc. He added that he wants to make sure staff is trained in this regard at every level. Parde said that has been done and that there will be no publication or policy this year without full task Force approval. Andrew Lang pointed out that ALEC is a 501 (c) (3) which is basically educational, not trade, and so ALEC must be positioned as an educational, policy development, general support organization promoting Jeffersonian principles and he feels that is how Duane Parde is leading.

Cooper noted that the Board would vote and likely approve the document, but added that it s an open, working document which needs everyone's continued input. The 1997 ALEC Budget was approved and adopted by vote following a motion by Rep. Carolyn Oakley and second by Sen. Philip Hoffman. The ALEC Business Plan was approved and adopted by vote following a motion by Rep. Donna Jones and a second by Oakley.

The Board approved adjournment for lunch on a motion by Oakley, seconded by Hoffman. Cooper announced the meeting would reconvene at 1:00 PM.

AFTERNOON SESSION

CALL TO ORDER

At 1:00 PM, Cooper called the meeting to order.

AUDITOR'S REPORT

Mr. Andrew Lang said the Board and Council have gone from bad management to good management with responsibility. He said a 2-person Finance Department is good, but it may not be enough. He said the Board should expect and demand regular financial updates. He said to meet the budget the Board must prioritize membership and exhibitors. He said non-profits need a "boss" with the Board supporting such a strong manager. Non-profits tend to grow through layers, said Lang, and, when cutting, a studied, programmatic approach is preferable to a standard, across-the-board cut. The preferred approach was used here, said Lang. He said staff morale appears to be up and suggested evolution of future business plans may involve departmental staff more.

Goldberg asked at what point ALEC could begin reserves and contingency planning. Lang said that if this budget is close to correct, the next budget cycle should include reserves.

Scheberle asked Lang if we were now making money in the areas he previously identified as areas where we should be making money. Lang said this budget is close to where he sees other associations on conference fundraising and he added that money could be made off of small educational conferences. Lang said he has been unable to figure out why corporate membership is not exploding, except lack of drive. He said exhibitors are "found" money and should be promoted.

Poynter noted that Task Forces are now not covering their costs because we are figuring the cost correctly. For example, we are now charging each Task Force with the cost of computer bill tracking by their staffer. He asked if dues could be adjusted. Cooper said each Task Force is trying to identify "hot topics" to generate enough interest to cover costs. Scheberle agreed that the new documentation may aid in a new dues structure or assessment within the Task Forces. Lang added that by new rule and effort, non-profits must allocate overhead to the appropriate programmatic item. Goldberg asked for details on the new member effort. Cooper said the challenge to State Chairs is 2 new members each. Lang said Cooper may consider sending a letter to all Task Force Chairs saying "Should this Task Force exist?" "If it didn't, would it be reinvented?" "If so, how?"

Jones asked if we are utilizing teleconference calls. Parde said internal controls have been adopted to force pre-planning and coordination between Task Forces on meetings.

Goldberg asked if there was room for an additional fundraiser in each state, beyond the scholarship. Fisher said ALEC keeps tapping the same people. Goldberg said any meeting which included the state's Governor and legislative leadership would draw people. Hogue suggested concentrating on the mini-summits. Brad Boutilier said ALEC is working with every State Chair and every scholarship fund is close to being in the black. When this is complete, he said, all State Chairs will be asked to submit next year's plan.

MEETINGS AND CONVENTIONS COMMITTEE

Sen. Ray Powers said they are doing long-range planning with the year 2000 tentatively scheduled at the San Francisco Marriott. He said ALEC is spearheading a long-range planning effort with other organizations to decrease conflicts. The 1997 NOC conflicts with CSG in Hawaii. ALEC is trying to work a deal to use the Renaissance in election years for the NOC, using a smaller hotel in the off-years. ALEC is also working on a deal with the large chains for multiple meetings.

Boutilier detailed the new Exhibitor effort. He said we have a competitive price that has been researched, we have exhibit space proximate to the meeting space, and we have upgraded our exhibitor services. He announced future dates and locations, as follows:

1. August 12 - 16, 1997: Annual in New Orleans
2. August 18 - 23, 1998: Annual in Chicago
3. August 10 - 15, 1999: Annual in Nashville Opreyland
4. August 8 - 13, 2000: Annual in San Francisco
5. December 3 - 7, 1997: NOC at Renaissance
6. December 2 - 6, 1998: NOC at Renaissance
7. December 9 - 12, 1999: NOC
8. December 6 - 10, 2000: tentative NOC date
9. December 5 - 12, 2001: tentative NOC date

Boutilier said he felt ALEC gained prominence among the organizations by spearheading the event calendar planning effort. Haynes said California enters session the first Monday in August and their members cannot attend when in session. Jeff Lane asked the party convention schedules also be checked. Boutilier said it's being done.

Annual Meeting - New Orleans

Boutilier said it is coming in on budget and within the strategic plan without any quality downgrade. He said he wants feedback on quality after the annual meeting. Poynter asked what could be done for state nights for states with delegations to small or with cumbersome lobbying restrictions. Discussion yielded the result that Boutilier would help coordinate some co-mingling and some of that was already occurring. Cooper volunteered that they could also be invited to the Chairperson's night which is Missouri night.

Registration packets will go out in early April. Boutilier said ALEC has plenty of hotel space and that everyone should be encouraged to stay in a host hotel (Sheraton and Hyatt) or ALEC loses money. He said the Board and staff will be at the Hyatt. He said plenty of

state blocks are available. Oakley said bad reservations experiences in Newport make it necessary for us to publicize new events. Auger suggested the Prospectus needs to mention the Public and Private Sector National Chairs.

Kennard said commitments are at about \$401,000. He said Louisiana goes in session on March 31 and planning will pick up then. He said New Orleans event planning should be done through Pat Denechaud or Jennifer Cook at (800) 899-1191. He said attire will be all casual, tropical wear except the awards banquet which will be traditional business wear. Head tables will be business wear. Kennard's number is (504) 261-7382 (his aide is Mary).

The Board voted to adjourn following a motion by Oakley and second by Kennard. Cooper said the meeting would reconvene at 9:00 AM on March 22, 1997

CALL TO ORDER

Cooper called the meeting to order at 9:00 AM on March 22, 1997.

TASK FORCE REPORTS

Task Forces Task Force

Rep. Steve McDaniel said Task Forces will concentrate on identifying cutting edge issues. At each meeting, Chairs will be asked to include a tour, demonstration, etc. The rule regarding positions will be enforced such that no position will be expressed without having the approval of the appropriate Task Force. McDaniel said FYI articles on Task Force meetings will be expanded to include a listing of agenda items for upcoming meetings. He said reimbursement procedural changes had been made to ensure timely payment of dues and reimbursing in a timely fashion.

The Task Force Committee suggests a more aggressive approach to removing and replacing legislators who have two unexcused absences for Task Force meetings since many states having waiting lists for membership. In addition, he said appointments for Task Force vacancies need to be timely and should consider those lawmakers active in introducing ALEC legislation. He said they want Task Force Chairs to be more active about recognizing those who are active and productive on the Task Forces. He said they want to continue timely provision of press releases after Task Force meetings.

Scheberle asked if Task Force Chairs would be approached about the fact that they are not covering their costs. McDaniel said they just became aware of the problem at this meeting, but would take it up. Dunlap said Oklahoma's State night is by invite only so it can be kept to just those companies who support the Task Forces and the state delegations. Powers asked how we would fund the Education Task Force. Parde said mainly through foundations.

Cooper said ALEC needs to do a better job of tracking model bills introduced by the Task Forces. Poynter said that sometimes the majority of a Task Force's work is influencing federal debate, with a need for state legislation coming later.

Auger said that each Task Force dues structure is different and the new figures warrant a review of those dues. He recommended showing the numbers to the Task Force Chairmen for feedback. Poynter said Task Forces which meet the challenge of getting five new members may alleviate their own problem. Hogue suggested the staff be charged with bringing back recommendations. Cooper concurred that staff should have financial recommendations prepared for the annual meeting.

Federalism Task Force

Mr. David Halbrook outlined the Federalism Summit II effort. He said Sens. Ray Powers and Brenda Burns are members of the Federalism Steering Committee, which includes members of ALEC, CSG, NCSL, and NGA. A November 1997 summit is planned to discuss and finalize language of a State-Federal Partnership Act. A listing of this steering committee's events and goals was provided to the Board. The overall goal is to provide states with a method and mechanism of direct access to the federal government on legislative matters.

He said the Task Force is also working on model immigration policy, as well as issues of federal land policy.

Membership

Mr. Jerry Watson said their original plan was to oversee each State Chair's effort to get two new members. He said the Task Force Committee is now going to coordinate and track the Task Force new members goals. The Membership Committee will track the State Chair goals and will use the Executive Board to work with the State Chairs.

Scheberle asked if ALEC had lost any members. Parde said ALEC lost four members, three were utilities. Powers said the new membership packet looks fabulous. Hoffman suggested getting the general membership involved in some sort of incentive program for getting new members. Parde and Watson will discuss this idea. Parde and Watson said the Membership Committee will send out interim statistical reports on the progress of these member efforts. Fisher suggested the membership packet should include a copy of the 501 (c) (3) tax letter. Parde said the tax status is mentioned in the packet and the letter is provided as needed.

NATIONAL CHAIR COUNCIL APPOINTMENTS

Cooper said this Council was created in September and includes the Private Enterprise and Public Chairs, up to five private members, all previous public chairs serving on the Board, and legislative members. Cooper said that in December she appointed herself as Chair, Rep. Dale VanVyven (OH) as Vice Chair, and the following legislative members: Sen. Ray Powers, Speaker Harold Brubaker, Sen. Owen Johnson, and Sen. Bill Raggio. She also appointed Mr. Al Auger and Ms. Victoria Hughes of Koch Industries.

Cooper appointed Joanne Beyer of the Allegheny Foundation stating Beyer is active in ALEC education projects and the ALEC Report Card, the most quoted ALEC piece. Cooper also appointed Victor Porlier who does foundation and philanthropy work.

Poynter said this looks like more bureaucracy to him. Auger said foundations wanted to see strong governance, financial oversight, and the opportunity for advice and counsel. Mr. Edward Failor supported that view quoted for foundations. Hoffman suggested perhaps the Council be sunsetted. Auger noted that page 13 of the Bylaws outlines this organization and that each person has term limits. Poynter asked why people serving on the Board should be on the Council. Parde said the former Chairs have thorough financial knowledge and are helpful to the financial mission of this group. Scheberle said their advice and counsel adds to the security of the organization and their counsel was important during the most recent E.D. turnover.

Rep. Susan Wagle noted that with the federal environment unfriendly to 501 (c) (3)'s, we need to be prepared for 'attack' and this will help. Dunlap noted that the Council will be a retention tool for foundations. He said Oklahoma's Noble Foundation will be coming on board and I know I want to be assured they'll work with us for four to five years.

The appointment of Beyer was voted on and approved following a motion by Oakley and a second by Haynes. The appointment of Porlier was voted on and approved following a motion by Haynes and a second by Oakley.

OTHER BUSINESS

Cooper said the Awards Committee should begin work on the Thomas Jefferson Award. Hewes said it was his first meeting and he thanked the Board for the opportunity to serve.

The meeting was approved to adjourn following a motion by Oakley and second by Haynes.

ADDENDUM TO MINUTES:

At the call of the Chair, the Executive Board met following the adjournment of the Joint Board meeting. Cooper said the Executive Board wishes to publicly state its unanimous pleasure with the work done and progress made under the leadership of Executive Director Duane Parde. Cooper said a review of Parde's continued work as Executive Director will be made at the Annual meeting.