

March 19, 1993

MEMORANDUM TO THE LEADER

FROM: SUZANNE NIEMELA

RE: POLITICAL BRIEFING MATERIAL FOR ILLINOIS TRIP

1. Schedule
2. Illinois Republican State Committee Memorandum
3. 1992 Illinois Election Synopsis
4. Gov. Edgar's annual budget proposal (1994)
5. News articles
6. Dinner Attendees
7. Brunch Attendees
8. State Legislators/Photo-op

MAR 17 '93 05:22PM PATRICIA L. HURLEY

5.545

ILLINOIS REPUBLICAN STATE COMMITTEE DINNER

Dole attendees as of 3/17

Name	Co	Guest
Greg Baise	Illinois Manufacturers' Association	
Gary Bayer	Bayer Bess Vanderwarker	Jeanie Bayer
William Boone	PACE	Florence Boone
Dean Buntrock	Waste Management	Rosemarie Buntrock
Malcolm Chester	Pepsi Cola Bottling Company	
Cal Collier	Kraft General Foods, Inc.	Mary Collier
John Conrad	S & C Electric Company	Arllys Conrad
Patrick Daly	PFDA, Inc.	Shirley Daly
Rep. Lee Daniels		Pam Daniels
Bob Dixson	Illinois Bell	Joane Dixson
Sen. Bob Dole		
Craig Duchossois	Duchossois Industries	?
Tim Elder	Caterpillar, Inc.	Linda Elder
John Ellerman	Ellerman Companies, Inc.	Kathe Hull
John Elliott	Woodward Governor	Diane Elliott
Mary Alice Erickson	Office of Congressman Bob Michel	Keith Erickson
Cong. Tom Ewing		
Donald Fites	Caterpillar, Inc.	Sylvia Fites
Gayle Franzen	Donaldson, Lufkin & Jenrette	Margaret Franzen
Mike Glassner	Office of Senator Bob Dole	
Allan Hamilton	Hamilton Partners	
Cong. Dennis Hastert		
Richard Hofemann	Gay & Taylor, Inc.	
Manny Hoffman	Cook County Republican Chairman	
Graham Jackson	Nalco Chemical Company	Susan Jackson
Bob Jones	Amoco Corp.	Suzie Jones
Al Jourdan	State Republican Chairman	Carrie Jourdan
James Kenny	Kenny Construction Company	Margaret Kenny
Roger Kline	U. S. Department of Labor	Sam Hard
Robert D. Krebs	Santa Fe Pacific Corp.	Anne Krebs
Robert H. Malott	FMC Corp.	Elizabeth Malott
Congressman Bob Michel		
Jeffrey Moreland	Santa Fe Pacific Corp.	Nancy Moreland
Hon. Jack O'Malley	Illinois State's Attorney	
Alice Phillips	Chicago Title & Insurance	?
Sen. Pate Philip		Nancy Philip
John Rogers, Jr.	Ariel Capital Management, Inc.	Desiree Rogers
James Rose, Jr.	Premark International	Mary Ann Rose
Asif Sayeed	American HealthCare Providers	Shaheen Sayeed
William Sjostrom	Sjostrom & Sons, Inc.	Cal Covert
William D. Smithburg	Quaker Oats Company	
Harold Smith	Illinois Tool Works, Inc.	Denise Dowe
Marjorie Sodemann		George Sodemann
Doug Whitley	Illinois Bell	Steve Nines

03/19/93 15:47
2022248952

SEN BOB DOLE'S OFFICE, WICHITA

001

03/19/93

17:23

SENATOR DOLE SH-141 + 316 264 8446

NO. 582

Attn: *Dave Spears*

March 19, 1993

TO: SENATOR DOLE
FROM: BRET FOX
SUBJECT: UPDATE -- LOAN RATES AND FARMER OWNED RESERVE

IN CONVERSATIONS THIS AFTERNOON, IT APPEARS THAT THE WHITE HOUSE AND USDA ARE SERIOUSLY CONTEMPLATING REQUESTS BY THE LIKES OF CONRAD, HARKIN, KERREY, DASCHLE AND DORGAN TO RAISE COMMODITY LOAN RATES, POSSIBLY FOR 1993 CROPS. UNFORTUNATELY, SECRETARY ESPY HAS HIS PEOPLE LOOKING INTO THE SUGGESTION.

THE CONVENTIONAL WISDOM IS THAT THOSE SENATORS WENT AHEAD AND VOTED FOR THE BTU TAX LAST NIGHT BECAUSE THEY GOT A COMMITMENT FROM CLINTON/ESPY TO CONSIDER RAISING LOAN RATES AS A MEANS OF SUPPORTING FARM INCOME AND OFFSETTING THE IMPACT OF THE TAX.

AS PLANNED BY THE BUSH ADMINISTRATION, THIS YEAR USDA WILL BE OFFERING MARKETING LOANS TO PRODUCERS ENROLLED IN THE WHEAT AND FEED GRAINS PROGRAM INSTEAD OF THE REGULAR NON-RECOURSE LOANS. THE DIFFERENCE BETWEEN THE TWO IS THAT UNDER A NON-RECOURSE LOAN, IF PRICES DROP BELOW THE LOAN LEVEL THE FARMER MERELY FORFEITS THE GRAIN TO THE GOVERNMENT IN FULL PAYMENT OF THE LOAN. UNDER A MARKETING LOAN, IF PRICES DROP BELOW THE LOAN RATE, THE PRODUCER CAN PAY BACK THE LOAN AT A LOWER RATE, IN EFFECT RECEIVING A "LOAN DEFICIENCY PAYMENT." THE HIGH PLAINS DEMOCRATS WANT TO EXPLOIT THAT INCOME-TRANSFER UNDER A MARKETING LOAN BY RAISING THE BASIC LOAN RATE AND THEREBY INCREASING THE SIZE OF THE LOAN DEFICIENCY PAYMENT.

BECAUSE THE MARKETING LOAN UTILIZES A PAY-BACK MECHANISM INSTEAD OF GRAIN FORFEITURE, IT DOES NOT SET A PRICE FLOOR LIKE THE NON-RECOURSE LOAN DOES. THEREFORE, WE CAN'T MAKE THE COMPETITIVENESS ARGUMENT AGAINST RAISING MARKETING LOAN LEVELS. HOWEVER, IT WOULD COST A LOT OF MONEY AND IT DOES REPRESENT A FUNDAMENTAL CHANGE IN THE RATIONALE FOR OFFERING COMMODITY LOANS -- RATHER THAN A TOOL OFFERING A FARMER LIQUIDITY AT HARVEST TIME THEY WOULD THEN BE USED AS A MEANS OF INCOME TRANSFER FROM THE GOVERNMENT.

ALSO, LAST FRIDAY, ESPY USED HIS DISCRETION TO INCREASE 1992-CROP CORN ENTRY INTO THE FARMER-OWNED RESERVE FROM THE CURRENT 600 UP TO 900 MILLION BUSHELS. THE ABOVE DEMOCRATS ALSO ASKED CLINTON/ESPY FOR THEIR SUPPORT OF LEGISLATION ALLOWING DIRECT ENTRY INTO THE F.O.R. AT HARVEST TIME. THIS IS A TERRIBLE POLICY THAT INSULATES STOCKS FROM THE MARKET, REDUCES OUR ABILITY TO MEET MARKET DEMAND, AND GETS THE GOVERNMENT BACK IN THE BUSINESS OF MAKING COSTLY GRAIN STORAGE PAYMENTS.

March 19, 1993

TO: SENATOR DOLE
FROM: BRET FOX
SUBJECT: TALKING POINTS FOR CHICAGO FARM INTERVIEW

FOLLOWING ARE SOME GENERAL TALKING POINTS ON A NUMBER OF KEY CURRENT FARM ISSUES, INCLUDING THE ECONOMIC PACKAGE, RUSSIAN CREDITS AND TRADE (GATT AND NAFTA).

CLINTON'S ECONOMIC PACKAGE

SPENDING CUTS

CBO'S REVIEW OF PRESIDENT CLINTON'S PROPOSED CUTS IN DIRECT FARM PROGRAM SPENDING (CCC OUTLAYS) RESULTED IN A SAVINGS SCORE THAT WAS SIGNIFICANTLY LOWER THAN OMB'S. ACCORDING TO CBO, THE PLAN AS PRESENTED SAVES \$4.9 BILLION THROUGH FY-1998, COMPARED TO OMB'S ESTIMATE OF ALMOST \$6.9 BILLION. THE PROPOSED CUTS HAVE MAJOR DRAWBACKS MERELY FROM A POLICY PERSPECTIVE, A FEW KEY ONES ARE DETAILED HERE:

- INCREASE TRIPLE-BASE NON-PAYMENT ACRES. THIS WOULD BE IN ADDITION TO THE LARGE CUTS TAKEN JUST THREE YEARS AGO. IN CONJUNCTION WITH THE IMPACT OF A BTU TAX, THIS WOULD CUT FARM INCOME TO THE BONE AND PUT A LOT OF FARMS ON THE EDGE.
- \$100,000 OFF-FARM MEANS TEST. THIS WOULD DIRECT PROGRAM PAYMENTS ONLY TO THOSE WITH OFF-FARM INCOMES OF LESS THAN \$100,000. IT WOULDN'T LIKELY SAVE VERY MUCH MONEY, AS MOST WHO WOULD BE AFFECTED ARE ABSENTEE LANDLORDS WHO OPERATE ON A CROP-SHARE BASIS WITH THE TENANT AND THEREFORE RECEIVE DIRECT PROGRAM PAYMENTS. THESE LANDLORDS WOULD SIMPLY CHANGE TO A CASH-RENT BASIS SO THAT ALL OF THE PROGRAM PAYMENTS WOULD BE PAID OUT TO THE TENANT. ALL PRICE AND PRODUCTION RISKS WOULD THEN BE BORNE BY THE SMALL TENANT FARMER, THE EXACT PERSON THIS POLICY PURPORTS TO ASSIST.
- ELIMINATION OF 0/92 AND 50/92. ACREAGE ENROLLED IN THESE PROGRAMS IS NOT HARVESTED, AND PARTICIPANTS RECEIVE 92% OF THE DEFICIENCY PAYMENTS FOR WHICH THEY ARE ELIGIBLE. ELIMINATING THE PROGRAM ACTUALLY COSTS MORE MONEY, BECAUSE THOSE ACRES WOULD BE HARVESTED AND PRODUCERS WOULD RECEIVE THE FULL DEFICIENCY PAYMENT. IN ORDER TO SAVE MONEY BY ELIMINATING THE PROGRAM, THE ADMINISTRATION PROPOSES TO IDLE ADDITIONAL ACREAGE -- ANOTHER ATTEMPT TO SAVE MONEY BY TAKING LAND OUT OF PRODUCTION AND LOSING MORE FARMERS AND MORE WORLD MARKET SHARE.

- ON THE PRICE SIDE, THE FARMER WILL BE FACED WITH LOWER PRICES WHEN HE MARKETS HIS CROP. FOR THOSE PRODUCERS ISOLATED FROM EITHER A RIVER TERMINAL OR EXPORT TERMINAL -- SUCH AS IN WESTERN KANSAS -- PRICES RECEIVED ARE DISCOUNTED TO REFLECT THE COST OF TRANSPORTING THAT GRAIN TO ITS ULTIMATE DESTINATION. AS IS THE CASE WITH INCREASED OPERATING COSTS, INCREASED TRANSPORTATION COSTS FROM THE BTU TAX WILL BE PASSED ON TO THAT FARMER, RESULTING IN LOWER FARMGATE PRICES.
- FOR AN AVERAGE 430 ACRE CORN FARM, THE DIRECT COSTS FROM THE BTU TAX FOR FARM FUEL USE AND FUEL USED TO DRY GRAIN AMOUNTS TO \$800 PER YEAR.
- FOR A TYPICAL KANSAS FARM WITH 700 ACRES OF WHEAT AND 300 ACRES OF MILO, THE DIRECT FUEL COSTS ALONE WOULD RANGE FROM \$900-1,300 PER YEAR.
- A 2,700 ACRE SUMMER-FALLOW WHEAT FARM IN WESTERN NEBRASKA WOULD PAY AN ADDITIONAL \$1,000 IN DIRECT FUEL TAXES.
- THESE ARE VERY CONSERVATIVE ESTIMATES THAT DO NOT INCLUDE THE ADDED COST FOR IRRIGATION, FUEL-INTENSIVE INPUTS SUCH AS FERTILIZER, AND HOME HEATING. ADDING THOSE COSTS, THE ABOVE ESTIMATES WOULD EASILY DOUBLE.

RUSSIAN CREDITS

- GRAIN MARKETS, ESPECIALLY WHEAT, HAVE TRADED UPWARD THIS WEEK DUE IN PART TO OPTIMISM THAT THE CREDIT SITUATION IS NEARLY RESOLVED (KANSAS CITY MARCH WHEAT FUTURES HAVE TRADED UP \$.20 SINCE MONDAY). REPORTEDLY, RUSSIA AND UKRAINE ARE CLOSE TO AGREEING ON HOW TO HANDLE REPAYMENT OF OLD SOVIET DEBT, SO THAT A RESCHEDULING UNDER A PARIS CLUB AGREEMENT CAN BE FINALIZED.
- DESPITE THAT, IT IS VERY UNCLEAR WHERE THE ADMINISTRATION IS HEADED ON THIS ISSUE. USDA KEEPS PUSHING FOOD AID, WHICH IS A STOP-GAP MEASURE AT BEST AND WHICH THE RUSSIANS DON'T WANT.
- IT SEEMS TO ME THAT WE NEED A BOLD COMMITMENT FROM THE WHITE HOUSE TO BOTH FACILITATE MORE BARTER TRADE AND TO RECOGNIZE THAT, EVEN IF WE DO LOSE MONEY, IT IS A WORTHY INVESTMENT.
- AND FROM A COST POINT OF VIEW, THE BOTTOM LINE IS THAT DOING NOTHING COULD COST AS MUCH AS IF WE WERE TO EXTEND ADDITIONAL CREDITS AND NEVER BE REPAID. IF EXPORTS TO RUSSIA DO NOT RESUME, OUR GRAIN MARKETS ARE GOING TO CRUMBLE AND DEFICIENCY PAYMENTS WILL SKYROCKET.

- ELIMINATE HONEY PROGRAM. ALTHOUGH THE HONEY PROGRAM IS OF DUBIOUS IMPORTANCE AND SERVES A VERY SMALL NUMBER OF PEOPLE, IT SEEMS ON THE SURFACE TO BE PATENTLY UNFAIR TO SINGLE THEM OUT WHILE OTHER CROPS HAVE IMPORT PROTECTION AND MARKETING QUOTAS THAT GOUGE CONSUMERS BY HUNDREDS OF MILLIONS OF DOLLARS EACH YEAR.
- AREA-YIELD CROP INSURANCE. THIS MIGHT BE A GOOD IDEA TO OFFER IN ADDITION TO INDIVIDUALIZED CROP INSURANCE, BUT IT WILL LIKELY GREATLY REDUCE PARTICIPATION AT A TIME WHEN WE ARE URGING CROP INSURANCE AS AN ALTERNATIVE TO ANNUAL DISASTER ASSISTANCE. UNDER THE PLAN, A FARMER WOULD ONLY RECEIVE PAYMENTS IF HIS ENTIRE COUNTY EXPERIENCED A SIGNIFICANT LOSS, AND WOULD NOT COVER ISOLATED LOSSES.

SPENDING INCREASES

- THE SPENDING INCREASES IN THE PRESIDENT'S PLAN ARE ALMOST WHOLLY IN FOOD AND NUTRITION PROGRAMS. THE PREDOMINANT INCREASE IS IN THE FOOD STAMPS AND WIC BUDGET -- AN INCREASE OF \$12 BILLION THROUGH FY-1998. THE ADMINISTRATION PROPOSES AN INCREASE OF THAT MAGNITUDE IN ORDER TO OFFSET THE IMPACT OF THE BTU TAX ON LOW-INCOME PERSONS.
- RURAL DEVELOPMENT AND RURAL WATER AND WASTE LOANS AND GRANTS ARE ANOTHER LARGE INCREASE. WHILE I HAVE BEEN A PROPONENT OF FINDING FUNDING FOR RURAL WATER DISTRICT CONSTRUCTION, I HOPE THAT THESE PROPOSED INCREASES FOCUS ON NEEDS IN AREAS DEFICIENT IN WATER QUANTITY AND QUALITY, RATHER THAN ON THOSE PROJECTS WHICH WILL RESULT IN THE MOST SHORT-TERM CONSTRUCTION JOBS.
- FOOD SAFETY AND INSPECTION FUNDING RECEIVES A BOOST, MOSTLY FOR HIRING ADDITIONAL MEAT INSPECTORS. I THINK THIS IS DONE LARGELY TO PLACATE THE INSPECTORS UNION, WHO FEAR THAT NEEDED IMPROVEMENTS IN INSPECTION MAY ACTUALLY UTILIZE FEWER INSPECTORS. MUCH OF THE DEBATE ON THE SAFETY OF OUR MEAT SUPPLY HAS BEEN NEEDLESSLY POLARIZED AND CONSUMER FEARS HAVE BEEN HEIGHTENED BY UNION PRESSURE.

TAXES

- THE PROPOSED BTU TAX PUTS THE FARMER IN A COST-PRICE SQUEEZE. ON THE COST SIDE, THE EFFECT IS PROFOUND BECAUSE OF THE ENERGY-INTENSIVE NATURE OF FARMING. THE INCREASE IN DIRECT COSTS ASSOCIATED WITH FUEL USE FOR OPERATION OF EQUIPMENT IS SIGNIFICANT, YET THAT TOTAL CAN EASILY DOUBLE WHEN THE ADDED COSTS OF INPUTS SUCH AS FERTILIZER, IRRIGATION, GRAIN DRYING AND HOME HEATING ARE INCLUDED. THE FARMER IS STUCK WITH THESE COSTS BECAUSE, AS OPPOSED TO OTHER INDUSTRIES, HE CANNOT PASS THOSE INCREASED COSTS ONTO THE CONSUMER.

NAFTA

- THE NAFTA IS CURRENTLY ON HOLD, PENDING THE NEGOTIATION OF THREE SIDE AGREEMENTS ON LABOR STANDARDS, ENVIRONMENTAL STANDARDS, AND DOMESTIC INDUSTRY PROTECTION AGAINST IMPORT SURGES.
- A NUMBER OF REPORTS STATE THAT SUPPORT FOR THE AGREEMENT IS WANING, ALTHOUGH I THINK WE STILL HAVE THE VOTES.
- I KNOW A NUMBER OF COMMODITY GROUPS WANT SOME CHANGES IN THE AGREEMENT, BUT I HOPE OUR NEGOTIATORS WILL PROCEED CAUTIOUSLY AND AVOID PULLING TO MANY STRINGS SO THAT THE WHOLE AGREEMENT COMES UNRAVELLED.
- SOME MEMBERS OF CONGRESS AND COMMODITY GROUPS HAVE PARTICULAR CONCERN ABOUT THE CANADIANS, AND THE FACT THAT THEIR INTERNAL PRICING MECHANISMS AND TRANSPORTATION SUBSIDIES WILL ALLOW THEM TO COMPETE AGAINST THE U.S. IN THE MEXICAN MARKET.
- THAT IS A CONCERN, BUT I WOULD SUGGEST THAT TRYING TO DERAIL THE NAFTA IS TANTAMOUNT TO SHOOTING THEMSELVES IN THE FOOT BECAUSE IT WILL NOT RECTIFY THOSE PROBLEMS. I HOPE WE CAN APPROVE NAFTA, AND ADDRESS THE CANADIAN CONCERNS IN THE PROPER FORUM, WHICH IS EITHER IN BILATERAL DISCUSSIONS OR IN THE GATT.

FINAL

3/19/93

CONTACT:

Jo-Anne Coe

202/408-5105 (O)

202/408-5117 (FAX)

703/845-1714 (H)

SENATOR DOLE SCHEDULE -- MARCH 20-21, 1993

Saturday, March 20 (Pick up from Kansas schedule)

4:20 PM Ar. Johnson County Executive Airport
Olathe, Kansas
Kansas City Aviation
913/782-0530

4:30 PM Lv. Olathe

AIRCRAFT: Scott Aviation Charter Citation
TAIL NO: 106 WV

PILOT: Eric Karolec
CO-PILOT: Wayne Sherman

MANIFEST: Senator Dole
Mike Glassner

FLIGHT TIME: 1 hr 15 mins

CONTACT: Scott Aviation
708/466-4884

NOTE: Illinois GOP still looking for a corporate
plane; you will be notified if there is a change in
aircraft and Tail No.

5:45 PM Ar. Chicago, Illinois
O'Hare Airport
312/686-7000

MET BY: Jennifer Smith
Patricia J. Hurley & Assocs., Inc.
312/553-2000
312/553-2007 (FAX)

Aries Charter (Town Car) - Driver, Ralph
312/666-4462

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Saturday, March 20 (continued):

6:00 PM Ar. O'Hare Marriott
8535 West Higgins
Chicago
312/693-4444
312/714-4296 (FAX)

6:15 PM Proceed to Grand Ballroom, Salon 4
6:15 PM- Attend "IT'S A REPUBLICAN PARTY!"
7:00 PM Reception/Rally - Proceeds to Cook County GOP

CROWD SIZE: 300 @ \$100 per person
EVENT RUNS: 5:30-7:30 PM

Master of Ceremonies: Manny Hoffman, Chairman
Cook County GOP Central Cmte.

7:00 PM Proceed to Washington Room
PHOTO OP ON ARRIVAL

7:00 PM- Attend/Speak - ILLINOIS REPUBLICAN STATE COMMITTEE
9:00 PM SPECIAL DINNER

CROWD SIZE: 80 @ \$1,500 per couple
(Tentative guest list attached)

CONTACT: Pat Hurley
312/553-2000 (O)
312/553-2007 (FAX)
312/975-0262 (H)

Dinner Chairman: William Smithburg, Chairman,
Quaker Oats Corp.

VIP's in attendance:
House GOP Leader Bob Michel
Rep. J. Dennis Hastert (CD 14)
Rep. Thomas W. Ewing (CD 15)
State Senate President James "Pate" Philip
House Minority Leader Lee Daniels
State GOP Chairman Al Jourdan
GOP Nat'l Committeeman Harold Smith

PROGRAM:
7:30 - Dinner is served
8:30 - Bill Smithburg introduces Bob Michel
8:35 - Remarks and Intro. Sen. Dole - Bob Michel

8:40 - REMARKS - SENATOR DOLE
Q&A to follow
9:00 - Program concludes

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Saturday, March 20 (continued):

9:00 PM Depart Marriott O'Hare

Ground Transportation:
Bill Smithburg

9:45 PM Ar. The Four Seasons Hotel
120 East Delaware
Chicago
312/280-8800
312/280-9184 (FAX)

Senator Dole and Mike Glassner will be pre-checked
in, keys will be given to Mike at Dinner

Dole Confirmation No. (Junior Suite): #CFS501277
Glassner Conf. No.: #CFS501276

RON: Four Seasons

Sunday, March 21

9:00 AM Lv. Four Seasons

CNN/Lee Daniels will provide transportation

9:30 AM-
10:00 AM CNN NEWSMAKER SUNDAY -- LIVE

CNN Bureau
Tribune Tower - 435 N. Michigan Avenue
Suite 715
312/645-8555

10:05 AM Chicagoland Cable TV News
435 N. Michigan Avenue - 4th Floor Studio
(Between Tribune's City Desk and Editor's Desk)
312/222-5013
Pager: 708/281-0932

10:20 AM WGN-AM & TV
(Orien Samuelson)
WGN-AM Radio Studio
435 N. Michigan Avenue - 1st Floor
312/222-4700

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Sunday, March 21 (continued):

11:00 AM- PRESS CONFERENCE with State Rep. Lee Daniels
11:30 AM Four Seasons Hotel - La Salle Room
312/280-8800

CONTACT: Dan Long
Deputy Chief of Staff to Lee Daniels
217/782-4014
Mike Trestano
Chief of Staff
312/814-2053

11:45 AM- PHOTO OP WITH GOP STATE LEGISLATORS
12:00 PM Four Seasons Hotel - La Salle Room

CONTACT: Representative Lee Daniels
217/782-4014

12:00 PM Proceed to Delaware Room

12:00 PM- Attend BRUNCH with Major Political and Corporate
1:00 PM Representatives from Chicago Area
Four Seasons Hotel - Delaware Room
312/280-8800

CROWD SIZE: 20-25

CONTACT: Representative Lee Daniels
217/782-4014

Julie Countryman, Lee Daniels' Ofc.
708/941-1992
708/941-3092 (FAX)
708/530-1418 (H)

1:15 PM Lv. Four Seasons Hotel

Ground transportation: Lee Daniels

1:45 PM Ar. Midway Airport
Million Air FBO
312/284-2867

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Sunday, March 21 (continued):

2:00 PM

Lv. Chicago

AIRCRAFT: MBNA Westwind I
TAIL NO.: N 317 M

PILOT: Billy Dennis
1-800-SKY-PAGE
PIN # 513-6724

CO-PILOT: Ed Moston
PIN # 262-5166

MANIFEST: Senator Dole
Mike Glassner

FLIGHT TIME: 2 hrs 30 mins

CONTACT: Jim Smith
Walker/Free Associates, Inc.
202/393-4760
202/393-5728/0272 (FAX)

Don Haskell
Government Affairs Liaison, MBNA
302/456-8359
202/336-1234 (Pager)
410/382-0248 (Car/Message Service)

Dave Schuster
Director of Maintenance
1-800-SKY-PAGE
PIN # 521-5458

4:30 PM

Ar. Houston, Texas
Hobby Airport
Million Air
713/644-3357

MET BY: Mr. Dale Laine
713/229-2770 (O)
713/939-9841 (H)

CONTACT FOR ALL TEXAS FIRST EVENTS:
Alan Hill, NRSC
202/675-6088
1-800-SKY-PAGE
PIN # 805-6162

4:45 PM

Ar. Atlantic Aviation
713/644-6431

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Sunday, March 21 (continued):

4:45 PM- Attend TEXAS FIRST PRESS AVAILABILITY
5:15 PM Conference Room, Atlantic Aviation

CONTACT: Alan Hill, NRSC
800/SKY-PAGE - PIN # 805-6162

Theme: "Elect a Republican to U.S. Senate"

PROGRAM:

4:45 - Sen. Gramm opening statement
Intro. Sen. Coverdell
4:49 - Sen. Coverdell remarks
4:52 - Sen. Gramm intro. Sen. Cochran
4:53 - Sen. Cochran remarks
4:56 - Sen. Gramm intro. SENATOR DOLE
4:57 - REMARKS - SENATOR DOLE (5 minutes)
5:02 - Q&A (10 mins.)
5:15 - Depart

5:20 PM Lv. Hobby Airport/Atlantic Aviation

DRIVE TIME: 15 mins.

DRIVERS: Matt Welch
Dale Laine

5:35 PM Ar. Ritz Carlton Hotel
1919 Briar Oaks Lane
713/840-7600

6:00 PM Proceed to Ambassador Room

6:00 PM- Attend TEXAS FIRST RECEPTION
6:55 PM

CROWD SIZE: 30 Vice Chairmen (gave or raised
\$5,000-\$10,000 to Texas First, or
gave/raised \$25,000 to Texas GOP
"Patriots")

PROGRAM:

6:00 - Mix and Mingle
6:15 - Photo-op with Vice Chairmen

Key Attendees:

Fred Meyer, Chairman, Texas GOP
Senate candidates: Kay Bailey Hutchison
Rep. Joe Barton
Rep. Jack Fields
Stephen Hopkins
Clymer Wright

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Sunday, March 21 (continued):

6:55 PM Proceed to Ritz-Carlton Ballroom
7:00 PM- Attend TEXAS FIRST DINNER
8:30 PM CROWD SIZE: 100 @ \$1,000 per person

PROGRAM:

7:00 - Senators directed to separate tables
7:15 - Dinner is served
(Senators rotate tables after main course)
7:44 - Fred Meyer remarks and intro of Sen. Gramm
7:48 - Sen. Gramm, M.C., remarks and
intro of Sen. Coverdell
7:54 - Sen. Coverdell remarks
7:59 - Sen. Gramm intro. Sen. Cochran
8:01 - Sen. Cochran remarks
8:06 - Sen. Gramm intro SENATOR DOLE
8:08 - REMARKS - SENATOR DOLE (8 mins.)
8:16 - Sen. Gramm closes
8:25 - Depart dinner

8:35 PM Lv. Ritz Carlton

DRIVE TIME: 15 minutes
DRIVERS: Matt Welch
Dale Laine

8:50 PM Ar. Houston Hobby Airport
Atlantic Aviation
713/644-6431

9:00 PM Lv. Houston

AIRCRAFT: ICI Falcon
TAIL NO.: N 300 A
SEATS: 9
PILOT: TBD
CO-PILOT: TBD

CONTACT: Dolores May
302/328-1334

MANIFEST: Senator Dole
Senator Gramm
Senator Cochran
Senator Coverdell
Bill Harris
Mike Glassner
Alan Hill

FLIGHT TIME: 52 minutes

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Sunday, March 21 (continued):

9:52 PM Ar. San Antonio, Texas
 Million Air/Nayak
 210/824-7511

 MET BY: Pulse Martinez
 210/742-3367 (O)

10:00 PM Lv. Million Air/Nayak

 DRIVER: Pulse Martinez

 DRIVE TIME: 20 minutes

10:20 PM Ar. Wyndham Hotel
 9821 Colonnade Blvd.
 512/691-8888

 RON: Wyndham Hotel

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Monday, March 22

8:00 AM Lv. Suite and proceed to Meeting Room A
 (second floor)

8:00 AM- Attend TEXAS FIRST RECEPTION
8:30 AM CROWD SIZE: 10 Vice Chairmen

 PROGRAM:
 8:00 - Mix/Mingle
 8:10 - Photo op with Vice Chairman
 8:20 - Mix/Mingle

8:30 AM Proceed to Ballroom F

8:30 AM- Attend TEXAS FIRST BREAKFAST
9:25 AM CROWD SIZE: 100 @ \$500 and \$1,000 each

 PROGRAM:
 8:35 - Breakfast
 8:55 - Fred Meyer welcome and intro Sen. Gramm
 8:58 - Sen. Gramm remarks and intro Sen. Coverdell
 9:03 - Sen. Coverdell remarks
 9:08 - Sen. Gramm intro Sen. Cochran
 9:10 - Sen. Cochran remarks
 9:15 - Sen. Gramm intro SENATOR DOLE
 9:17 - REMARKS - SENATOR DOLE (8 minutes)

 (Topic: "The effects President Clinton's
 policies are having on America without a
 GOP majority in Senate")

 9:25 - Sen. Gramm closes

9:30 AM Lv. Wyndham Hotel

 DRIVE TIME: 15 minutes

 DRIVER: Pulse Martinez

9:45 AM Ar. Republican Party of Bexar County Headquarters
 Petroleum Center
 900 Northeast Loop 410
 512/824-9445

9:45 AM Proceed to Room D-105

9:45 AM- Attend TEXAS FIRST PRESS AVAILABILITY
10:15 AM

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Monday, March 22 (continued):

PROGRAM:

9:45 - Sen. Gramm opens and Intro Sen. Coverdell
9:49 - Sen. Coverdell remarks
9:52 - Sen. Gramm intro Sen. Cochran
9:53 - Sen. Cochran remarks
9:56 - Sen. Gramm intro SENATOR DOLE
9:57 - REMARKS - SENATOR DOLE (5 mins)
10:02 - Q&A
10:12 - Close and depart

10:15 AM Lv. GOP Headquarters

DRIVE TIME: 15 minutes
DRIVER: Pulse Martinez

10:30 AM Ar. San Antonio Airport
Million Air/Nayak
210/824-7511

10:30 AM Lv. San Antonio

AIRCRAFT: ICI Falcon
TAIL NO.: N 300 A
SEATS: 9
PILOT: TBD
CO-PILOT: TBD

CONTACT: Dolores May
302/328-1334

MANIFEST: Senator Dole
Senator Gramm
Senator Cochran
Senator Coverdell
Fred Meyer
Bill Harris
Carla Eudy
Mike Glassner
Alan Hill

FLIGHT TIME: 1 HR

11:30 AM Ar. Dallas, Texas - Love Field
Citijet
800/248-4538

MET BY: Kevin Brannon
214/767-8755 (O)
214/324-5546 (H)
214/534-2932 (Cellular)

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Monday, March 22 (continued):

11:30 AM Lv. Love Field

 DRIVE TIME: 30 mins

 DRIVER: Kevin Brannon

12:00 PM Ar. The Adolphus Hotel
 1321 Commerce Street
 214/742-8200

12:00 PM Proceed to French Room Foyer

12:00 PM- Attend TEXAS FIRST RECEPTION/LUNCHEON
2:00 PM (Event in progress from 11:30)

 Reception: French Room Foyer
 Crowd Size: 30 Vice Chairmen

 Luncheon: Century Room B
 Crowd Size: 100 @ \$1,000 per person

 PROGRAM:

2:00 PM Lv. Adolphus Hotel

 DRIVE TIME: 15

2:15 PM Ar. Dallas Love Field
 Citijet
 800/248-4538

 Proceed to Longhorn Room (2nd Floor)

2:20 PM- Attend TEXAS FIRST PRESS AVAILABILITY
2:50 PM

3:00 PM Lv. Dallas

 AIRCRAFT: ICI Falcon
 TAIL NO.: N 300 A
 SEATS: 9

 PILOT: TBD
 CO-PILOT: TBD

 CONTACT: Dolores May
 302/328-1334

 FLIGHT TIME: 2 hrs 40 mins
 TIME CHANGE: +1 hour

PAGE TWELVE

Monday, March 22 (continued):

MANIFEST: Senator Dole
Senator Gramm
Senator Cochran
Senator Coverdell
Bill Harris
Carla Eudy
Mike Glassner
Alan Hill

6:40 PM

Ar. Washington National Airport
Signature Flight Support
703/549-8340

MET BY: Wilbert Jones

PROCEED TO PRIVATE

National Committeeman
Harold B. Smith, Jr.
National Committeewoman
Mary Jo Arndt
Secretary
Ronald C. Smith
Treasurer
Dallas Ingemunson
Finance Chairman
Allan J. Hamilton



Illinois Republican State Committee

Albert M. Jourdan
Chairman

Miki Cooper
Chairwoman

State Headquarters
320 South Fourth Street
Springfield, IL 62701-1702
Telephone: 217/525-0011
Facsimile: 217/753-4712

STATE CENTRAL COMMITTEE

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19th District
MARGE SODEMANN
Champaign
20th District
DON W. ADAMS
Springfield
21st District
RON STEPHENS
Troy
22nd District
MIKI COOPER
Harrisburg

MEMORANDUM

TO: Suzanne Niemela
Campaign America
FROM: Brad Goodrich
Acting Executive Director
DATE: March 10, 1993
RE: Illinois Briefing

Per your request, I have enclosed a synopsis of the 1992 Illinois elections. I believe that you will find this document to be very thorough as it addresses a wide range of topics. In short, the positive points are that we gained control of the Illinois Senate for the first time in many years, knocked off an incumbent Democrat in the 16th congressional district, and picked up five seats in the Illinois House.

In 1994, state-wide offices up for election include Governor and Lt. Governor, Secretary of State, Attorney General, Treasurer, and Comptroller.

As you know, incumbent Governor Jim Edgar and incumbent Lt. Governor Bob Kustra will seek re-election, and they should be very strong. Governor Edgar has held the line on new taxes and down-sized state government. He is given very high marks for his honesty with the voters, and he has stood up to the city of Chicago. For your reference, I have enclosed a mailing we recently sent out for the Governor that goes into detail about his recent budget address to the Illinois legislature.

Incumbent Secretary of State George Ryan will also be seeking re-election. His chances should be excellent. For your information, Secretary Ryan worked tirelessly on behalf of state legislative candidates in 1992, and contributed financially to many of them.

The Democrats look to have a bloody and messy primary election for Governor in 1994. Incumbent Attorney

ILLINOIS BRIEFING, page two

General Roland Burris and incumbent state Treasurer Pat Quinn have both stated they will run. In addition, incumbent Comptroller Dawn Clark Netsch has formed an exploratory committee and is raising money, and Cook County Board President Richard Phelan has all but announced. We certainly look forward to them carving each other up.

Assuming that all of these people do step up and run for Governor, this will give us an excellent opportunity to pick up some "down-ballot" positions. Presently, there are several people who have expressed interest and are traveling around the state, but no official candidates have announced.

I hope this is the kind of information you were seeking. Please don't hesitate to contact me if you require further information.

1992 Illinois Election Synopsis

Voter Turnout

Voter turnout in the 1992 general election was 78.24% -- the largest turnout in a Presidential election year since 1980. Illinois' modern record voter participation dates back to 1960, where 88% of eligible voters cast ballots.

Voter Registration

Voter registration is at an all-time high in Illinois, with 6,600,358 eligible citizens registered to vote. The Illinois Republican Party had a tremendously successful voter registration program -- Participation '92. Between paid and volunteer efforts, Participation '92 registered over 125,000 new Illinois voters.

Party Voting

In the 1992 general election, 629,685 voters cast straight Republican ballots (12.19% of the total vote). That compares with 805,649 straight Democrat ballots cast (15.6% of the total vote).

Presidential Election Results

1992 was a disappointing year in Illinois Presidential politics. However, with the decision by the national Bush-Quayle campaign committee to write off Illinois in September, the final results were not surprising. In addition, nearly two-thirds of the \$2 million dollars raised in Illinois for the President was kept by the national Bush campaign.

In the five "collar counties" it is clear that Ross Perot had a huge impact in this unusual election year. Bill Clinton's vote totals in the collar counties were very similar to Michael Dukakis' in 1988, but Ross Perot averaged nearly 21% in the Republican vote rich areas. Perot's success in the collar counties devastated the President's statewide vote totals.

The final Presidential election results in Illinois:

Bill Clinton (D):	48%	(2,453,350)
George Bush (R):	35%	(1,734,096)
Ross Perot (I):	17%	(840,515)

(President Bush's 35% in Illinois ran three percentage points behind the 38% the President received nationally).

1992 Illinois Election Synopsis
Page Two

U.S. Senate

Republican Rich Williamson ran a hard fought battle, but came up short in his contest against Democrat Carol Moseley Braun. Williamson faced a historic candidacy by Braun -- she was the first African American female ever nominated for a U.S. Senate seat. Braun outspent Williamson by nearly 3:1, and most of that money was raised outside of Illinois. Braun received a free ride from the news media, with most news coverage focusing on Braun's historic candidacy, not her liberal views.

Rich Williamson was the top Republican vote-getter in Illinois this year (2,130,744), edging out U of I Trustee candidate Dave Downey, and President Bush.

The final U.S. Senate election results in Illinois:

Carol Moseley Braun (D):	53% (2,627,318)
Rich Williamson (R):	43% (2,130,744)

Illinois Senate

Illinois Republicans scored a major down-ballot victory by capturing control of the Illinois Senate. Republicans will hold a 32 to 27 majority, with Senator James "Pate" Philip serving as Senate President. The Senate Republican Campaign Committee ran one of the most successful operations in recent history, winning all but one of their target races. Governor Edgar and Senator Philip can look forward to ending Illinois' version of legislative "gridlock" in 1993.

Illinois House

Republicans gained five new seats in the Illinois House, giving Republicans 51 members to the Democrats 67. The House campaign committee overcame Speaker Madigan's well financed political machine with targeted resources and strong candidate recruitment. Republican Leader Lee Daniels stands poised to gain a majority in the House in the 1994 election cycle.

1992 Illinois Election Synopsis
Page Three

U.S. Congress

Republicans inched closer to a majority in the Illinois Congressional delegation when Egan native Don Manzullo defeated Democrat incumbent Congressman John Cox in the sixteenth Congressional district. Manzullo reclaimed the seat once held by Lynn Martin by a 55% to 44% margin.

While Republicans John Shimkus and Bob Herbolsheimer came up short in their challenge races, the future looks promising for both. Democrats currently hold a 12-8 majority in the Congressional delegation.

Education Amendment

The proposed amendment to the Illinois Constitution regarding increased funding for education failed to receive the 60% plurality necessary for passage. The amendment was highly controversial because of the tax increase that would have been mandated to pay for the education funding increase.

Victory '92

With limited resources, the Illinois Republican Party's Victory '92 program provided supplemental assistance to the entire Republican ticket this year with the following programs:

- Over \$65,000 for Bush-Quayle supplies (yard signs, bumper strips, lapel stickers/pins etc.)
- Participation '92 -- registered over 125,000 new Illinois voters, costing approximately \$100,000.
- Absentee ballot applications mailed to over 500,000 Republican households.
- In conjunction with the RNC, completed over 300,000 get-out-the-vote paid phone calls.
- In conjunction with Bush-Quayle, designed and coordinated four direct mail pieces (to over 650,000 households).



JIM EDGAR

March 3, 1993

Dear Republican Friend:

Today I presented my annual budget to the Illinois General Assembly, and with it, my blueprint for the future of our great state.

This budget continues our efforts of the past two years to put Illinois' fiscal house in order by downsizing state government and holding the line on taxes. It hasn't been easy, but our sound, responsible leadership will make Illinois' future more secure.

To that end, my budget proposes a renewed commitment to our state's future - our children. I am calling on the General Assembly to enact my proposals to increase funding for education and programs that benefit Illinois' children. There is no greater priority than our children, and I believe we must fulfill our obligation to them.

This budget creates jobs, it continues our program to shift able-bodied individuals from welfare rolls to the workforce, and it promotes economic growth -- all **WITHOUT RAISING TAXES**.

I ask you to share the enclosed information with your friends, neighbors, and fellow Republicans. With your support, I can continue to lead Illinois toward a more secure future for all, especially our children.

Brenda and I thank you for your continued support and friendship.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim", with a large, stylized initial "J" that loops around the first part of the name.

Jim Edgar
Governor

TALKING POINTS

* The Governor has his priorities straight. The children of the state should be our number one priority and we should not raise taxes.

* He is calling for an increase in state support for education that is more than four times greater than the increase approved last year.

* We must do a better job of responding to abused and neglected children.

* I applaud him for his efforts to reform welfare. I agree with him that we need to stop this nonsense of encouraging fathers to leave their children so families can collect welfare.

* The Governor's increase in spending for infrastructure will create nearly 50,000 construction-related jobs in the short-term and many more jobs in the long term.

* The Governor once again has courageously resisted and rejected calls for higher taxes.

* He is calling for holding the line on taxes -- not raising them. If we don't keep the surcharge, we would have to cut education funding -- not increase it. And, given federal mandates, health care costs and court orders that prohibit cuts in many portions of the budget, we also would have to totally eliminate dozens of agencies, including the State Police.

* The only way to give the money to the mayors ... and increase funding for education ... is to raise taxes.

* We have cut agencies outside the human services area to the bone ... and even into the bone.

* Mayor Daley and a few others took a real risk by using the money for higher salaries and other ongoing expenses.

* As the Governor said, the choice is between concrete and kids and we're with the kids and the Governor.

##

BUDGET OVERVIEW

Holds the Line on State Taxes

New (GRF) Revenues - FY'94

(in millions)

Natural Growth in Base Revenues	\$414
Redirect/Make Permanent - Surcharge	\$211
Available For New Appopr.	<u>\$625</u>

Target Kids and People Priorities

Allocation - FY'94 Growth

Health Care		\$295
Group Health Ins.	\$123	
DoRs/Aging - In Home Care	\$18	
Mental Health Serv.	\$62	
Medicaid/Healthy Kids	\$79	
AIDS	\$4	
Alcohol/Drug Trmt.	\$9	
Kids		\$265
DCFS	\$118	
Elem/Secondary Ed.	\$110	
Higher Ed.	\$37	
Public Safety		\$65
Keep Correctional Fac. Open		
Total Allocated		<u>\$625</u>

	FY'93	FY'94
Beg. Bal.	\$ 131	\$ 200
Revenues	14,723	15,348
Expenditures	14,654	15,348
Ending Balance	200	200

If surcharge is not redirected:

- Reductions of \$211 million to budget proposal must be made to priority areas of education and health care
- Federal mandates and court orders limit ability to reduce DCFS and healthcare
- Corrections must remain priority; increases needed to staff prisons opened in late FY'93 -- system operating at 150% of built capacity
- Unconscionable delays in group health insurance payments

If surcharge allowed to expire without replacement revenues:

- Budget as proposed must be reduced by \$450 million
- Unable to meet court orders - DCFS, DoRs, Aging
- Eliminate increases and enact cuts in education below FY'93 level
- Severe cuts in mental health and other healthcare-related areas.
- Other alternatives not acceptable
 - After accounting for human services, education, group health and corrections, remaining GRF for agencies under Governor totals \$636
 - Would have to eliminate entirely GRF budget of 37 agencies to enact cut equal to total surcharge revenue
 - Have already cut to the bone on other services; e.g. DCCA -30%; Ag -24%; Conservation -32%; Revenue -25%

Why reduce Local Government allocation?

- Promised only as temporary resource; expires 7/1/93
- Only 20% of municipalities use revenues for current operating expenditures
- Most spending for capital projects, equipment and other one-time needs
- Windfall of surcharge has provided over \$1.2 billion in four years
- State government must set priorities - Kids before concrete
- Governor's allocation benefits people and communities, not operations of state government
 - \$110 million for local schools
 - expanded community mental health care
 - expanded in-home care services
 - treatment, in communities, for AIDS, drug and alcohol problems
 - essential medical care for needy children, pregnant women
 - keep public safe from imprisoned felons
- Even with the redirection of the surcharge, municipalities will receive nearly \$500 million in permanent state revenue sharing from the income tax
- Enactment of the Governor's budget proposal provides a permanent \$40 million in state income tax revenue sharing (1/12th of permanent increase to income tax)
- Local governments annually receive well over \$1 billion in state revenue sharing, including Motor Fuel Tax funds and Personal Property Replacement Tax funds

Local Government Surcharge

- Since its enactment in 1989, local governments have received over \$1.2 billion in windfall revenues.
- According to a 1991 survey by the Legislative Research Unit less than 20% of the municipalities and less than a third of the county governments expended surcharge revenues on current operating needs.
- The overwhelming majority of local units of government have expended surcharge monies on capital projects, equipment and other one-time needs.
- Surveys in 1991 by the Department of Revenue and the Illinois Institute for Rural Affairs confirmed that operating expenditures constituted a small proportion of the use of surcharge funds.
- Local government surcharge monies constitutes a small portion of the revenues of local governments. The surcharge allocation for the city of Chicago is approximately 1.3% of the city budget.
- Municipalities rely upon a wide range of revenue sources. Between 1977 and 1989, the only significant change in local government revenue sources was the elimination of federal revenue sharing. Over this same time frame, municipal government reliance upon the property tax has reduced as property taxes went from 27.2% to 20.4% of the municipal revenue base. Municipalities rely significantly upon a share of the state sales tax and fees and other taxes and charges to fund over 50% of their budgets.

Fiscal 1994 Budget Address

To the Honorable Members
of the 88th General Assembly

Governor Jim Edgar
March 3, 1993

Speaker Madigan, President Philip, my fellow Constitutional officers, members of the judiciary, members of the General Assembly and my fellow citizens of Illinois,

For fifteen months, this state and nearly every other state in the union braved a stubborn economic winter of recession.

Revenues to state government slowed, forcing us to make tough choices, so we could live within our means without neglecting the neediest of our citizens.

Now our state is escaping the icy grip of recession, and I am pleased to report once more that Illinois is outpacing the nation in economic growth.

More of our people are working. More of our people are confident about an economic recovery. The pace of consumer purchases in vital areas such as automobiles, housing and durable goods has quickened. In short, the Illinois economy is back on track.

But we cannot yield the ground we have gained in making state government more effective, more efficient and more accountable to our taxpayers.

We must continue to set priorities and to avoid the overpromising and overspending that plunged this state into a deep financial hole, months before the first chill of recession was felt.

Even as we emerge from recession and rejoice at the first signs of recovery, we continue to reap the harvest sown by the excesses of the '80s.

Well-intentioned programs put into place without financial foresight are making demands on the state treasury that even our recovery-aided revenue growth cannot sustain.

And, as we deal with that reality, we must continue to demonstrate the willingness and the will to say "no" to spending commitments that will sow the seeds of fiscal havoc for future governors, future legislators and, most importantly, future generations of Illinois citizens.

-2-

We have been on the right track, and we cannot allow ourselves to be enticed from it.

Within months after I became Governor, we brought a two-year spending binge that had ravaged the state treasury to a screeching halt.

We made hundreds of millions of dollars in budget cuts while preserving education as a priority and maintaining programs for the truly needy.

For the first time in anyone's memory, we downsized state government so that today there are 4,000 fewer employees on the payrolls I control than there were two years ago.

We cut. We downsized. And we resisted the temptation to raise taxes.

And because we slashed spending instead of taking more money for government from consumers and businesses, we aided, instead of stifled, economic recovery in Illinois.

We have done right by our citizens, and we will continue to do right by them.

Today, because we made tough decisions during the last two years and weathered the recession, we are in a position to accommodate reasonable, responsible growth in some critical areas of state government.

Today, because of our determination not to retreat to the free-spending ways of our past, there is an opportunity to move ahead, where I believe we must move ahead.

The budget I am proposing today maintains our focus on our children, our future.

There can be no lost opportunities. There can be no lost lives.

This budget increases funding for education by \$173 million, more than four times the increase for education we were able to provide last year.

This budget provides the increases in funding that will help us rescue abused and neglected kids from trauma, tragedy and death.

This budget doubles state funding within the Department of Public Health for prevention and treatment programs designed to stem the spread of AIDS, which is increasingly becoming a greater threat to children and their parents.

-3-

In this budget, Illinois is showing the way in welfare reform by overhauling a failed system that has encouraged fathers to leave their children and shatter the family structure.

This budget allows children in welfare families to have their fathers at home, while we work to move the families off the welfare rolls.

And this budget makes children and families a priority in other ways.

It includes increased funding for mental health services, so we can assure compassionate and competent care for those who need to be in state institutions and also provide better services, right in their communities, near their loved ones for those who need help but do not need to be in state institutions.

And this budget creates nearly 50,000 jobs by investing in the infrastructure of our state.

Today I am calling upon you to increase our support for education by \$110 million for elementary and secondary classrooms, and by \$63 million for university and community college classrooms throughout Illinois.

In addition to boosting general funds support for higher education by \$37 million, I am providing \$88 million -- \$26 million more than last year -- in capital funds for higher education infrastructure so our community college and university students can use state-of-the-art facilities to enhance their learning and improve their chance at success.

Part of the increase for elementary and secondary education will help narrow the gap between the "haves" and "have nots" among school districts in the state.

It will fund the expansion of Project Success, our innovative program to make sure disadvantaged children entering school have ready access to services that can address health or family problems.

And the increase for higher education will include funding to provide more scholarship assistance for students from low-income and middle-income families.

This budget also will boost funding for the child welfare system by \$118 million, so we can do a better job of responding to child abuse and neglect in this state.

That's a substantial increase. But I believe we are obligated, both morally and legally, to provide it.

You and I know that money alone is not going to provide the child welfare system that the most vulnerable of our citizens need and deserve.

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Last week, I launched the most sweeping re-evaluation of human service programs for children and families ever undertaken in this state -- not to find ways of spending even more money than I am proposing, but to assure that the money I am seeking makes the positive difference all of us want.

So reform is about much more than money.

But the additional funds I am seeking in this budget are needed for us to comply with a federal court dictate to overhaul our child welfare system, primarily through a dramatic increase in the number of caseworkers and other direct-care people responding to the needs of abused and neglected children.

If we don't provide the dollars I am proposing in this budget, we will violate the court order and invite judges to run our child welfare system, probably at an even greater cost than I am proposing.

Moreover, and perhaps even more importantly, we will be breaking faith with abused and neglected children -- the victims of changes in our society that are monumental and catastrophic.

I am not going to break faith with the children, and I don't believe you in the General Assembly will either.

And so, it is on behalf of the children of this state, it is on behalf of the future of this state, that I recommend in this budget that we make permanent the portion of the 1989 income tax surcharge that will expire on July 1 unless you and I agree to keep it in place.

It might well be more politically popular for me to recommend that we do not act. I could then claim my share of the credit for a modest reduction in state income taxes.

Or, it might be more expedient for me to recommend that we continue the surcharge and give local governments the same share of it that they are receiving this year -- about \$211 million.

But to take either of the politically expedient courses would be to take \$211 million from education and from programs for abused and neglected kids in defiance of a court order, and this Governor will not do that.

I appreciate the desire of local governments to continue benefiting from the surcharge.

Only a few asked for this special revenue sharing program to be added to the more than a half billion dollars the state provides to local governments through an ongoing revenue sharing program.

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Many, many of them clearly did not need the money to balance their budgets.

But, of course, they were delighted to get the windfall, and they have spent it.

Since the surcharge was enacted four years ago, local governments have received \$1.25 billion, including a half billion in surcharge dollars from my first two budgets.

The vast majority of them have used the funds for one-time expenditures, mostly construction projects.

A few have ignored warnings to avoid using the temporary money for ongoing expenses and higher salaries.

From the moment the surcharge was proposed, its chief sponsor, Speaker Madigan, has underscored the temporary nature of it.

The Legislature, at the insistence of the Speaker, continued to keep the local government portion temporary, even as we made the education portion permanent in 1991.

And so, on July 1 of this year the surcharge that has provided the special revenue sharing to local governments will be gone.

They will have gotten their last dime from it.

If you support my recommendation, local governments will still benefit. They will receive \$40 million from the surcharge each and every year, on top of the half billion dollars they already receive through the normal revenue sharing program.

And we can increase funding for education by more than \$150 million, instead of being forced to cut it even below the current year's level.

We are not talking about taking away \$1.3 billion from local governments and giving it to education, as California did.

But I expect that many local government officials and their lobbyists in Springfield will insist that \$40 million in surcharge revenue sharing for local governments each and every year is not enough.

And if we had more revenue to share, fewer federal mandates and court orders to obey, and fewer truly needy in our state, I would consider giving local governments more than the \$40 million.

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In fact, today I again renew my offer to local governments to come to me with a list of state mandates that strain their budgets, just as federal mandates strain mine. And I will give serious consideration to helping them repeal some, perhaps all, of those mandates.

But to me there is no choice on the issue now before us, especially when this special revenue sharing program has showered millions of dollars on local governments without distinguishing between those that have especially pressing problems, and those that really do not.

When it comes to a choice between kids and concrete, the kids must win.

I expect a heated battle on this issue which is really at the heart of this budget.

Some will say, "There is enough revenue growth from the economic recovery to allow us to either let the surcharge expire or to give the \$211 million to local governments and still keep faith with the kids."

Well, to make that statement true a number of things would have to happen, or not happen.

We would have to gut staffing at our state mental health institutions and let the federal courts run them and send an even higher bill to Illinois taxpayers.

We would have to increase the risks for prison guards and release dangerous convicts because we could not hire enough people to deal with an exploding prison population.

We would have to eliminate, instead of expand as I am proposing, our Earnfare program, which is succeeding in moving people from welfare rolls to private-sector payrolls.

We would have to scrub plans to add 250 families to the Comprehensive Health Insurance Program, which helps pay treatment costs for those who have long-term illnesses and have been denied coverage elsewhere.

We would have to eliminate or severely curtail our Healthy Moms, Healthy Kids initiative, that helps us meet a federal mandate by improving access to regular health care for the needy and reducing the amount of more expensive emergency room care.

We would have to scale back significantly our efforts to make sure that Illinois workers receive the job training and retraining that will allow them and their companies to compete in an increasingly competitive global economy.

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We would have to tell companies seeking to expand or locate in Illinois to take a number and wait their turn, until our understaffed economic development agency can respond to their inquiries.

And we would have to continue ducking the obligation to pay health care bills for state employees in a timely fashion.

Now some will say, "We're not talking about cutting funding for mental health, or for health care, or for public safety. We're talking about the rest of state government."

That sounds good, but we've done that already -- three times! And now is as good a moment as any to cut through the rhetoric.

During the last two years we've slashed funding in areas other than education, mental health, child welfare, prisons and basic maintenance for poor families.

The primary targets have been areas that account for about 10 percent of spending from general revenue funds, so obviously there isn't much left.

State spending for the Department of Commerce and Community affairs has been cut by 80 percent. General funds for the Department of Agriculture have been reduced by 24 percent and funding for the Department of Conservation by nearly 32 percent.

If you want to cut deeper, you might as well eliminate them. But unfortunately, you still won't be able to increase funding for education and abused and neglected kids, meet all the federal health care mandates we must meet, send \$211 million to local governments and still balance this budget.

You can totally wipe out General Revenue funding for the Department of Agriculture.

You can wipe out General Revenue funding for the Department of Conservation.

You can wipe out General Revenue funding for the Department of Commerce and Community Affairs.

You can wipe out General Revenue funding for the Department of Veterans Affairs.

You can wipe out General Revenue Funding for the Department of Energy and Natural Resources.

You can wipe out General Revenue Funding for the Historic Preservation Agency and for the Illinois Arts Council.

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You can totally wipe out General Revenue funding for all of them and dozens of other agencies that many people in this state believe are important, and you still won't balance this budget the way some of you might want to try balancing it.

And let's make this clear: The central issue in this debate is not whether the state "keeps" \$211 million or whether it goes to communities throughout the state.

The state won't keep the money in a vault.

The additional funding for education will go to communities throughout the state.

The additional caseworkers for the Department of Children and Family Services will deal with troubled kids and families all over Illinois, especially in the inner cities.

The additional funding I am seeking for mental health services will help people all over the state.

The additional money I am seeking to deal with prison overcrowding will help keep dangerous people off the street, not only in the state capital, but all over Illinois.

The spending in this budget is going to help people, especially children, in communities all over Illinois.

It is going particularly into those communities where the problems besetting society today are most pronounced.

My priorities are people priorities. They are community priorities. And if the priorities I am proposing in this budget are not adequately funded, it will mean even more problems for local government officials throughout Illinois.

So, after all the news conferences, and all the press releases and all the political posturing, I am convinced the choice will be between kids and concrete.

And I believe you will agree with me.

When the choice is between kids and concrete, the kids must win.

But there is yet another major budget issue that could generate at least as much discussion and controversy.

In fiscal years 1992 and 1993, the state was able to capture hundreds of millions of dollars in additional federal funds to pay medical bills for the needy through a special effort to raise matching funds.

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The matching funds part of the program is controversial, to say the least.

But it is absolutely essential that we find the means to continue capturing those federal funds.

If we do not, there will be a billion-dollar hole this budget cannot fill and an inexcusable loss of health care for millions of our most needy citizens.

We will see a cut of more than 30 percent in reimbursement rates to hospitals and long-term care providers. And with that, we will see fewer care providers treating the poor and more hospitals and nursing homes closing their doors.

President Clinton has indicated he is willing to renegotiate the narrow guidelines for states to raise the matching money that we need to continue capturing additional Medicaid funds and avoid a billion-dollar budget hole.

So, while we wait to see whether the White House will accept changes that give us more flexibility, I believe it would be premature for me to propose a specific matching fund program today.

However, it is absolutely imperative that you and I agree on a program before this legislative session adjourns.

We cannot turn our backs on providing health care to the neediest of our citizens. We cannot leave a billion-dollar hole in this budget.

You and I will agonize and anguish during the coming weeks over Medicaid funding and other key budgetary matters.

But, in the end, we must adopt a budget that keeps Illinois moving forward as I believe this budget does.

This budget builds.

Because of our efforts in managing the use of bond funds that cannot be used for operations, we can increase our capital program for fiscal 1994 to preserve and maintain our valuable infrastructure and create, as I said earlier, nearly 50,000 construction-related jobs.

In addition to the \$88 million in capital spending I am recommending for higher education, we will spend \$100 million to undertake the necessary renovations to state buildings that put us in compliance with a new federal law that mandates accessibility for people with disabilities.

-10-

Our transportation improvement program, which I will announce in detail later this spring, will total \$1.2 billion in fiscal 1994. It will allow Illinois to continue the rehabilitation of the Kennedy Expressway and work to go forward on four-laning U.S. 67 south of Monmouth. It also will provide for constructing additional bridges on the 22-mile Alton Bypass.

It also will include an additional \$18 million subsidy for the Regional Transportation Authority and additional assistance for downstate mass transit systems.

And we will use \$10 million in state funds to permit the Environmental Protection Agency to capture \$40 million in federal matching funds for projects throughout Illinois that will control water pollution.

This budget invests in the future of Illinois.

It maximizes the use of federal dollars and encourages the most efficient use of our state tax dollars.

It sustains an initiative we launched last year to boost the state's annual contribution to its pension systems by \$50 million.

It protects our citizens.

It invests in our citizens and our businesses.

It gives the neediest of our citizens the assistance they need to maintain and improve their lives with dignity and with self-assurance.

This budget, most importantly, invests in our children, improving their chance for a 21st Century education and protecting them from tragic abuse and neglect.

This budget sets priorities and balances the competing demands on state government within the state's ability to pay.

This budget recognizes the financial ground we have gained but does not retreat to old practices and old programs.

This is a budget that will pay dividends in the future without asking more from the taxpayers of today.

This budget does not raise taxes.

This is a reasonable and responsible financial blueprint that builds upon the progress we have made.

-11-

It is a spending plan that will leave Illinois fiscally strong and governmentally sound.

This is a budget that meets the challenges of today and yet keeps sight of the challenges ahead, working to give the children of Illinois and the people of Illinois a world of confident and brighter tomorrows.

Thank you.

###

HOTLINE 3/9/93

*14 ILLINOIS: EDGAR SAYS HEALTH QUESTIONS TO BE ANSWERED
CHICAGO TRIBUNE's Hardy reports Gov. Jim Edgar (R) "expects to run for re-election next year with fiscal integrity as his strong suit, but will not make a final decision about a campaign until undergoing a thorough heart exam" in 10/93. Edgar had an angioplasty procedure performed last year. Edgar: "I don't want to imply I'm thinking about not running, but I also have not made that final call, and I'm not going to until sometime in October. One of the things I want to get done is to have that physical checkup because I'm sure that will be an issue in the campaign" (3/8). Hardy profiles the styles of Edgar, Chicago Mayor Richard Daley (D) and House speaker Michael Madigan (D) in the debate over the IL budget. Edgar -- "pragmatic." Madigan -- "ready to deal." Daley -- "angrily sputters that he would put his managerial and leadership skills up against Edgar's any day." Hardy concludes, "then Daley ought to run for Edgar's job. If Daley is so unhappy and things are so bad, he ought to bring his unique brand of eloquence to the campaign for governor and give voters a chance to consider a Democratic set of priorities" (3/7).

HOTLINE 3/10/93

*13 ILLINOIS: NETSCH FORMS EXPLORATORY GOV. CMTE

"Preparing for a possible run" for gov. next year, Comptroller Dawn Clark Netsch (D) has formed an exploratory cmte "with a goal of raising \$250,000 by July 1." Those who met with Netsch 3/8 "think she would be a strong contender in a multiple-candidate primary field." Netsch spokesperson Rick Davis: "If the committee is successful in achieving its fundraising goal, then she will lean toward announcing for the office." Davis said a 35,000-piece mailing "to select Democrats statewide" went out to raise money "as well as to gauge reaction to a Netsch candidacy." One reason Netsch agreed to form the exploratory cmte "is that her potential rivals ... are already working on their campaigns." Potential rivals: AG Roland Burris (D), Treas. Patrick Quinn (D) and Cook Co. Board Pres. Richard Phelan (D). Phelan "has been leading the pack" in fundraising but has the "lowest name recognition across the state" (Hardy, CHICAGO TRIBUNE, 3/9). Also: Chicago Mayor Rich Daley (D). TRIBUNE column "Inc." wonders whether Quinn has "the covert backing" of Daley, Speaker Mike Madigan (D) and DNC chair David Wilhelm. "That's what the Quinnsters are hinting. But other sources say the big boys aren't backing anyone -- overtly or covertly -- yet" (3/8). Gov. Jim Edgar (R) hasn't announced his '94 intentions.

CAROLING: Sen. Carol Moseley-Braun (D), "whose campaign was punctuated with firings and resignations, lost her IL press sec. Martha Allen in a "dispute" with her CoS "over how to deal with the press." According to Allen, she and Braun CoS Mike Frazier "had different ideas on how to handle the press. We made a mutual decision that I should leave." Allen is the second Braun staffer to leave in recent weeks (Sweet, CHICAGO SUN-TIMES, 3/9). "Inc." reports Allen "mysteriously departed" and now exec. asst. Jill Zwick is "handling press chores." Zwick: "Martha tried public service for a while and preferred the private sector" (TRIBUNE 3/9.)

POLL: A poll conducted 2/19-21 by McKeon & Assoc. surveyed 804 registered Cook Co. voters; margin of error +/-4.3% Tested: Braun. A poll taken the same dates testing Daley surveyed 408 registered Chicago voters; margin of error +/- 5.6%.

BRAUN	ALL	DEM	GOP	IND	WHT	BLK	HISP	MEN	WOM
Strongly Favorable	10%	12%	4%	11%	6%	25%	6%	10%	10%
Favorable	46	57	25	46	40	65	61	43	49
Unfavorable	33	24	50	34	41	6	16	34	31
Strongly Unfav.	8	5	19	7	10	1	12	10	6

DALEY	ALL	DEM	GOP	IND	WHT	BLK	HISP	MEN	WOM
Strongly Favorable	13%	12%	16%	13%	18%	6%	--	13%	13%
Favorable	49	56	26	47	47	46	74	49	49
Unfavorable	27	25	33	28	24	35	26	29	26
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HOTLINE 3/10/93

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TO: Senator Dole
FR: Kerry
RE: Illinois GOP Events

*Jo-Anne reports the following about Saturday, March 20 events with the Illinois GOP

6:15-7:00 P.M. Reception for for approximately 300 people paying \$100 each. Attendees include Congressman Michel, Hastert, Ewing, and Lee Daniels. Bob Michel will call on you to make some brief informal pro-GOP remarks.

_____ Prepare talking points
 _____ No talking points necessary

7:00-9:00 P.M. Dinner with approximately 80-90 people-- CEO's and Governmental affairs types who have paid \$1,500 a couple. Chairman of the event is Bill Smithburg, Chairman of Quaker Oats. After dinner, they would like you to give an informal "insider's briefing" on events in Washington, D.C., and then take questions.

_____ Prepare talking points
 _____ No talking points necessary

March 17, 1993

Senator Robert Dole
SH141
Hart - Senate Office Building
Washington, DC 20510-1601

Dear Senator Dole:

I know that you are very busy and have many pressing issues with demands on your time -- especially in regard to posing responses to the President's economic plan. Having come from Nebraska with many of my family still living there, I've applauded for years your efforts in public service on behalf of the Midwest and the small business person. I watched your interview with Larry King last evening. Thank you for being genuine and straight forward, for being available so that difficult questions can be asked and answered. And congratulations on your diplomacy!

On March 1st of this year, I sent to you a very brief introduction to a suggestion for a program which (I wholeheartedly expect) would be beneficial to you (as the leader of the Republican Party) and to me (as a supporter and a small business person). There were many unanswered questions in the Policy Outline in the package. Further, with the Policy Outline, I included a copy of my resume, my company's prospectus and a brochure on one of our products to introduce myself to you.

I hope you don't think it is too forward of me but -- in order to provide you a better understanding of that proposal and to assist you in making a more informed decision regarding it (and to better persuade you that the proposed program is a viable solution to meet worthwhile goals for both of us), I've drafted a Business Plan for the "Foundation for Economic Growth for Small Business". It is just a draft. I've necessarily and in some cases prematurely adopted certain assumptions in the Business Plan in order to add substance to this draft. These assumptions and positions obviously require discussion and decision making. I have included information from research on SBA loan activities and small business growth. This information was obtained from reports to the President on small businesses and newspaper articles. I was hoping to obtain detailed official data from the SBA on the types and locations of loans made; however, according to the SBA regional office in Chicago, that information is not published .. and I could not find current Year End Reports from the SBA on the SBA past 1988.

I've also drafted a brief statement discussing why the Republican Party should be a co-leader in the Foundation's formation and growth. (Attachment A) This is heartfelt. I hope this will not only solidify your personal commitment to the Foundation but also assist you in convincing others of the Foundations merit.

Truthfully, I'm working within stringent personal time constraints. I'm hoping that with the additional information in this draft Business Plan you will quickly decide to co-lead the Foundation's formation. I noticed in a CNN report yesterday that certain unused campaign funds for Republican senators and representatives have not and do not need to be returned to a national campaign fund, the implication from the reporter being that the funds were being improperly used. Nothing was said about Democrat Party senators and representatives. Perhaps these funds could be "contributed" to the Foundation as its "start-up" capital. It may be a means of turning "negative press" to positive marketing of Republican Party goals and actions.

I'm hoping further that shortly after you agree to implement the Foundation I can be judged an "emergency case" and receive a written commitment that my company is eligible and will receive a

grant when the Foundation is implemented. With this commitment, I can go to my bank and receive a bridge loan to rescue my company and my future from its present dilemma.

I'm sure that you and your staff could greatly improve the style of this Business Plan. I also believe, however, that your time and that of your staff are extremely valuable and are dedicated to projects long sense planned. I can assist you in and will do whatever possible to push this program forward.

I anxiously await hearing from you.

Warmest regards,

Barbara Fanizzo

Barbara K. Fanizzo
2508 W. 113th Street
Chicago, ILL 60655

(312) 881-7485

Attachment A
Foundation Business Plan

Attachment A:

Dear Senator Dole:

I remember when Mr. Carter was elected. I was younger and not an independent business person then. It wasn't easy (emotionally or financially) to live through those four years. I am scared to death of the next four years -- especially with the attitudes and behaviors exhibited during these first two and a-half months by the President and the majority. We can't just try and weather as best we can the next four years as we did in the late 1970's. My son (who is seventeen) believes impeachment is the only answer. He knows that's not realistic and wouldn't resolve the problems in leadership. But, according to the United We Stand people who I've checked with in Chicago, this attitude of concern and frustration (and the suggested solution by my son) has been voiced by a lot of people -- not just Republicans.

This may seem ingratiating, but it is not -- for the good of us, we need to re-educate the public on the policy and direction of the Republican Party. We need to demonstrate to the Perot supporters that the Republicans hold the same convictions as they, even though specific positions may not be expressly identical. The only way will be by positive actions because credibility for any party's spoken word is now nil. Further, as you indicated in your interview with Larry King, the probability of success of any program proposed by a non-Democrat through government in the near future is, sadly but realistically, non-existent.

On the next page is a brief challenge addressing why it's necessary for the Republican Party to co-lead the formation of this Foundation.

Thank you.

Why the Republican Party Needs To Co-lead the Formation of the Foundation:

As stated earlier in the Business Plan, the Republican Party has always stood for the expansion of private enterprise with less interference from and with down sizing of the government. In the past two years, the public's perception of this policy has become disparate from the truth. The constructive points of the Republican Party have been usurped by the Democrats. The negative impact from the Democratic congress has been attributed to the Republicans.

The discrepancy between rhetoric and practice by the majority in power creates various challenges.

The challenge for the American people is to maintain vigilance on the activities in Washington and continuously voice convictions and concerns. The challenge for Democrats is to change direction and follow the positions on which they were elected. The challenge for the Republican Party (beyond education) is to lessen the negative impact of the majority's actions (sense a change in direction is likely not to occur in the near future) as much as possible while not appearing to obstruct progress. One positive consequence from this election and the actions of Democratic leadership is that the true platform of each party is once again becoming more clear.

The Real Challenge: The difficulty to meeting the challenge in the above paragraph is that these goals need to be accomplished without controlling power in Washington.

The Republican Party has (at least) the following two objectives over the next four years: first, educate the public on the Republican platform and improve the Republican Party image; and, at the same time supplement this education through private initiatives to prove that the positions stated by the Republican Party are practiced and that they are effective.

This Foundation can be one step toward demonstrating the initiative of American business and the power of private enterprise on economic growth over that of enforced government aid programs. Through a carefully planned marketing project, proper recognition can be given the Republican Party for constructive action to stimulate economic growth particularly with small businesses. This project reaches "grass roots" Americans for it is not limited to inner cities and special interests.

*"Keep it simple,
stupid."*

The Foundation is an uncomplicated solution. It is designed to operate simply and effectively. The old axiom "Keep it simple, stupid" usually works. Since the Foundation is organized with this in mind, it makes attainment of its goals a probability. Because the Foundation interacts directly with the people it is designed to assist without bureaucratic layers and political influences as a majority may change. Its management along program goals is better assured.

The Foundation starts small [compared to the Small Business Association (SBA) total funds] but its impact will be more consequential to long term economic growth for it offers a potential for growth for small businesses which is now rejected by the SBA. Further, as the program grows and its businesses succeed, its dollar volume will match that of the SBA.

*The failure of
the Democrats
to cooperate
and to even
seriously
consider the
minority
position is an
opportunity for
the
Republicans.*

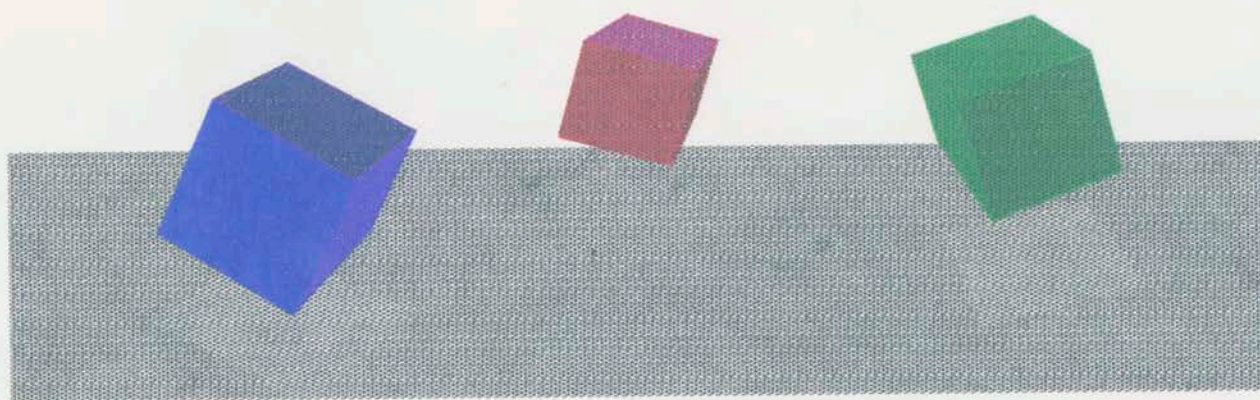
And, the Foundation will accomplish these goals without one tax dime and without one penny increase in the federal deficit. And, since contributions are voluntary, there should not be resentment from the business community for participating in the program. In fact, the business community can use its participation, befittingly, as a marketing tool of its own to show that it is actively involved in the growth of small businesses and the economy.

Alternatives from the Republican Party obviously are not seriously taken into consideration by the majority and the President at this time. Therefore, alternatives must be initiated where practical and possible elsewhere. In many ways, this is an opportunity for the Republican Party to clearly demonstrate its agenda free from usurption by the Democrats.

Recruiting Ross Perot: The Foundation is an energetic project which can be initiated in a timely manner with proper planning and team work. It can be an ideal project to excite participation from Ross Perot and his supporters. The implementation of the Foundation within the timeframes proposed by its Business Plan would demonstrate that the Republican Party can really produce "change" for continued growth of the economy, that it can operate outside the "business as usual" politics and snags infamous in many Washington dimensions.

In conclusion, the Republican Party has the opportunity to renew their image. For the good of all of us, it must succeed in the challenge to re-educate the public about its economic platform. The Republican Party must seize the opportunity to demonstrate its policy and leadership, when unencumbered by the false rhetoric and deceiving actions of the Democratic Party. The Foundation for Economic Growth for Small Business will provide the proper conduit to the American public for the Republican Party to achieve these goals.

**Foundation
for
Economic Growth
for
Small Business**



**Business Plan
1993 through 1997**

Foundation for Economic Growth

for Small Business

The following is a draft of the **Business Plan** for the Foundation for Economic Growth for Small Business (hereinafter referred to as "Foundation").

The dynamics of the American economy are complicated and fluid. Financial resources to promote prosperity for small and medium sized businesses have not developed to match the changing economic climate. In fact, traditional investment practices have limited the growth of many small businesses with real potential for large expansion, forcing some of them to close down.

The Foundation reverses this trend and provides a practical means to stimulate (not limit) the growth of this business category.

The Foundation provides financial resources to small and medium sized businesses through a grant program similar to those offered to small special interest groups by individual companies or philanthropists. Grants from the foundation are issued to these businesses by priority according to the availability and reasonableness of traditional financial resources.

The **scope** of this *Business Plan* addresses the implementation and operation of the Foundation for the first five years of existence.

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I. Executive Summary

The Population and Family Planning Council, created by statute and authorized by Congress, is a non-profit organization that conducts the program of population research and family planning. The Council's primary responsibility is to conduct research and family planning activities.

The Council's primary responsibility is to conduct research and family planning activities.

I. Executive Summary

The Council's primary responsibility is to conduct research and family planning activities. The Council's primary responsibility is to conduct research and family planning activities.

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I. Executive Summary

The Foundation is a newly established financial resource for small and medium sized businesses. The Foundation is formed to stimulate the progress of businesses neglected by present funding resources. The Foundation undertakes this stimulus through a grant program which allows a business to maintain its individuality and vitality.

The purposes of the Foundation are:

Purposes

- . To establish a financial resource to meet the economic realities facing small and medium sized businesses today;
- . To provide such resource in a manner which allows the independent business person to maintain his or her individual status and thus stimulate his or her passion to succeed;
- . To promote education, hard work and striving for success for all Americans, by expanding the economic opportunities for women and men in small and moderately sized businesses;
- . To promote industries of the future, such as intellectual product development and expansion, which are typically rejected by traditional institutional funding and swallowed up by private investors;
- . To encourage women and men to realize their professional aspirations through private enterprise;
- . To provide consultative resources for grant recipients in finances, planning, operations and management, and marketing to better assure success of their ventures;
- . To establish a means of replenishing Foundation funds for continuous sponsorship of businesses.

The Foundation's scope of operation is:

Scope

- . To grant funds for expansion or initiation of a small or medium sized business;
- . To issue such funds according to priority -- ie, the unavailability of funds through traditional banking practices such as the Small Business Administration (SBA); probability of creating jobs beyond that of the owners; finances available to the Foundation;
- . To include businesses of the future -- ie, intellectual property development;
- . To include businesses which require a broader consumer base --ie, a national clientele where competition for a share of the market requires intelligent financing; and
- . To limit Foundation subsidizing to voluntary contributions from business.

Definitions

For purposes of this Business Plan, a small or medium sized business (according to the US Small Business Administration 1991 Report on Small Business and Competition) is defined as any business with less than 500 employees.

Unlike most funds available through the SBA, funds from the Foundation are directly available to the small/medium sized business from the Foundation and are not subject to the preferences and limited practice of banking institutions. Thus, a more direct and immediate positive response to the need for financial stimulus can be given than trying to, through legislation or federal mandate, affect a timely or permanent change in banking practices.

In order to encourage donations from corporations to the Foundation, the Foundation maintains a not-for profit status as a charity with donations resulting in tax benefits to the bestowing corporation.

As evidenced by the proposed cuts in defense operations, it only takes an instant to eliminate thousands of jobs. It takes infinitely longer to create even a fraction of that number of jobs. Small business is a significant factor in creating jobs. According to the SBA in 1990, small businesses generated 45 percent of the new jobs in the late 1980's¹. Further, small firm expansions were generally more common in capital intensive sectors than in the labor-intensive sectors. Since small businesses were seeing loan applications declined, even for purposes for which they had previously obtained funds, (ie, banks, including SBA insured loans, making fewer loans and tightening loan criteria)² and since the average SBA loan in 1991 was \$238,000³, it's logical to conclude that much of the capital needed for these expansions had to come from private investment since other resources were not available. In 1991, the SBA insured 17,330 loans through banking institutions. It issued 2,104 loans through other special interest programs. Unfortunately, detail on the types of loans made and data on the number of loans declined are not available⁴. The limited approval practices of the program are generally known by discussions with banks and small business owners, but not officially published by the SBA. It is, therefore, difficult to accurately estimate the number of American businesses that could benefit from the Foundation's programs each year. Since in 1990 there were over 600,000 new incorporations⁵ and an estimate of only approximately 17,000 SBA loans (using 1991 data), it is safe to say that more businesses than could possibly be assisted would benefit from the Foundation. In 1990 more than 621,000 new jobs were created by small business.⁶ With only a modest initial budget of \$150 million the first year, the Foundation would initiate over 20,000 new jobs in just a five year period, which by the way are in all probability not minimum wage positions, with an increase in the gross national product of \$3.3 billion. The Foundation will meet these figures without one percentage of tax increase or one penny increase in the deficit!

On the next page is a summary of the budgetary or financial projections for the Foundation for its first seven years of existence.

¹ "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xiv

² "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xiv

³ Fiscal Year Annual Report for the Small Business Administration - 1991", according to Chicago, Illinois office, March 15, 1993

⁴ Fiscal Year Annual Report for the Small Business Administration - 1991", according to Chicago, Illinois office, March 15, 1993

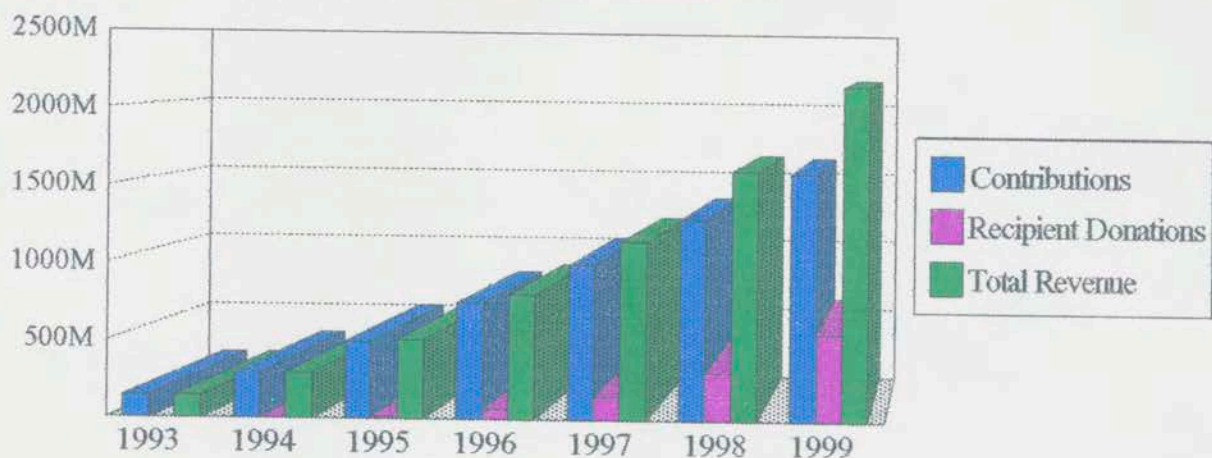
⁵ "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xv

⁶ 1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xvi

Projected Budget: 1993 through 1999 with gradually increasing contributions.

	1993 (150mil)	1994 (300mil)	1995 (500mil)	1996 (750mil)	1997 (1bil)	1998 (1.3bil)	1999 (1.6bil)	Total
Revenue:								
Contributions	150,050,000	300,000,000	500,000,000	750,000,000	1,000,000,000	1,300,000,000	1,600,000,000	5,600,050,000
Donations from Recipients	0	3,000,000	15,000,000	61,600,000	153,900,000	312,100,000	569,400,000	1,115,000,000
Total Revenue	150,050,000	303,000,000	515,000,000	811,600,000	1,153,900,000	1,612,100,000	2,169,400,000	6,715,050,000
# of Grants	30	61	103	169	238	327	434	1,362
Increase in Small Business Revenue	11,700,000	126,390,000	383,790,000	872,670,000	1,730,700,000	3,085,470,000	8,367,540,000	14,578,260,000
Increase in # of Jobs	1,500	3,950	7,580	13,360	20,850	30,750	43,530	121,520

Projected Revenue -- Contributions & Donations



Increases in Small Business Revenue



II. Timeliness of Foundation

II. Timeliness of the Foundation

The status of the economy and the outcome of government actions on it over the past twelve years were the primary concerns of American voters in the campaign of 1992. For this reason and the President's controversial economic plan, the scrutiny of the American public is on this issue and on those in power.

The economic issue is submerged in and driven by political policy. Therefore, even though the Foundation is non-partisan, it is important to discuss in this Plan the impact of politics on the economy, focusing on proposed economic actions. In particular, the President's plan to increase taxes and spending while not decreasing the deficit contributes weightily to the necessity to form this Foundation. Further, it is important for the public (particularly those who will benefit from the Foundation) to know that the Foundation owes its existence to the support of the Republican Party, acting as a primary leader in the formation of the Foundation to further private enterprise.

The Republican Party for more than the last contested twelve years embraced a platform for the growth of the private sector and pushed for down-sizing of the government and more efficiency in its operation. Increasingly for the past 12 years, the rhetoric from the Democratic Party at the local or regional level has mirrored the Republican platform causing confusion by many on the true direction of either party. Because the Republicans had the Whitehouse, that party was associated with any detrimental actions over the past twelve years -- even though the Democrats controlled both houses of Congress and therefore controlled most of the actions effecting economic outcome. Unfortunately, this miscommunication on party position culminated in a national election for "change" without the populace truly understanding the changes that would be coming which laid behind the rhetoric.

The masks are off and the true plan has been presented to the public. Regrettably, the American people now find themselves in the undesirable position where only the minority of votes in both houses and no President practice what was preached during the 1992 elections. Unfortunately, and perhaps predictably, actions have not reflected promises. The Democratic Party leadership is proposing policies along lines established prior to 1980 which lost them their constituency, were sense abandoned and are contradictory to positions espoused during the elections. The American people did not send a mandate to Washington to follow traditional tax and spend policy. This fact will be communicated to elected officials through votes in the next two years. Distressingly, this message to the controlling party will be late because the "honeymoon" period with the majority party blindly following its leadership will last long enough to pose serious problems for the economy.

For example, the results of implementation of the President's plan are inevitable as proven by history. Increased taxes do not result in economic growth. Increased taxes do not result in lowering of the deficit. Increasing the burden on business does not increase the number of jobs and does not increase productivity. Increasing government sponsored economic packages usually results in increasing the deficit. Government stimulus packages are either directed toward special interest groups or for segments of the society with below acceptable income ranges, which do not produce long range growth in

jobs or personal finances. Setting up class jealousy and punishment for success does not promote national growth.

The course outlined by the President contradicts all common sense to stimulate economic growth, particularly for small businesses.

Even though all indicators for the past 6 months have shown that the economy is slowly improving, it's questionable how long this improvement will last given the outcome from the pending taxes, burdens and spending. A thoughtful not radical stimulus driven by private enterprise should be established to encourage this growth.

The foundation is a realistic solution to invigorating the ongoing growth of the economy -- particularly as a buffer against the probable negative effects from the majorities economic package. Therefore, now is not just an *ideal* time to implement the Foundation, it is *critical* that such a Foundation be formed as soon as possible.

III. Market Analysis

In 1951, the Food and Drug Administration issued a report on the status of the food industry. The report stated that the food industry was in a state of "transition" and that it was "facing a period of rapid change." The report also stated that the food industry was "facing a period of rapid change" and that it was "facing a period of rapid change."

III. Market Analysis

The food industry is a complex one, and it is one that is constantly changing. The food industry is a complex one, and it is one that is constantly changing. The food industry is a complex one, and it is one that is constantly changing.

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Market Size

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- 1. Food and Drug Administration, "Report on the Status of the Food Industry," 1951.
- 2. Food and Drug Administration, "Report on the Status of the Food Industry," 1951.
- 3. Food and Drug Administration, "Report on the Status of the Food Industry," 1951.
- 4. Food and Drug Administration, "Report on the Status of the Food Industry," 1951.
- 5. Food and Drug Administration, "Report on the Status of the Food Industry," 1951.

III. Market Analysis

In 1991, the Small Business Administration issued 17,330 new loans amounting to \$3.3 billion⁷. Unfortunately, official information on the types of businesses funded and on the location (ie, inner city, urban, rural, etc.) is not available. However, discussions with banks, the owners of small businesses with experiences with SBA loans, and attorneys who have assisted clients in applications for loans, demonstrate that banks and the SBA typically issue loans to traditional "neighborhood" businesses (such as auto parts stores, restaurants, muffler shops). Businesses dealing more in services and intellectual property are not funded. This leaves only private investment as a means for expansion for such businesses -- on a very limited and consuming basis.

Further, the SBA does report that loans are most often granted by banks to local customers.⁸ If a business's local bank does not participate in SBA financing, that resource is automatically unavailable.

These facts demonstrate that there is a decided neglect toward small or medium sized businesses in enterprises dealing with "industries of the future" or intellectual product development and service oriented enterprises, and those owned by persons not within a small targeted group or geographical area. Interestingly, these are the areas with the most potential for growth reported by the SBA.⁹

Further, although there are government sponsored grant programs which are directed toward national interests (traditionally such programs as treatment of disease or defense, or research projects in various areas), deplorably, there has been a lot of documentation of abuse in these programs. Attempting to expand these government programs to include encouraging small business without first cleaning up these government sponsored programs would be unconscionable.

Market Size

Since before 1990, the supply of funds for start-up or expansion of small businesses has decreased because of increasing caution among individual and institutional lenders.¹⁰ The continuous articles in newspapers such as the Wall Street Journal and the New York Times both in late 1992 and in early 1993 report that funding resources are not able to meet the demand (even in the targeted preferences known to be practiced by the SBA).

⁷ Fiscal Year Annual Report for the Small Business Administration - 1991", according to Chicago, Illinois office, March 15, 1993

⁸ "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xiv

⁹ "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xvi

¹⁰ "1991 Report on Small Business and Competition", US Small Business Administration, Office of Advocacy, Patricia Saiki, p. xiv

The Foundation is specifically directed to address the need demonstrated by this information. It is estimated with a opening contribution goal of \$150 million for the first year, the Foundation can assist over 600 businesses increase product lines and client base in just the first five year period of operation. It can generate in excess of 20,000 new jobs in small businesses. It can bring about more than \$3.3 billion in new revenue for small businesses. Obviously, if fund raising activities generate more contributions, the impact of the Foundation increases proportionately.

The Future Impact and Services

The initiation of the Foundation is at first a necessary "baby step" toward the goal of economic growth. But, as the Foundation grows and ages, its impact grows powerfully.

The Foundation will be ideally positioned to provide specific data concerning the impact of private investment on economic growth for future economic plans. It will also be able to sponsor education programs on management, finance and marketing to assist all small business remain viable. It can be a principal tool for education on economic theory and political policy.

Help on management is available to small businesses through the SBA. Recent reports indicate that many of these programs actually benefit academia versus making a real difference in the success of small businesses.¹¹ Such help is totally dependent upon the knowledge of its existence by the business person and on his or her desire for help. Many individual business persons fear external assistance because it's viewed as negative interference and a potential "flag" to the lender of pending problems. Consequently, many small businesses have failed in the past without ever seeking help.

Since the Foundation's goal, on the other hand is to assist the recipient succeed in all respects, the recipient agrees up front if profits are not attained within a reasonable time he or she will accept assistance from the expertise available through the Foundation. The assistance program is established from the beginning as a positive program so that all will succeed.

¹¹ "Business Development Centers are Under Seige", Chrystal Caruthers, the Wall Street Journal, Sept 4, 1992, pB2(W) pB2(E)

IV. Foundation

Organization & Overview

The Foundation is a non-profit organization established in 1984 to support the research and scholarship of the late Senator Frank J. Lausche. The Foundation is a 501(c)(3) organization and is exempt from federal income tax.

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IV. Foundation Organization & Overview

The following section depicts the Foundation's organization structure, with responsibilities. It explains the process for evaluating applicants and granting funds. It describes the responsibilities of those businesses which receive a grant.

A sample application packet, sample review worksheet, and a sample periodic reporting packet are attached as Addenda to this Plan. (Not completed at this time.)

A. Organization Structure

The staffing and organizational structure of the Foundation will grow as the Foundation's needs grow. Forever, a goal of the Foundation will be to avoid building a needless bureaucracy. Creating jobs within the Foundation is not a goal of the Foundation.

The co-leaders will act as an Advisory Board upon initiation of the Foundation. They will seek start up funds of \$50,000. They will determine the location of a central office and appoint a facilitator for the implementation period. They will approve a timeframe for implementation (probably 4 months) and monitor the performance of the facilitator. The co-leaders may also issue a "letter of intent" to grant funds if an applicant can provide a complete Business Plan and can show that delay of commitment to grant funds would result in irreparable harm to the applicant and his/her business.

The *facilitator* will work with the co-leaders of the Foundation completing legal requirements (including retaining legal council and drafting organization bylaws), establishing trust funds/bank accounts, establishing an accounting system, finalizing the Business Plan and its addendum's, preparing and distributing marketing materials for contributions, forming the Board of Directors and preparing its first meeting, etc. The facilitator would, with input from the co-leaders and depending upon the amount of donations received, finalize a staffing outline with indicators for staffing increases as the Foundation grows.

1. Board of Directors: Oversight of management and operation of the Foundation is the responsibility of the Board of Directors (hereinafter referred to as the Board). The Board is to be composed of nine (9) members, including the President of the Board. The first Board will be chosen by the co-leaders. It will consist of seven (7) representative volunteers from contributing enterprises. One seat will be filled by a delegate from the Republican Party. One (1) seat will be reserved for a recipient, to be filled as soon as known. [Note: Membership will be expanded to 10 to include Mr. Perot (or his designee) should he choose to participate in this project.] It will meet on a monthly basis. At least one Board meeting per year will be held at the Foundation offices (or at Republican headquarters, if desired). Meetings by phone/telecommunications will be encouraged whenever possible. An agenda

and meeting materials will be sent out by Foundation staff to be received by all Board members at least one week prior to the meetings.

The first responsibility of the Board will be to approve a final draft of this Business Plan. Second, it will approve a budget for the first three years of operation and a staffing plan with compensation or salary levels. The primary ongoing role of the Board is to determine recipients of grants, the amount of funds to be awarded, and approval of fund raising activities. The Board may also order and fund special studies or education programs on issues impacting attainment of Foundation goals. The Foundation bylaws will explain the authority and responsibility of the Board in detail.

2. Director of Operations: A Director of Operations (hereinafter referred to as the "Director") will be hired by the Board to assume administrative responsibilities following the implementation period. Briefly, the Director will be responsible for implementing or following up Board directives, performing marketing activities for fund raising, coordinating education programs, coordinating communication between members, interfacing with the Republican Party leadership for education where appropriate and with the Democratic Party if desired, coordinating Board meetings, communicating with recipients and applicants, etc. The Director with approval by the Chairman of the Board will also contact contributors who have indicated willingness to evaluate Business Plans when such evaluation is needed. A job description for the Director is included at the end of this section of the Business Plan.

3. Contributors: Contributors to the Foundation will be limited to corporations (including subchapter s and pc), partnerships, or single proprietorships. Contributions will not be sought from individuals. However, the Foundation may accept a financial contribution from an owner or principal of a corporation/etc. in addition to or in lieu of a contribution from the corporation/etc, or from another foundation.

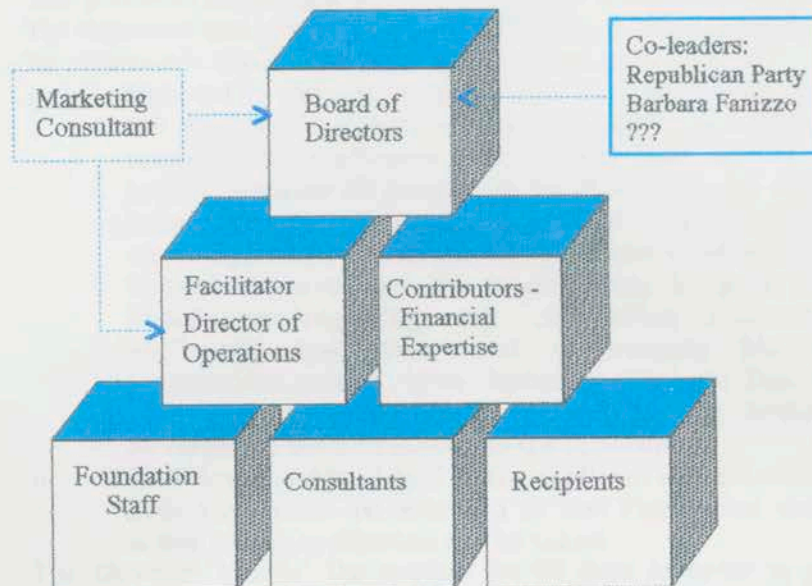
Further, corporations/etc. can also donate time and expertise for education programs sponsored by the Foundation and for evaluating Business Plans from applicants.

The Republican Party will assist the Foundation to assure that all issues are covered and papers are in order so that contributors may designate their contribution as a tax credit, either as a capital investment or a charitable contribution.

Contributors will receive the proper documentation for tax purposes, and at least an annual report of the activities of the Foundation with a summary of its grants, expenditures, receipts.

4. Recipients: A recipient is a legally recognized business receiving a grant from the Foundation. A recipient cannot be an individual. Recipients will pledge to contribute to the foundation according to the schedule in "E" below. The recipient will perform any administrative function as requested by the Board from the list of functions in I below. Recipients will submit to the Foundation periodic reports on operations and finances according to the schedule described in "F" below.

B. Organization Chart:



C. Application Process

Below is a description of the steps in the process of applying for a grant from the Foundation. A written policy and procedure will be written during the implementation process. Strict timeframes and specific information for application is required in order to better assure an efficient operation of the Foundation. Even though the timeframes may pressure an applicant, this is important to keep administrative costs to a minimum and to allow an efficient use of the volunteer Board members' time. A sample Application Packet is included as Addendum A to this Business Plan.

1. Applicant calls or writes the Foundation requesting an application for a grant.
2. Director calls applicant for basic information to determine whether applicant is a potential recipient, obtaining the following information:
 - a. Company name and address
 - b. Owner name(s) and address(es)
 - c. Description of business -- size and type
 - d. Alternative financing tried
 - e. If any "emergent" issues exist
3. If requester is not potentially eligible for a grant, the Director informs him/her of fact and sends him/her a description of the Foundation; and, invites the requester to send a written request to the Foundation

with a history and description of the business (not longer than 5 pages) which will be reviewed by the Chairman of the Board for a second opinion.

4. The Director logs all requests and the actions taken.
5. For potential recipients, the Director sends an application packet to the requester and informs him or her that the completed packet should be returned to the Foundation within 30 days of its mailing.
 - a. Included in the application packet is a declaration requiring the applicant's signature signifying that the applicant has received the application packet, has read the Foundation bylaws, releases all persons at the Foundation or working on behalf of the Foundation of any liability for acting in good faith on his application, releases all references or other persons or institutions contacted by or contacting in good faith the Foundation regarding any information concerning the applicant's application, and understands his or her responsibilities and rights (including those for Due Process) once application is made to the Foundation and should a grant be issued by the Foundation to the applicant.
 - b. This form must be signed by the applicant and notarized.
 - c. This form must be returned to the Foundation before any action on the application will be taken.
6. The Director "tickles" the request for 60 days in order to plan the workload for the Board.
 - a. If the applicant indicated on the phone that the situation requires an "urgent" status, then the Director tickles the request for 30 days -- but verifies the need upon receipt of the packet before actually distributing the materials to the Board.
7. The applicant completes the forms and sends the information required in the packet to the Foundation within 30 days.
 - a. If the completed packet is not received by the Foundation within 30 days, then the request is dropped from the Board schedule. If the application packet is received by the Foundation within 60 days, the application may be rescheduled for the next 30 days. If the application packet is received after 60 days but less than 180 days, then the applicant must supply an explanation of the delay for review by the Chairman of the Board before it can be rescheduled. If the application is received after 180 days (or the explanation for delay beyond 60 days but before 180 days is not judged acceptable by the Chairman), then it is returned to the applicant and treated as a denial for a grant (ie, the applicant can reapply one year from the original application due date).
8. The Director reviews the completed application packet and:
 - a. Contacts the applicant for clarification or additional information if needed
 - b. Contacts three of the references for verification and documents results
 - c. Assigns the packet to a Board member for review according to the type of business and the Board member's expertise
 - d. Sends a copy of the packet with an application review worksheet to the Board member as soon as possible and informs him/her of the date of the Board meeting scheduled for its evaluation.

9. The Director informs the applicant of the date of Review by the Foundation Board and assures him/her that the Foundation will contact him/her within 3 days following that meeting informing him/her of the status of his/her application.
10. If an application is denied, the applicant may reapply 1 year from the date of the Board meeting where denial was issued.
11. If additional information is requested by the Board prior to determining to grant or deny funds, the applicant is informed within 3 days of the information needed and must supply that information to the Foundation at least one week before the next Board meeting. The Board may, at its discretion, extend this timeframe as an individual circumstance demands.

D. Approval Process

The following is a description of the steps in the process for approving or denying an application for a grant from the Foundation. A sample review worksheet is included as Addendum B to this Business Plan.

1. Director certifies that application is complete.
2. Director assigns application to a Board member for review according to the type of business and the expertise of the member
3. Director sends application and review worksheet to assigned member as soon as possible but at least 2 weeks before the scheduled Board meeting.
4. Board member reads application and completes review worksheet, including his/her recommendation regarding approval.
5. At meeting, member describes applicant and his/her recommendation and reasons for recommendation.
6. Board discusses application and decides status.
7. If grant is to be issued, Board:
 - a. Determines amount to be granted
 - b. Determines recommended contribution rate
 - c. Determines any special instructions for Director regarding oversight of grant, including any required marketing assistance, any suggestions regarding budget, etc.
 - d. Determines whether recipient is to participate in any activities for the Foundation
 - e. Establishes follow up evaluation schedule and defines any special issues to be assessed
8. If grant is not to be issued, Board documents reasons for denial and instructs Director to inform applicant.
9. Director informs applicant of decision. For approvals, Director prepares papers and drafts check for Chairman signature.
10. Director contacts recipient and schedules closing.
11. Recipient goes to Foundation offices, signs papers and picks up check.

E. Recipient Donation Process

Sense funds are issued as a grant and not a loan, there is no loan repayment requirement. However, one of the requirements for receiving a grant is that a recipient must be willing to help other small businesses when the recipient is able -- financial, and professional expertise when asked. One of the documents to be signed by the recipient at the closing is a pledge to make annual donations to the foundation when capable. The frequency and amount is recommended by the Board for each Grant. A Sample Periodic Report Package for a recipient is attached to this Business Plan as Addendum C.

The following is a general schedule to be applied; however, the Board may vary the specifics at its discretion:

1. Donations are to come from profits not operating cash
2. Donations are not to begin until the recipient has cash for one budget year in excess on account
3. The recipient must not issue profit sharing or dividends until donations are made to the Foundation
4. Profit sharing and dividends (or the donation to the foundation) are not considered expenses for determining profit
5. When donations become applicable, donations are to be made twice a year -- the first by the fifteenth (15th) day of the 7th month of the budget year (for the first six months of the budget year), and the second by the fifteenth (15th) day of the 1st month of the next budget year (for the last six months of the budget year).
6. Generally, donations are not expected to begin until 1 year after issuing a grant, and most often for 18 months after issuing a grant. The purpose is to allow a continuous (and not a capricious) period of growth for the recipient.
7. The first year of donations will be recommended to be 10% of profit; the second year to be 15% of profit; the third and following years to be 20% of profit.
8. There is no cap on the amount of or time frame for donations. If no legitimate profit is made by the 18th month following the issue of the grant or for any budget period following this timeframe, a donation is not expected; however, the recipient will supply to the foundation clear proof and explanation of the situation at the business. Further, either the Board or a task force for the Board will examine the operations of the recipient and make recommendations to rectify the situation so that profits are made.
9. If a business is sold, then the percentage of profit to have been donated would be donated from the sale price, but in no case less than 10%.
10. Once a recipient's donations equal 1 1/2 times the amount of the grant, the recipient converts to a contributor and is eligible for a Board seat in that status.
11. If it is found that a recipient has fraudulently reported profit to reduce the donation to be made, then the entire amount of the grant will be immediately recalled plus the Board may assess punitive damages. Legal action may be taken as deemed appropriate and necessary. The Foundation bylaws will include a section detailing Due Process (including Hearings) to assure protection of recipient and the Foundation rights.. A corresponding Policy and Procedure will be

developed during the implementation period and distributed to all applicants as part of the application process.

Below is a sample Summary Profit and Loss Statement demonstrating donations from a recipient for the first five years following a grant.

Example: Republic Services

	Total 1993	Total 1994	Total 1995	Total 1996	Total 1997	Total
Total Revenue	390,000	3,420,000	4,500,000	6,000,000	7,680,000	21,990,000
Total All Exp	1,181,580	2,157,204	2,758,548	3,430,844	4,440,248	13,968,424
Prof (Loss)	-791,080	1,262,796	1,741,452	2,569,156	3,239,752	8,022,076
Purch\Stock	1,800,000	500,000	500,000	0	0	2,800,000
Pr Sh (10-20%)	0	89,974	348,290	642,289	809,938	1,890,491
Contri-10-20%	0	89,974	348,290	770,747	971,926	2,180,936
Divid-10-20%	0	0	174,145	642,289	809,938	1,626,372
Capital-Cash	3,408,920	3,999,833	4,370,559	4,884,390	5,532,340	22,196,042

F. Periodic Reporting Process

A recipient of a grant will be responsible for providing a report on operations at least twice a year to the Foundation. The purpose for these reports is so that the Board can identify areas for improvement and provide assistance when appropriate to the recipient, such as suggestions for productivity levels or new products. It is not to be a punitive experience.

A second purpose of the report is to verify proper donation levels from the recipient. Therefore, the report will include detail on sales and expenses, profit and loss and an Income Statement.

A sample format for a Periodic Report from a Recipient is included in the Business Plans as Addendum B.

G. Foundation Funding -- Contributions & Grants

The source of funds for grants and for operating the Foundation come from contributions from private businesses, or principals of a business in addition to or in lieu of a contribution from that business. Funds are not sought from "the common folk" such as found in drives for MS or leukemia. Fund raising is a major ongoing activity for the Foundation forever.

In order to make a significant difference in job creation and economic growth, the goal for contributions for 1993 is \$150 million per year with incremental increases each year later. It is estimated that there will be limited donations from recipients before 1995 because of the infancy of the Foundation. However, the Foundation expects to issue at least 1,362 grants between 1993 and 1999. By 1997, using the sample business Republic Services introduced previously, the Foundation would be receiving in excess of \$11 million in donations from recipients yearly. This number increases exponentially

annually. And, therefore, the number of grants increases exponentially from this resource.

Again, the Foundation is seeking to stimulate growth in businesses outside the range of the SBA target groups. Because of the nature of recipients and the market in which they operate, the average annual operating budget for a recipient is expected to be between \$1.5 million and \$3 million. Therefore, it's estimated that the *average* grant will be between \$3 million and \$6 million. These are sizable investments. Correspondingly, however, the return to the Foundation to assist others should be significant within a reasonable period of time.

Therefore, the Foundation will be able to issue in excess of 500 grants between 1993 and 1997. Using the sample business "Republic Services", a conservative estimate of the increase in gross national product directly attributable to the Foundation between 1993 and 1995 would only be \$20,520,000; **however**, this is due to the infancy of the Foundation's programs. But, from 1993 through 1999, the increase would be in excess of \$14.5 billion -- without a single cent added to the deficit or one tax increased.

H. Administrative Operations

As stated earlier, the Foundation is not created to build a bureaucracy. However, in order to perform the various duties needed for the efficient operation of the Foundation and to minimize the workload of volunteer contributors, a minimum staff is needed. Staffing at this time is based upon estimated workload. Staffing will be adjusted as needed over the first year depending upon contributions and grants issued.

The Foundation's primary activities the first year of operation will center around fund raising. Based upon the target goal, an average of 2.5 grants will be issued per month. The Director could easily handle this volume with no assistance. However, since he or she will spend a great deal of time out of the office pursuing contributions, educating business of foundation goals, and strengthening coalitions with business groups, an administrative assistant is a practical necessity. Therefore, the staffing for the Foundation for at least the first year of operation will consist of a Director and an administrative assistant. It's estimated that employee costs will be under \$85,000.

Secondly, because one key to the ability of the Foundation to achieve its goals is raising funds, the Director must have experience in this area. The Director must be able to design marketing materials, speak before large groups, communicate and relate well with a variety of people, be a self-starter, and have a basic understanding of the economy and operation of a business. In order to provide a production resource for the Director, a marketing firm will be retained in a consulting capacity.

The facilitator within 1 week of beginning work will develop and present a Request for Proposal to 5 marketing firms, with preference to firms experienced in fund raising, for a marketing plan and budget for the first three years of operation. The bids are to be at the Foundation within 30 days after the request. The co-leaders will choose the most appropriate bid within 10

working days of receipt of the bids. It is estimated that the total marketing budget will be less than \$40,000 for the first year.

The highest other expense is expected to be for travel for staff and for Board members on Foundation activities. A budget will be completed by the facilitator during the implementation period. Below is a tentative summary of expenses for the first 9 months, including the implementation period.

	Imple 1 (4/1993)	Imple 2 (5/1993)	Imple 3 (6/1993)	Imple 4 (7/1993)	8/1993	9/1993	10/1993	11/1993	12/1993	Total
Employee Expense										
Facilitator	6000	6000	6000	6000	0	0	0	0	0	24000
Director	0	0	6000	6000	6000	6000	6000	6000	6000	42000
Adm./Asst.	0	0	0	2200	2200	2200	2200	2200	2200	13200
SubTotal	6000	6000	12000	14200	8200	8200	8200	8200	8200	79200
Pay Costs	720	720	1440	1704	984	984	984	984	984	9504
Total Exp	6720	6720	13440	15904	9184	9184	9184	9184	9184	88704
Consult Fee			6000	1000	1000	1000	1000	1000	1000	12000
Total Pers	6720	6720	19440	16904	10184	10184	10184	10184	10184	100704
Other Expense										
Emp Bene's	0	0	0	400	400	400	400	400	400	2400
Prof Fees	2500	2500	0	500	0	0	0	0	0	5500
Rent	0	1000	500	500	500	500	500	500	500	4500
Phone	300	200	200	200	200	200	200	200	200	1900
Utilities	0	50	50	50	50	50	50	50	50	400
Travel	2500	2500	2500	2500	2500	2500	2500	2500	2500	22500
Off Sup/Equ	5000	100	50	50	50	50	50	50	50	5450
Adver/Enter	500	3000	2000	1000	1000	1000	1000	1000	1000	11500
Dues/Subscr	50	25	25	25	25	25	25	25	25	250
Postage	100	100	100	100	100	100	100	100	100	900
Bank Chrgs	100	100	100	100	100	100	100	100	100	900
Misc	100	100	100	100	100	100	100	100	100	900
Total Other	11150	9675	5625	5525	5025	5025	5025	5025	5025	57100
Total All	17870	16395	25065	22429	15209	15209	15209	15209	15209	157804

Legend for Abbreviations:

- "Adm/Asst" - Administrative Assistant
- "Total Exp" - Total Payroll Expense
- "Total Pers" - Total Ongoing Personnel Expense
- "Prof Fees" - Occasional Professional Fees (ie, legal)
- "Adver/Enter" - Advertising and Entertainment
- "Pay Costs" - Payroll Costs
- "Consult Fees" - Fees for Consultants (ie, Marketing Firm)
- "Emp Bene's" - Employee Benefits (ie, Healthcare, etc.)
- "Off Sup/Equ" - Office Supplies and Equipment
- "Bank Chrgs" - Bank Charges

I. Administrative Functions to be Shared by Recipients

In order to minimize administrative expenses, some administrative duties and office expenses can be shared with recipients.

For example in marketing, each recipient will be required to participate in local business organizations such as Kiwanis, business women associations, business coalitions, etc. Those who have the ability would agree to speak before these groups informing them of the existence, sponsorship and goals of the Foundation. If these organizations have newsletters, recipients would submit articles concerning the Foundation, its impact and its goals. Recipients can act as referral bases for these local organizations. They can distribute brochures both for grants and for contributions.

The Foundation can reduce operating expenses, at least during the first two years of operation, by locating its office at a recipient office that can make suitable space for the Director's office. The chosen recipient may also have space for meetings. The Foundation may reduce personnel expenses by sharing a secretary/assistant with that recipient -- the recipient can answer phones, take messages, take care of the mail. Further, the Foundation can reduce the start-up cost for equipment by using (renting according to use) recipient equipment such as a copier, brochure binders. This approach of "sharing expenses" may be impractical depending on the level of contributions, and therefore, the level of staff work. The work load and activity of the Foundation would be monitored by the Board to assure that these do not interfere with the recipient's ability to operate efficiently.

V. Financial Information

As stated earlier, the funding for the Foundation comes from contributions from businesses or principals from business.

For planning purposes, this Business Plan sets a minimum goal of fund raising for each year of the first five years of operations of the Foundation. An ongoing working goal will be to exceed this Plan goal each year by at least 10% in actual dollars raised. The donations from recipients

The following information is contained in the next pages:

- . Projected Budget and Impact, 1993 through 1999 with initial funding of \$150 million and gradual increase to 1.3 billion;
- . Projected Budget and Impact, 1993 through 1997 with annual contributions of \$150 million; and
- . Projected Budget and Impact, 1993 through 1997 with annual contributions of \$300 million.

V. Financial Information

Item	1911	1912	1913	1914	1915	1916	1917	1918
Expenses								
Salaries	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Travel	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Postage	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Telephone	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Light & Heat	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Water	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Gas	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Food	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Laundry	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Insurance	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Repairs	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Office Supplies	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Printing	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Books	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Subscriptions	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Interest	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Income								
Salaries	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Travel	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Postage	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Telephone	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Light & Heat	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Water	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Gas	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Food	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Laundry	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Insurance	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Repairs	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Office Supplies	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Printing	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Books	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Subscriptions	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Interest	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Projected Budget - 1993 through 1999 beginning with \$150 million and ending with \$1.3 bill

	1993 (150mil)	1994 (300mil)	1995 (500mil)	1996 (750mil)	1997 (1billion)	1998 (1.3bil)	1999 (1.6bil)	Total
Revenue:								
Contributions	150,050,000	300,000,000	500,000,000	750,000,000	1,000,000,000	1,300,000,000	1,600,000,000	5,600,050,000
Recip Donations	0.00	3,000,000	15,000,000	61,600,000	153,900,000	312,100,000	569,400,000	1,115,000,000
Total Revenue	150,050,000	303,000,000	515,000,000	811,600,000	1,153,900,000	1,612,100,000	2,169,400,000	6,715,050,000
# of Grants								
	30	61	103	169	238	327	434	1,362
Incre SB Rev.	11,700,000	126,390,000	383,790,000	872,670,000	1,730,700,000	3,085,470,000	5,367,540,000	14,578,260,000
Increased Jobs	1,500	3,950	7,580	13,360	20,850	30,750	43,530	121,520
Expenses:								
Personnel Expense								
Facilitator	24,000	0	0	0	0	0	0	24,000
Director	42,000	78,000	84,000	90,000	96,000	102,000	108,000	600,000
Asst. Dir	0	0	0	60,000	6,500	7,000	7,500	81,000
Adm/Asst.	13,200	30,000	33,600	36,000	39,600	43,200	48,000	243,600
Adm/Asst.	0	13,200	30,000	33,600	36,000	39,600	43,200	195,600
Adm/Asst.	0	0	0	0	0	30,000	33,600	63,600
Subtotal	79,200	108,000	117,600	186,000	142,100	152,200	163,500	948,600
Pay Costs	9,504	12,960	14,112	22,320	17,052	18,264	19,620	113,832
Total Emp Exp:	88,704	120,960	131,712	208,320	159,152	170,464	183,120	1,062,432
Consult Fee	12,000	12,000	12,000	12,000	12,000	12,000	12,000	84,000
Total Pers:	100,704	132,960	143,712	220,320	171,152	182,464	195,120	1,146,432
Other Expense:								
Emp Bene's	2,400	2,400	2,400	2,400	2,400	2,400	2,400	16,800
Prof Fees	5,500	1,000	1,000	1,000	1,000	1,000	1,000	11,500
Rent	4,500	6,600	7,200	7,800	8,400	9,000	9,600	53,100
Phone	1,900	3,600	4,800	6,000	6,000	(6,500)	(7,000)	8,800
Utilities	400	1,200	1,200	1,200	1,200	1,200	1,200	7,600
Travel	22,500	24,750	27,225	29,948	32,942	36,236	39,860	213,461
Off Sup/Equip	5,450	1,200	1,440	3,728	4,474	7,368	8,842	32,501
Adver/Enter	11,500	1,000	1,000	1,000	1,500	3,000	3,000	22,000
Dues/Subscript	250	250	250	250	250	250	250	1,750
Postage	900	1,500	1,800	2,000	2,000	2,500	2,500	13,200
Bank Charges	900	900	900	900	900	900	900	6,300
Misc.	900	900	900	900	900	1,000	1,000	6,500
Total Other Exp:	57,100	45,300	50,115	57,126	61,966	58,354	63,532	393,513
Total All Exp:	157,804	178,260	193,827	277,446	233,118	240,818	258,672	1,539,945

Projected Budget - 1993 through 1997 with \$150 million in Contributions

	1993 (150mil)	1994 (150mil)	1995 (150mil)	1996 (150mil)	1997 (150mil)	Total (150mil)
Revenues:						
Contributions	150,050,000	150,000,000	150,000,000	150,000,000	150,000,000	750,050,000
Recip Donations	0.00	3,000,000	9,750,000	24,750,000	48,750,000	86,250,000
Total Revenue	150,050,000	153,000,000	159,750,000	174,750,000	198,750,000	836,300,000
# of Grants						
	30	31	32	35	39	167
Incre SB Rev.	11,700,000	114,300,000	1,464,300,000	1,644,300,000	1,874,700,000	5,109,300,000
Increased Jobs	1,500	1,680	1,920	2,160	2,520	9,780
Expenses:						
Personnel Expense						
Facilitator	24,000	0	0	0	0	24,000
Director	42,000	78,000	84,000	90,000	96,000	390,000
Adm/Asst.	13,200	30,000	33,600	36,000	39,600	152,400
Subtotal	79,200	108,000	117,600	126,000	135,600	566,400
Pay Costs	9,504	12,960	14,112	15,120	16,272	67,968
Total Emp Exp:	88,704	120,960	131,712	141,120	151,872	634,368
Consult Fee	12,000	12,000	12,000	12,000	12,000	60,000
Total Pers:	100,704	132,960	143,712	153,120	163,872	694,368
Other Expense:						
Emp Bene's	2,400	2,400	2,400	2,400	2,400	12,000
Prof Fees	5,500	1,000	1,000	1,000	1,000	9,500
Rent	4,500	6,600	7,200	7,800	8,400	34,500
Phone	1,900	3,600	4,800	6,000	6,000	22,300
Utilities	400	1,200	1,200	1,200	1,200	5,200
Travel	22,500	24,750	27,225	29,948	32,942	137,365
Off Sup/Equip	5,450	1,200	1,440	1,728	2,074	11,892
Adver/Enter	11,500	1,000	1,000	1,000	1,000	15,500
Dues/Subscript	250	250	250	250	250	1,250
Postage	900	1,500	1,800	2,000	2,000	8,200
Bank Charges	900	900	900	900	900	4,500
Misc.	900	900	900	900	900	4,500
Total Other Exp	57,100	45,300	50,115	55,126	59,066	266,706
Total All Exp:	157,804	178,260	193,827	208,246	222,938	961,074

Projected Budget - 1993 through 1997 with \$300 million in Contributions

	1993 (300mil)	1994 (300mil)	1995 (300mil)	1996(300mil)	1997(300mil)	Total (300mil)
Revenue:						
Contributions	300,050,000	300,000,000	300,000,000	300,000,000	300,000,000	1,500,050,000
Recip Donations	0.00	6,000,000	19,500,000	49,500,000	97,500,000	172,500,000
Total Revenue	300,050,000	306,000,000	319,500,000	349,500,000	397,500,000	1,672,550,000
# of Grants	60	61	64	70	79	334
Incre SB Rev.	23,400,000	228,600,000	2,928,600,000	3,288,600,000	3,749,400,000	10,218,600,000
Increased Jobs	3,000	6,180	12,600	25,440	51,240	98,460
Expenses:						
Personnel Expense						
Facilitator	24,000	0	0	0	0	24,000
Director	42,000	78,000	84,000	90,000	96,000	390,000
Adm/Asst.	13,200	30,000	33,600	36,000	39,600	152,400
Adm/Asst.	0	13,200	30,000	33,600	36,000	112,800
Subtotal	79,200	121,200	147,600	159,600	171,600	566,400
Pay Costs	9,504	14,544	17,712	19,152	20,592	81,504
Total Emp Exp:	88,704	135,744	165,312	178,752	192,192	647,904
Consult Fee	12,000	12,000	12,000	12,000	12,000	60,000
Total Pers:	100,704	147,744	177,312	190,752	204,192	707,904
Other Expense:						
Emp Bene's	2,400	2,400	2,400	2,400	2,400	12,000
Prof Fees	5,500	1,000	1,000	1,000	1,000	9,500
Rent	4,500	6,600	7,200	7,800	8,400	34,500
Phone	1,900	3,600	4,800	6,000	6,000	22,300
Utilities	400	1,200	1,200	1,200	1,200	5,200
Travel	22,500	24,750	27,225	29,948	32,942	137,365
Off Sup/Equip	5,450	1,200	1,440	1,728	2,074	11,892
Adver/Enter	11,500	1,000	1,000	1,000	1,000	15,500
Dues/Subscript	250	250	250	250	250	1,250
Postage	900	1,500	1,800	2,000	2,000	8,200
Bank Charges	900	900	900	900	900	4,500
Misc.	900	900	900	900	900	4,500
Total Other Exp:	57,100	45,300	50,115	55,126	59,066	266,706
Total All Exp:	157,804	193,044	227,427	245,878	263,258	974,610

DINNER ATTENDEES

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BRUNCH ATTENDEES

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