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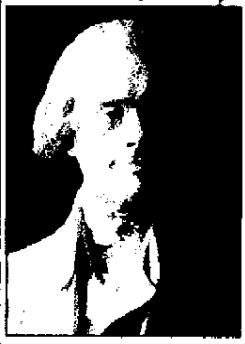
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**AMERICAN
LEGISLATIVE
EXCHANGE
COUNCIL**

**Jeffersonian
Principles
in Action**

Serving America's State Legislators for 25 Years

1998 Business Plan

A large collage of black and white images of various state capitols and government buildings. The collage is divided into four quadrants by text overlays: "Free Markets" (top-left), "Limited Government" (top-right), "Federalism" (bottom-left), and "Individual Liberty" (bottom-right). The central image shows a large, ornate building with a central dome and many windows, possibly the U.S. Capitol or a similar grand structure.

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AMERICAN LEGISLATIVE EXCHANGE COUNCIL

1998 BUSINESS PLAN

This document contains confidential and proprietary information belonging exclusively to ALEC

11/24/97

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Executive Summary

The American Legislative Exchange Council

The American Legislative Exchange Council (ALEC) was established in 1973 by a small group of Democratic and Republican state legislators who shared a common commitment to the Jeffersonian principles of free markets, limited government, and individual liberty.

ALEC's credo is that the private sector should be an ally, not an adversary, of state legislators. Through ALEC, legislators and the private sector work in a dynamic partnership to develop public policies that harness the immense power of free markets and free enterprise to encourage economic growth, increase the nation's competitiveness, and improve the quality of life for all Americans.

Today, ALEC has grown to become the nation's largest individual membership association of state legislators, with 3,000 members in all 50 states, and 280 private sector members and contributors.

ALEC brings the states and the nation together through conferences, seminars, publications, and its nine policy Task Forces. Each provides a unique opportunity for legislators to communicate across state lines, share experiences and ideas, and work in unison with the private sector to create effective public policies.

Legal Description

ALEC is classified by the Internal Revenue Service as a 501(c)(3) non-profit public policy and educational organization. The business location of ALEC is 910 17th Street, NW, Fifth Floor, Washington, D.C.

Governance/Management

ALEC is governed by a National Board of Directors, which is comprised of twenty-one (21) state legislator members. A Private Enterprise Board, comprised of a similar number of representatives of private sector members of ALEC, supports the activities and advises the National Board of Directors. In addition, a National Chairman's Council was established in 1996 to provide the Board of Directors with advice concerning the financial management of the organization.

In terms of staff, the Executive Director serves as the chief administrator and directs all the activities of the organization as prescribed by the Board of Directors. In addition, an in-house management team, comprised of Department Directors, provides oversight regarding the program functions of the organization.

Market Analysis

With 3,000 state legislator members from both political parties, joined by 280 private sector members, ALEC is uniquely positioned as a legislative network that crosses geographic, political, and economic lines. As a policy organization dealing with state-federal relations and devolution, ALEC's influence reaches into all levels of government. No other organization in America has as

many valuable assets, in both people and ideas, in as many key decision-making positions as does ALEC.

Programs & Services

ALEC's success and effectiveness in influencing public policy is due largely to the programs and services it offers to its members. ALEC offers education, shared experiences, analysis, research, and a resource center to help its members develop model legislation and effective public policies.

Task Forces

ALEC's nine policy Task Forces provide a forum for legislators and the private sector to discuss issues, develop policies, and draft model legislation. The nine Task Forces are: Criminal Justice; Civil Justice; Education; Energy, Environment, Natural Resources, & Agriculture; Commerce & Economic Development; Trade & Transportation; Telecommunications & Information Technology; Health & Human Services; and Tax & Fiscal Policy. Each Task Force is co-chaired by a public and private sector member of ALEC.

Publications

ALEC publishes a wide array of books, white papers, and newsletters on the issues and policies being debated in the states. In 1998, ALEC will greatly expand its communication capabilities by opening and maintaining an in-house website page on the Internet. ALEC publications include *The Source Book of American State Legislation*, *Legislative Issue Briefs*, the *State Factor*, *Special Reports*, such as the *Report Card on American Education*, and *FYI*. These publications and additional information on ALEC events and activities will be made available on the website.

Conferences

In 1998, ALEC will hold two major national conferences, providing workshops on current issues with leading experts, public figures and elected officials. The two national conferences planned for 1998 are the Annual Meeting, August 18-23, in Chicago, and the States and Nation Policy Summit, December 2-6, in Washington, DC.

Resource Center

All ALEC members have access to the Resource Center for their information and networking needs. ALEC's staff provides data, research, analysis, model legislation, scholarly articles, reference lists, and expert testimony on a wide spectrum of issues.

Media Relations

ALEC provides its members with a variety of media relations services, including guest commentaries and news releases. In 1998, ALEC will expand its media relations operations to include special television commentaries broadcast weekly to a national audience on NET, a talk radio outreach program, including an Annual Meeting Radiothon.

Mission Statement

The mission of ALEC is to advance the Jeffersonian principles of free markets, limited government, federalism, and individual liberty among America's state legislators.

Development Plan

Responses from our members (both public and private) indicate that ALEC enjoys a good reputation in policy development, member services, and conferences. We fully intend to continue this trend.

It is vital that ALEC focus on realizing its strong potential for future growth in private sector membership. Expanding the private sector membership base is critical for two reasons: (1) to ensure that the views of a broad spectrum of the business community are expressed during our policy development process; and (2) maintain financial stability. Our development goal in 1998 is to increase by 40 the number of private sector members and foundations that belong to or support ALEC.

In addition, in 1998 ALEC will launch a special pilot project in five states to develop State Leadership Teams to improve member services, coordinate educational campaigns, and provide new leadership opportunities for ALEC members.

Financial Plan

Maximizing our financial resources through sound investment strategies, and implementing procedures to manage revenue and expenses according to budgeted parameters is the goal of ALEC's financial plan in 1998. Through sound business practices, ALEC will continue to meet its financial obligations, and build the necessary financial reserves for future growth and expansion.

Conclusion

ALEC enjoys an established track record of membership services, productive meetings and conferences, and cutting-edge policy development. The level of support and satisfaction from our members is strong and encouraging. We intend to continue our advances in member services, membership recruitment, policy development, and improved financial management procedures. In this manner, ALEC can take full advantage of the historic opportunity it faces during its 25th Anniversary.

ALEC OVERVIEW

Legal Business Description

ALEC is classified by the Internal Revenue Service as a 501(c)(3) non-profit public policy and educational organization incorporated under the laws of the state of Illinois. The business location is 910 17th Street, N.W., Fifth Floor, Washington, D.C. 20006.

Governance

ALEC is governed by a National Board of Directors, which is comprised of twenty-one (21) state legislator members. The Board of Directors is chaired by a National Chairman who is selected by the Board of Directors to serve a one-year term. A Private Enterprise Board, comprised of a similar number of representatives of private sector members of ALEC, supports the activities and advises the Board of Directors. In addition, a National Chairman's Council has been established to provide the Board of Directors with sound advice concerning the financial management of the organization. The National Chairman's Council is comprised of the National Chairman, up to four former National Chairmen serving on the Board of Directors, the Chairman of the Private Enterprise Board, and up to six private sector ALEC members nominated by the National Chairman, and confirmed by the Board of Directors.

1998 Board of Directors

Officers

National Chair	Speaker Bobby Hogue (AR)
First Vice Chair	Rep. Carolyn Oakley (OR)
Second Vice Chair	Sen. Ray Haynes (CA)
Treasurer	Sen. Brenda Burns (AZ)
Secretary	Rep. Steve McDaniel (TN)
Immediate Past Chair	Rep. Bonnie Sue Cooper (MO)

Board Members

Speaker Harold Brubaker (NC)	Sen. Jim Dunlap (OK)
Sen. George Gunther (CT)	Sen. William Hewes, III (MS)
Sen. Philip Hoffman (MI)	Sen. Owen Johnson (NY)
Rep. Donna Jones (ID)	Rep. Donald Ray Kennard (LA)
Sen. Ray Powers (CO)	Sen. William Raggio (NV)
Sen. Dean Rhoads (NV)	Assemblyman Robert Straniere (NY)
Rep. Tom Uher (TX)	Rep. Dale Van Vylen (OH)
Rep. Susan Wagle (KS)	

1998 Private Enterprise Board

Officers

Chair	Allan E. Auger, Coors Brewing Company
First Vice Chair	Michael K. Morgan, Koch Industries
Second Vice Chair	Harry Winters, United Parcel Service
Treasurer	Les Goldberg, American Express
Secretary	Edward D. Failor, Sr., Iowans for Tax Relief
Immediate Past Chair	Ronald F. Scheberle, GTE Telephone Operations

Private Enterprise Board

Jane Cahill, U.S. Generating Company
Marie Chelli, Joseph E. Seagram & Sons, Inc.
Richard Costigan, Pfizer Inc
Barry Coughlin, Ford Motor Company
John Del Giorno, Glaxo Wellcome Inc.
Scott Fisher, Philip Morris Management Corp.
Kip Howlett, Chlorine Chemistry Council
Jeffrey Lane, Procter & Gamble
Kurt Malmgren, PhRMA
Frank Messersmith, Skelding, Labasky, Corry, et al
Roger Mazingo, R.J. Reynolds Tobacco Company
Pete Poynter, BellSouth Telecommunications, Inc.
J. Patrick Rooney, Golden Rule Insurance Company
Ray Thompson, Amoco
Jerry Watson, NABIC

1998 National Chairman's Council

Officers

Chair	Speaker Bobby Hogue
Vice Chair	Rep. Bonnie Sue Cooper

Members

Sen. Ray Powers	
Speaker Harold Brubaker	
Sen. William Raggio	
Sen. Owen Johnson	
Sen. Jim Dunlap	
Rep. Dale Van Vyven	Victoria Hughes, Charles G. Koch Charitable Foundation
Al Auger, Coors Brewing Company	Victor Porlier, Council on Culture & Community
Joanne Beyer, Allegheny Foundation	
Ronald F. Scheberle, GTE	

Management

The Executive Director serves as the chief administrator, and directs all the activities of ALEC according to the policies set by the Board of Directors. In addition, a management team, comprised of six Department Directors, oversees the program functions of the organization. While most of the management team is in place, a Director of Development is needed to complete the team. Candidates for this position are being interviewed. Resources permitting, additional support staff may be needed in Public Affairs, Development, and Policy.

Management Team

Executive Director	Duane A. Parde
Director of Finance	Beverlee A. Lee
Director of Membership/Conferences	Brad Boutilier
Director of Policy	John Shanahan
Director of Public Affairs	Noel Card
Director of Project Development	Roop Mohunlall
Director of Programs	Lining Burnet
Office Manager/DIS	Denise Winston

MARKET ANALYSIS

Market Definition

For 25 years, ALEC has been providing America's conservative state legislators with policy analysis, research and model legislation intended to promote the Jeffersonian principles of free markets, limited government, federalism and individual liberty. Today, ALEC is the nation's largest individual membership organization of state legislators; forty percent of all state legislators in America belong to ALEC.

Strengths

With 3,000 state legislator members from both political parties in all 50 states, joined by 280 private sector members, ALEC is uniquely positioned as a legislative network that crosses geographic, political, and economic lines. As a membership/policy organization dealing with state-federal relations, ALEC's influence reaches into all levels of government and business.

No other organization in America has as many valuable assets, in both people and ideas, in as many key decision-making positions as does ALEC. Among the leadership of America's state legislatures, ALEC members have an impressive presence: 48 Speakers and Speaker Pro Tems; 28 Senate Presidents and Senate Pro Tems; 31 Senate Majority and Minority Leaders; and 41 House Majority and Minority Leaders. In addition, twelve sitting governors are alumni of ALEC, as are more than 80 Members of Congress.

ALEC is the perfect conduit to advocate policy solutions developed in the states to the national level. Since its founding in 1973, ALEC has amassed an unmatched record of accomplishing ground breaking changes in public policy. Why? Because unlike most other think tanks and public policy institutes, which are largely academic in nature, ALEC members are the decision makers in their respective states. When ALEC develops policy proposals and model legislation, they are introduced by our members, laws are passed or repealed, and real change occurs.

Today, ALEC is the most effective delivery mechanism for conservative policy alternatives at the state level. In this regard, the last complete legislative cycle was by far the most successful in ALEC's history for its model legislation. The number of bills introduced in the states consistent with ALEC model legislation totaled 1,647, with 365 achieving enactment, for a success rate of 22 percent.

As we approach a new century, ALEC is positioned to play an even more important role in shaping our nation's future. Indeed, ALEC's potential is virtually unlimited. Devolution of power from the federal government to the states is a political reality. Regardless of whether the federal government is run by liberals who want to mandate programs to the states, or by conservatives who want to return control of programs to the states, one thing is clear: *The role of state legislators in managing the public policy challenges of the 21st century will only increase.*

Programs and Services

ALEC is the most dynamic public-private partnership in America today. Because ALEC legislative members are dedicated to economic growth and less government intervention in the marketplace, they see business as an ally rather than an adversary. With the nation's economic competitiveness challenged as never before, ALEC's public-private partnership, dedicated to encouraging economic growth, is setting the nation's agenda for the 21st century.

National Task Forces

ALEC's nine National Task Forces serve as public policy laboratories where model legislation and policies are discussed and approved for dissemination to legislators across the country. The Task Forces also commission and publish research, write issue papers, and sponsor workshops at ALEC meetings. Unique to the Task Forces is their public-private partnership, a synergistic alliance that identifies issues and then responds with common-sense, results oriented policies. State legislators welcome their private sector counterparts to the table as equals, which allows both groups to work in unison developing policies that benefit all Americans. ALEC's nine Task Forces are listed below:

- *Civil Justice*
- *Commerce and Economic Development*
- *Criminal Justice*
- *Education*
- *Energy, Environment, Natural Resources and Agriculture*
- *Health and Human Services*
- *Tax and Fiscal Policy*
- *Telecommunications and Information Technology*
- *Trade and Transportation*

Conferences

ALEC will convene two national conferences in 1998, with workshops on current issues featuring leading experts, public figures and elected officials. These conferences are a great opportunity for state legislators and business leaders to meet and exchange ideas and policies that effectively promote the free enterprise system.

- *25th Annual Meeting, August 18-22, Chicago, Illinois*
attended by 3,000 state legislators, senior business executives, and renowned policy experts, the Annual Meeting is the largest gathering of common sense conservatives held each year.
- *States and Nation Policy Summit, December 2-5, Washington, DC*
Hundreds of newly elected and veteran state lawmakers will meet to be briefed by experts on the issues facing the country prior to the start of the new legislative sessions.

Publications

ALEC's publications are the showcase for innovative and in-depth analyses and policies produced by ALEC's National Task Forces and members. The issue papers, books and model legislation provide legislators and policy makers with a comprehensive legislative agenda to advance policies based on Jeffersonian principles.

- *FYI*
A news magazine published 16 times per year containing news briefs and in-depth articles on state and national issues. Beginning in 1998, *FYI* will include conference pre-registration and member renewal information.
- *The State Factor*
White papers on the critical issues facing America's lawmakers. Recent issues include tort reform, electric utility industry restructuring, and telecommunications deregulation and taxation.
- *The Source Book of American State Legislation*
Published every other year, the Source Book contains 344 model bills on a wide range of issues.
- *Issue Briefs*
Concise briefing papers on 258 key topics.
- *Issue Analysis*
Brief policy analyses on specific issues important to ALEC members.
- *ALEC Alert*
Briefing papers on a critical and timely issue.
- *Legislative Update*
Summaries of bill introductions and enactments in the states, by issue area.
- *Report Cards and Special Studies*
State-by-state analysis of critical issues, including crime and education.
- *ALEC Website*
A home page containing issue updates, publications, and a calendar of events. The website can be reached through the Internet at <http://www.alec.org>. ALEC's website will be expanded and managed in-house in 1998.

Resource Center

Members have access to ALEC's Resource Center for information and networking needs. ALEC's expert staff provide data, research, analysis, model legislation, scholarly articles, reference lists and expert testimony on a wide spectrum of issues.

Media Relations

ALEC provides its members with a variety of media relations services, including guest commentaries, news releases, and special announcements. These services encompass:

- *View from the States*
Commentaries prepared which discuss a timely issue as part of a special project. Distributed nationally or to targeted states or regions.
- *Media Member Services*
News releases for members are routinely prepared and distributed announcing special awards and appointments, and general news releases on ALEC events.
- *News Conferences*
ALEC holds a number of news conferences each year either highlighting a policy issue or event.
- *NET Commentaries*
Weekly three minute television commentaries on important state and national issues featuring ALEC members and staff.
- *Talk Radio Outreach*
Outreach project to talk radio, including an Annual Meeting Radiothon.

Internet Projects

Beginning in 1998, ALEC will greatly expand its Internet capabilities, thereby making our publications, special reports, Task Force schedules, and conference information instantly available to more than 60 million Internet users in the United States. This will not only widen accessibility to ALEC activities geometrically, but also allow for updates and additions to our publications throughout the year in a timely and cost efficient basis. We will also expand our e-mail and fax back services to improve our ability to deliver information electronically at reduced costs.

To accomplish this goal, ALEC must make major investments in Internet infrastructure and consulting to develop and maintain its website. This investment will not only create short-term savings in printing, publication and postage costs, but will also reap significant savings in the future. We will be working with our members in the telecommunications and information technology industry to develop our Internet projects.

The goals for this program in 1998 include:

- 1) The development and maintenance of an ALEC in-house website by the end of the year.
- 2) The *Source Book of American State Legislation* will be instantly accessible to the public through the ALEC website or through the Heartland Institute's PolicyFax system (which would be linked with the ALEC website). The *Source Book* would cease to be published as a book, offering savings of approximately \$85,000 over the normal 2-year publishing cycle. In addition, with *Issue Briefs* on the website it would preclude ever publishing this in book form again. All ALEC publications and policy statements could be updated instantly.

The majority of state legislatures are now connected with the Internet. ALEC members, or interested parties, will be able to receive information electronically directly from their offices at the push of a button. Among other services, as the Internet project develops we will add dedicated web pages for conference information and Task Force activities.

MISSION and GOALS

The mission of the American Legislative Exchange Council is to advance the Jeffersonian principles of free markets, limited government, federalism, and individual liberty among America's state legislators.

Goals

1998 marks ALEC's 25th Anniversary. Throughout the year, ALEC will grow as a highly visible organization recognized as the nation's premiere non-partisan, public-private membership association of conservative state legislators and America's leading corporations, associations and foundations. We will have hosted two successful major national conferences, conducted more than 20 productive Task Force meetings, hosted 2 national issue summits, published 25 policy papers, reports and issue updates, implemented a pilot program to improve member services by creating leadership teams in five states, and vastly expanded our Internet communications program and media relations operations. We also will have increased revenue, met our financial obligations, and placed the organization in a positive financial position for future growth and expansion.

Objectives and Strategies

To meet these goals, the following objectives and strategies need to be achieved by December 31, 1998. The means to achieve these objectives and strategies are presented in the 1998 budget, and are identified by a corresponding business plan (BP) number.

- A. Development. Develop and maintain revenue streams to support the budgeted activities of ALEC, and provide resources for future growth.
 - A1. Increase the private sector member base by 40 corporate and foundation supporters.
 - A2. Identify foundations to support projects that are essential to the furtherance of ALEC's mission.
 - A3. Work with ALEC leaders, Task Forces and utilize conferences to attract new private sector members.
 - A4. Work with ALEC members and staff to identify new fund raising opportunities.
 - A5. Increase corporate member base by targeting companies that are active in other state government affairs organizations, but not ALEC.
 - A6. Increase the corporate donor base by networking through existing member trade associations.
 - A7. Add additional professional and support staff in Development to improve ALEC's fund raising potential.

- B. Public Affairs. Conduct an on-going communications program that integrates all departments of ALEC to promote policies based on Jeffersonian principles among elected officials, the private sector, and the general public, and ALEC's institutional goals and objectives.

- B1. Increase the size and scope of *FYI* by expanding the standard page count from 16 to 24 pages, increasing the number of editions from 12 to 16, increasing advertising revenue to meet budgeted parameters, and including conference pre-registration sections and member renewals in the publication.
- B2. Expand the publications fulfillment service to generate more subscriptions and promote ALEC's visibility.
- B3. Maximize media outreach through a comprehensive media relations operation, media projects for meetings and conferences, special events and member services, and proactive/general media campaigns.
- B4. Develop a communications program using the Internet, e-mail, and fax back services to greatly expand ALEC's ability to deliver information electronically at a reduced cost (i.e., *Source Book*).
- B5. Create and maintain an ALEC website in-house.
- B6. Write speeches, talking points, and scripts for ALEC events which effectively communicate ALEC's mission and policies.
- B7. Develop video productions to provide promotional and policy information to members and prospects at meetings and events, including the 25th Annual Meeting, States and Nations Policy Summit, and a special video "Serving America's State Legislators."
- B8. Manage general printing operations to achieve cost savings.

C. Membership. Enlist state legislators from all parties and members of the private sector who share ALEC's mission.

- C1. Recruit and enlist state legislators that share ALEC's Mission.
- C2. Develop and provide services to ALEC members, including managing state scholarship accounts, maintaining accurate member rosters, scheduling membership events, generating attendance and participation in ALEC events, and promoting the benefits of belonging to the organization.
- C3. Continue to enhance the quality, accuracy, and flexibility of the database in order to provide improved services in terms of generating and maintaining current data on the status of members, dues, and addresses.
- C4. Develop and utilize demographic and related survey responses to provide improved services.
- C5. Create leadership teams in 5 states to improve member services and enhance leadership opportunities.
- C6. Develop and enhance the capability of communicating with/and among the Board, the State Chairs, Task Forces, and individual members.
- C7. Implement an alumni membership program and enhance communications with those who hold elected offices, including Members of Congress and governors, to improve ALEC's visibility.
- C8. Work with the State Chairs and ALEC Development staff to recruit/retain private sector members (2 new per state).

D. **Task Forces.** Conduct a policy making program that unites members of the public and private sectors in a dynamic partnership to support research, policy development, and dissemination activities, and prepare the next generation of political leadership through educational programs on the principles of Jeffersonian democracy.

- D1. Ensure that each Task Force holds productive meetings, with an average of 20 legislators attending each meeting.
- D2. Identify key issues that are not addressed in current model legislation or policy statements and work with the appropriate Task Force to ensure that such issues are addressed during the year's meetings and appropriate positions are ultimately adopted on the issues.
- D3. Work with members to identify 2-3 major issues per Task Force and develop comprehensive educational projects, and work to ensure funding for the projects.
- D4. Ensure that Task Force staff are knowledgeable in their respective issue areas, able to respond to member requests, participate in media events, give speeches, testify at legislative hearings and prepare substantive articles and papers as part of ALEC's communications program. Become the nation's best source of information on the status of state laws and bills relating to the major issues in the projects.
- D5. Develop and approve Operating Budgets and drafts of the Programming Budgets during each Task Force's summer meeting, and finalize the plans early each fall.
- D6. Work with Task Force members and with the Development Department to recruit and maintain private sector members (5 new per Task Force).
- D7. Work with the members and Membership Department to identify effective legislators who are currently not on Task Forces and follow proper procedures to get them nominated and appointed to a Task Force.
- D8. Ensure adherence to the *Task Force Operating Procedures*, particularly with regard to Chairman and Executive Committee responsibilities, membership requirements, and meeting procedures. Educate members on the *Procedures*.

E. **Conferences.** Plan and conduct substantive, well attended meetings and conferences which will promote ALEC's mission, and make a positive financial contribution to the organization.

- E1. Implement a zero-based budget system for all meetings and conferences, with a goal of operating quality events with at least a net positive margin of 15%.
- E2. Act as the central meeting and conference booking agent for all travel and accommodations to obtain maximum discounts and cost savings.
- E3. Create and maintain a master calendar of events/activities to facilitate early planning for events, and ensure that dates for ALEC events do not conflict with

those of other state organizations.

- E4. Develop and implement sufficient internal and external controls to ensure that all cost centers are on budget and are being tracked for use in on-going and future meeting planning and budget projections.
 - E5. Work with the Illinois Host Committee and Development staff to recruit new members and sponsors for the 25th Annual Meeting.
 - E6. Work to ensure maximum attendance/registration at ALEC conferences and events in order to meet budgeted parameters.
 - E7. Conduct a successful marketing campaign to ensure that exhibitors participate in ALEC conferences and events in order to meet budgeted parameters.
 - E8. Assist the Membership Department and Task Forces in planning and completing effective and fiscally prudent state and/or regional Focus Events to enhance membership recruitment/retention and in promoting ALEC policy initiatives.
- F. General & Administrative. Implement an internal financial control and reporting system that obtains certainty in expenditures, and provides timely and accurate information to management to enhance their decision making ability.
- F1. Develop and maintain programmatic annual budgets.
 - F2. Develop and maintain monthly budget performance reports which show how every department is meeting its financial targets.
 - F3. Work with the Board of Directors and the National Chairman's Council in managing ALEC's financial operations.
 - F4. Continue to integrate and maintain ALEC's budget and accounting systems.
 - F5. Maintain a system of financial controls, including a purchase order system (P.O.), that obligates funds against budget and informs management of purchases before funds are obligated.
 - F6. Manage ALEC's finances in a prudent manner to generate interest income.
 - F7. Follow amortization/payment schedules to meet all outstanding loan obligations.
 - F8. Develop and maintain a cumulative cash contribution analysis.

DEVELOPMENT PLAN

ALEC enjoys a good reputation in policy development, member services, and in hosting productive, well-organized meetings and conferences. We fully intend to continue this trend, and leverage ALEC's strengths to recruit new members, and maintain a strong base of support for the organization.

In 1998, we will undertake an aggressive private sector membership recruitment/retention campaign. Expanding the private sector membership base is critical for two reasons: (1) to ensure that the views of a broad spectrum of the business community and concerned foundations are expressed during policy development deliberations; and (2) financial stability for the organization. With a current private sector membership base of more than 280 corporations and foundations, there is tremendous potential for ALEC to recruit new private sector members among Fortune 500 companies and foundations with policy concerns at the state level.

Leadership Teams

In addition to recruiting new private sector members, we also plan to undertake a special pilot program in five states in 1998 to enhance the services and leadership opportunities provided to ALEC's public sector members. The concept for this plan, called State Leadership Teams, is to provide a cadre of members in selected states to advance ALEC's Mission by:

- 1) Providing a structure for ALEC members to be effective advocates through improved communications and educational programs.
- 2) Establishing a mechanism for recruiting, organizing, and training ALEC members to be future leaders in an era of term limits.
- 3) Enhancing ALEC's leadership structure in the states.

The Leadership Teams would be comprised of 7 to 10 members in each state. The teams would consist of the ALEC State Chair, a Membership and Meetings Coordinator, the Private Sector State Chair, a Legislative Policy Coordinator, a member of House Leadership, a member of Senate Leadership, a Public Affairs Coordinator, and an ALEC Board member, if applicable.

Preliminary work on establishing Leadership Teams has been undertaken in California, Michigan, and Oklahoma. In addition to these states, we plan to add Ohio and Colorado to the list of states for establishing Leadership Teams in 1998. The five states identified for this pilot project in 1998 are: affected by terms limits; the percentage of legislators that belong to ALEC in each state is at or above the national average; have a Board member in each state; and ALEC members hold key leadership positions in the respective legislatures. A more detailed description of the Leadership Team plan is provided on page 20.

Private Sector Development Plan

ALEC's private sector development plan is geared to enhance, promote, and support the fact that the policy decisions that impact the economy and lives of all Americans are increasingly being made at the state level, and that ALEC provides free market oriented state legislators and the private sector a unique forum to work together to solve the complex challenges facing the states and the nation.

The goal of the development plan this year is to increase by 40 the number of corporate and foundation members/supporters of ALEC. In this connection, we have implemented a five-step approach to maintain and expand the membership base. This effort covers: Member Retention/Renewal; New Member Recruitment; 25th Anniversary Campaign; Foundations; and New Policy initiatives.

- 1) Member Retention/Renewal. ALEC currently enjoys a private sector membership base of 280 companies and foundations. These companies are being contacted with regard to renewing their membership, and other sponsorship opportunities. The response rate to this effort has been positive.

- 2) New Member Recruitment. A campaign to recruit new private sector members using the Task Forces as recruitment vehicles will be launched, as well as a program to enlist the support of the State Chairmen in identifying and recruiting new members.
 - **Task Forces**. We are promoting the activities of the Task Forces to potential new members along industry lines and issue areas. As such, we are working with the members of each Task Force to identify prospective members and invite them to attend a Task Force meeting or related events. The goal in this effort is to attract 5 new private sector members per Task Force.

 - **State Chairs**. Membership information, complete with target lists of prospective private sector members has been distributed to all the State Chairmen. The goal of the State Chairmen's effort is for each state to recruit 2 new private sector members, or 100 overall.

 - **Prospects**. 50 companies have been identified that are active in other state legislative organizations, but not in ALEC. Given the demonstrated interest of these companies in state affairs, this group represents an ideal class of candidates for membership in ALEC. Efforts to expand our private sector member base by networking through existing member trade associations will also continue.

- 3) 25th Anniversary. ALEC has an excellent opportunity to utilize its 25th anniversary, as well as the approaching new millennium, as an opportunity to raise financial support not only for the Annual Meeting, but for long-term institutional improvements and information

management modernization. Therefore, we have developed a three year fund raising concept based on securing financial gifts of \$25,000 each from key prospects, and to increase the overall contribution level of current donors to \$25,000 in general support, or unrestricted donations. This plan, *The 25th Anniversary Plan for the 21st Century*, is outlined on the following page.

- 4) New Policy Initiatives. We have undertaken efforts to increase private sector participation in ALEC through new policy projects. For example, we currently plan to host a special summit on Public Pension Fund Reform in February of 1998, as well as a series of special focus events on electric industry restructuring during the 1998 legislative sessions.
- 5) Foundations. ALEC currently receives financial support from 17 foundations. These resources are important to support policy projects that are essential to ALEC's mission. For 1998, we have prepared grant requests to support activities in connection with the Education Task Force, the Balanced Budget Amendment, welfare reform, and labor issues. We will also work closely with members of the National Chairman's Council on securing increased participation and support from foundations. ALEC's improved financial condition should also improve our ability to approach foundations for financial support.

The 25th Anniversary Plan for the 21st Century

Concept

ALEC has an excellent opportunity to utilize its 25th anniversary, and the approaching millennium, as an opportunity to raise financial support for needed capital improvements, information management modernization, and long-term growth. Therefore, we have developed a three-year fund raising plan based on securing gifts of \$25,000 each from key prospects, and a strategy to increase the contribution level of current donors to at least the \$25,000 per year in general support, or unrestricted donations.*

For new and current private sector members, an annual general support contribution of \$25,000 will cover a "season pass" of special benefits, including membership at the Washington Club level, program support and a voting position on a Task Force, and sponsorship of the Annual Meeting and the States and Nation Policy Summit at the Director's level. Financial investments in other specific events, projects, or general support contributions at different levels would be recognized according to the current parameters. This fund raising endeavor will start on January 1, 1998 and conclude on December 31, 2000.

Plan

ALEC will contact current and prospective members by industry and issues, as well as foundations and individual donors that may have an interest in investing in the organization. We will also recruit legislative and private sector volunteers to help make presentations to interested parties. The 1998 Annual Meeting in Chicago will mark the first major event milestone in the fund raising effort, with the States and Nation Policy Summit in December marking the second target. Marketing brochures and videos will be specially prepared to facilitate the campaign.

Time line

- December 2, 1997. Presentation of the concept to the National Chairman's Council.
- December 3, 1997. Presentation of the concept to the Board of Directors.
- December 3, 1997 to January 31, 1998. Selection of Campaign Chairman and staff to further develop and implement the plan.
- February 1 to August 23, 1998. Implementation of Phase I of the Campaign (25th Annual Meeting).
- August 23 to December 6, 1998. Implementation of Phase II of the Campaign (States and Nation Policy Summit).
- December 7, 1998 to December 31, 2000. Implementation of Phases III-IV of the Campaign.

* 45 corporations and foundations currently contribute \$25,000 or more overall to ALEC annually.

State Leadership Teams

I. Concept

A special pilot project, called State Leadership Teams, has been developed for implementation in five states in 1998 to enhance the level of services and leadership opportunities provided to ALEC public sector members. The State Leadership Teams would be composed of 7 to 10 members in each state. The purpose of the project is to provide a cadre of members to advance the ALEC Mission by:

- 1) Providing a structure for ALEC members to be effective advocates through improved communications and educational programs.
- 2) Establishing a mechanism for recruiting, organizing, and training ALEC members to be future leaders in their states in a era of term limits.
- 3) Enhancing ALEC's leadership infrastructure in the states.

II. Proposed Pilot States

<u>State</u>	<u>Term Limits</u>	<u>% ALEC Members</u>	<u>Leaders/Governor *</u>
California	Yes	30%	Yes/No
Michigan	Yes	46%	Yes/Yes
Oklahoma	Yes	41%	Yes/Yes
Ohio	Yes	46%	Yes/No
Colorado	Yes	73%	Yes/No

(* ALEC members serve in legislative leadership positions; current governor is a former ALEC member.)

III. Formation

The State Leadership Teams will be composed of the following:

1. The ALEC State Chair (and/or Vice Chair) is the head of the Leadership Team and is to maintain liaison with the public sector members and the ALEC Executive Director, and sponsor at least one public sector event each year.
2. Membership & Meetings Coordinator. To assist the State Chair and ALEC Membership

staff in recruitment and retention of members, and to manage state delegation room blocks and related matters regarding ALEC events.

3. **Private Sector State Chair(s).** To maintain liaison with private sector members and ALEC Development staff, and manage at least one private sector membership event each year.
4. **Legislative/Policy Coordinator.** To serve as a liaison with members of ALEC Task Forces in the state and ALEC Policy staff, and coordinate educational campaigns. In addition, the incumbent will prepare periodic synopsis of Task Force issues/activities in the state for distribution to appropriate ALEC members and staff.
5. **House Leadership member.** To serve as a link with ALEC members and staff on issues that may relate to ALEC activities/events.
6. **Senate Leadership member.** To serve as a link with ALEC members and staff on issues that may relate to ALEC activities/events.
7. **Public Affairs Coordinator.** To coordinate the release of ALEC information at the state level in consultation with the State Chair and ALEC Public Affairs staff. The incumbent would also serve as a point of contact to ALEC to identify individuals or issues that may warrant more exposure to ALEC in general.
8. **ALEC Board member (if applicable).** The Board member will serve as a liaison with the ALEC Board of Directors and the Leadership Team. If there is no Board member in a state, then the State Chair may assume this function.

IV. Implementation

Implementation of the program will require a number of measures, which have been incorporated in the 1998 budget. First, there will be an on-site meeting with each Leadership Team during the first quarter of 1998. The meeting will serve to organize the Leadership Team, and identify issues worthy of attention in 1998. This could be followed by special Focus Events or similar activities relevant to the issue(s) of concern. Such measures may include special public relations programs to advocate ALEC's policy positions, and to provide greater visibility for members of the Leadership Team.

Follow-up meetings will be required throughout the year in each state to consolidate either the formation of the Leadership Teams or a policy issue. Also, this can serve as means to generate greater expertise among ALEC members on key issues, which they can then address at ALEC conferences. This can result in giving members of the Leadership Teams national exposure on the issues at hand. As part of this program, dedicated scholarship funds would be provided to the Leadership Teams for attendance at the Annual Meeting and States and Nation Policy Summit, with the subsequent exposure, educational opportunities, and speaking opportunities.

National Membership Levels and Benefits

MEMBERSHIP \$5,000
240 Members.

ALEC members receive:

All publications
Annual Recognition in FYI magazine
Three contacts on Mailing List
Task Force Qualification Status
Member Discount Registration at ALEC Annual Meeting
Discount on Exhibit Booth at ALEC conferences

WASHINGTON CLUB \$10,000
8 Members.

Washington Club members receive:

All publications
Task Force Qualification Status
Three contacts on Mailing List
Annual Recognition in FYI magazine
10% Discount Above and Beyond Member Registration Fee at All ALEC Meetings
Discount on Exhibit Booth at ALEC conferences

FRANKLIN CLUB \$15,000
6 Members.

Franklin Club members receive:

All publications
Task Force Qualification Status
Three contacts on Mailing List
Annual Recognition in FYI magazine
Discount on Exhibit Booth at All Meetings
VIP photo opportunities at ALEC meetings
15% Discount Above and Beyond Member Registration Fee at All Meetings

MADISON CLUB \$25,000
17 Members.

Madison Club members receive:

All publications
Task Force Qualification Status
Three contacts on Mailing List
2 Task Force Voting Memberships

Discount on Exhibit Booth at conferences
VIP photo opportunities at ALEC meetings
25% Discount Above and Beyond Member Registration Fee at All ALEC Meetings
Annual Recognition in FYI magazine
Discount Advertising Rates in FYI magazine
One Head Table Seating at Annual Meeting
Reserved Table Seating for five people at all ALEC conferences

JEFFERSON CLUB \$50,000

10 Members.

Jefferson Club members receive:

All publications
Task Force Qualification Status
Three contacts on Mailing List
2 Task Force Voting Memberships
Discount on Exhibit Booth at ALEC conferences
VIP photo opportunities at ALEC events
50% Discount Above and Beyond Member Registration Fee at All ALEC Meetings
Annual Recognition in FYI magazine
Discount Advertising Rates in FYI magazine
One Head Table Seating at Annual Meeting
Reserved Table Seating at all events
Special Recognition at All Conference Events under Organization's name

1998 Annual Meeting Host Committee Member Contributions and Benefits

\$30,000 Host Committee Chair

VIP Host Committee Reception with members of ALEC's Board of Directors
Listed as Co-Sponsor of Selected Special Events
Full recognition in the Annual Meeting program as Host Committee Chair
Work closely with National ALEC Leadership on Annual Meeting Planning
Three complimentary registrations
VIP photo opportunities with dignitaries
Head table seating at an appropriate event
Input into workshop topics and speakers
Complimentary Membership (for non-members)

\$20,000 Host Committee Vice Chair

VIP Host Committee Reception with members of ALEC's Board of Directors
Listed as Co-Sponsor of Selected Special Events
Full recognition in the Annual Meeting program as Host Committee Vice Chair
Two complimentary registrations
VIP photo opportunities with dignitaries
Head table seating at an appropriate event
Complimentary Membership (for non-members)

\$10,000 Host Committee President

VIP Host Committee Reception with members of ALEC's Board of Directors
Full recognition in the Annual Meeting program as Host Committee President
One complimentary registration
Complimentary Membership (for non-members)

\$5,000 Host Committee Director

Full recognition in the Annual Meeting program as Host Committee Director
Complimentary Membership (for non-members)
Eligibility to serve on any of ALEC's Task Forces
Entitled to full use of ALEC's networking and research facilities
Receive all of ALEC's publications

\$2,500 Host Committee Trustee

Full recognition in the Annual Meeting program as Host Committee Trustee
Receive all of ALEC's publications

FINANCIAL PLAN

Maximizing our financial resources through sound investment strategies, and implementing procedures to manage revenue and expenses according to budgeted parameters is the goal of ALEC's financial plan for 1998.

Budget & Accounting System

In support of the business plan and budget, staff will continue developing improvements to ALEC's accounting system. ALEC's financial reporting system provides a detailed accounting of revenue and expenses in total and by each department, including breakdowns by functional areas. On a monthly basis, the Finance Department will provide management and members of the Board with financial statements that include monthly actuals compared to monthly budget projections, with dollar and percent variances. This information will also be provided in graphs for visual comparisons.

The 1998 budget and accounting systems have been fully integrated with the Business Plan. We are confident that this new system will provide management and members of the Board with complete and accurate financial information in a timely manner.

Balance Sheet

Entering 1998, ALEC's unaudited balance sheet is currently estimated to reflect \$1,727,890 in current assets, including cash of \$1,300,000, and \$1,266,357 in current liabilities, including accounts payable of \$600,000, state scholarships of \$368,546, a line of credit for \$150,000, and the current portion of certain equipment lease obligations totaling \$72,000. The long-term liabilities total \$700,000 and include \$440,000 to the Koch Foundation, \$70,000 to the Tax Education Support Organization, deferred rent liability of \$92,000, and the non-current portion of certain equipment lease obligations, totaling \$72,000.

ALEC's net asset figure (fund balance) as of December 31, 1997 is currently estimated at a positive \$50,000. If this proves out, we will have completely erased the \$540,000 deficit that ALEC carried over from the previous three fiscal years, and will begin 1998 in a positive financial position.

With a projected excess of revenue over expenses budgeted for the year ending December 31, 1998 of \$390,000, ALEC will end 1998 with positive net assets (fund balance) of approximately \$440,000.

During fiscal year 1998, ALEC will continue to make monthly principle payments of \$5,000 to the Koch Foundation, \$2,000 to the Tax Education Support Organization, approximately \$6,000 for various equipment leases, and will retire the \$150,000 line of credit in February. The loans from the Koch Foundation and the Tax Education Support Organization will come due in calendar year 1998. In addition, ALEC will attempt to repay \$200,000 during the year to the state scholarship account that will be due as of December 31, 1997.

In an effort to enhance ALEC's ability to effectively manage cash flow, the Finance Department will prepare monthly cash flow statements that reflect cash inflows and outflows, including debt payments. This statement will present the amount of cash in the bank at the beginning of the month, the net increase or decrease during the month, and the cash in the bank at the end of the month.

Controls

In 1998, ALEC will continue to maintain a series of strict internal controls and reporting systems to obtain certainty in expenditures, and inform management of proposed expenditures before funds are obligated according to budgeted parameters.

In this regard, a purchase order (P.O.) system will continue to be used by staff for all purchases. All purchase orders are coded by function and tied directly to the budget. Department directors have the authority within their budgets to approve purchases and expenses of \$200 or less. Items over \$200 require advance approval of the Executive Director. A similar system has been implemented for all travel and meeting expenses. In addition, monthly reports will be distributed to department directors to review their budget to actual figures, complete with variances. A list of internal control measures is provided below.

Internal Expense Controls

- **Purchase Order**
To purchase office supplies and equipment from office supply stores and/or services from approved outside vendors.
- **Expense Request Form**
To request overnight mailings, courier services and conference calls.
- **Check Request Form**
To receive reimbursements of out-of-pocket expenses; pay for equipment and services that cannot be purchased with a P.O. form (such as postage checks for mass mailings); and travel expenses.
- **Travel Request Form**
All travel must be pre-approved before flights, hotel and car rentals can be confirmed. Benefits of the American Express Rewards Program are used to the extent possible for member and staff travel.
- **Petty Cash Form**
For reimbursements of allowable out-of-pocket expenses, such as taxi cab fares, small emergency purchases, etc.

1998 Budget Summary

For 1998, total revenue for ALEC is estimated at \$6,543,822. Total expenditures are projected at \$6,152,214, for an excess of revenue over expenses of \$391,608. (For 1997, total revenue was estimated at \$5,794,432, and total expenses at \$5,317,983.16.)

Operating Revenue

General & Administrative. Total revenue for this category is estimated at \$36,000. This amount will be received through \$30,000 in interest income from CDs and the repurchase account. In addition, \$6,000 will be received through refunds and reimbursements.

Development. Total revenue for Development is estimated at \$1.9 million. This amount will be received from private sector membership dues and foundation grants.

Public Affairs. Total revenue for Public Affairs is estimated at \$12,000. This amount will be received through publication sales of \$6,000, and \$6,000 in advertising sales in FYI.

Membership. Total revenue for Membership is estimated at \$480,000. This amount will be received through \$300,000 in state scholarship contributions, which are segregated in separate accounts and directly offset in expenses, \$150,000 to sponsor the Leadership Teams project, and \$30,000 in legislative membership dues.

Task Forces. Total revenue for Task Forces is estimated at \$1,000,822. This amount will be received through \$391,500 in Task Force operating dues, \$441,822 and programming fees, and \$167,500 in foundation grants.

Conferences. Total revenue for Conferences is estimated at \$3,105,000. This amount will be received from \$2,525,000 in total revenue for the Annual Meeting, and \$580,000 in total revenue for the States and Nation Policy Summit.

Board of Directors. Total revenue for this category is estimated at \$10,000. This amount will be received from financial support for the Federalism Committee.

Operating Expenses

General & Administrative. Total expenses for this category is estimated at \$502,356. This amount includes \$43,967 in interest payments on loans from the Tax Education Support Organization, the Koch Foundation, and the line of credit and leases for office equipment. In addition, \$9,000 has

been allocated this year for staff training and education programs. Indirect overhead and salary and benefits has been budgeted at \$55,200 and \$394,188, respectively. During 1998, we anticipate allocating \$690,000 in overhead to ALEC's various departments. The allocation is based on a ratio of departmental direct expenses to total expenses of the organization.

Development. Total expenses for Development is estimated at \$390,973. This amount includes \$9,000 in registration and membership dues, \$32,000 in travel and related expenses, and \$30,000 in development related publications. Salaries, taxes and benefits, and overhead total \$319,973, which includes funding for one new full time employee.

Public Affairs. Total expenses for Public Affairs is estimated at \$839,873. This amount includes \$258,500 in various printing and publications, \$75,000 in media relations, \$70,000 for the NET television commentaries program, and \$95,000 for ALEC's new Internet project. Salaries, taxes and benefits, and overhead expenses total \$341,373, which includes funding for one new full time employee.

Membership. Total expenses for Membership is estimated at \$565,138. This amount includes \$300,000 in state scholarship account expenses, and \$78,390 in legislative membership recruitment/renewal activities. Salaries, taxes and benefits, and overhead expenses total \$186,748.

Task Forces. Total expenses for the Task Forces is estimated at \$1,457,868. This amount includes \$341,192 for Task Force meeting expenses, \$103,600 in issue summit/focus event expenses, \$38,961 in publications, \$41,360 in legislative updates, \$20,249 in resource center materials, \$57,003 in programs, and \$46,320 in grant related project expenses. Salaries, taxes and benefits, and overhead expenses total \$809,183, which includes funding for one new full time employee.

Conferences. Total expenses for Conferences is estimated at \$2,333,906. This amount includes \$1,550,400 in total expenses for the Annual Meeting, \$403,800 for the States and Nation Policy Summit, and \$11,250 in expenses for site visit meetings. Salaries, taxes and benefits, and overhead expenses total \$368,456.

Board of Directors. Total expenses for this category is estimated at \$62,100. This amount includes expenses for three full Board meetings, one Executive Committee meeting, and two National Chairman's Council meetings.