

Let Freedom Ring!

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January 2003

LNC Out of Cash

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Budget Slashed 60% Staff Downsizing Under Way LNC Misses UMP Payments

The LNC has responded positively to the Party's financial crisis. Faced with massive debt and its *de facto* default on Unified Membership Plan payments, the Libertarian National Committee adopted an austerity budget for 2003.

According to our usually reliable sources: The pet projects of various LNC members, e.g., the Strategic Plan and the Political Advisory Committee, were all eliminated from the current budget. LNC members will devote 100% of their LP time to fund raising to refloat the ship. The \$1.4 million budget for 2003 is 60% less than the nominal 2002 budget, and marks a 1/3 reduction in spending relative to actual spending in 2002. The Staff budget line was cut 50%, from approximately \$600,000 to approximately \$300,000; over-runs are forbidden except by LNC permis-

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New Hampshire Leaves UMP

State Chair Babiarcz Says National Party Breached UMP Contract

Friday, December 13, 2002. In a message to LNC Members and the other 50 State Chairs, New Hampshire LP State Chair John Babiarcz announced that the Libertarian Party of New Hampshire withdrew from the Unified Membership Plan. The text of his message, and a response from National Chair Geoff Neale, as supplied to this newspaper, follow. Babiarcz wrote:

"Dear LNC Members, Fellow State Chairs

It has now come to pass that the New Hampshire Libertarian Party is quite displeased with the manner in which the National Party has conducted itself in the past few years. More importantly, it has breached its contract with the state

[LPNH Leaves UMP](Continued on page 2)

Jain Carries Hawley!

Kamal Jain, Massachusetts Libertarian party candidate for State Auditor, has carried the town of Hawley, Massachusetts, beating the incumbent State Auditor and an independent. This is the first time in living memory that a Massachusetts LP candidate for statewide office has finished first in a city or town.

Richard Winger reports from the official vote returns that Libertarian candidates for US House got 1,204,103 votes, 1.64% of all the votes and 4 times as many votes for that office as the Greens received. This total was the 2nd best in our history; only 2000 was better, and then we had many more candidates.

Campaigns and Elections Magazine, the magazine of campaign managers and campaign support firms, reports that Michael Cloud (LP-MA) received a greater vote percentage than any other Third Party candidate for US Senate this year.

Where Your Money Went

In our last issue, PVLA Charles Separk suggested that our statewide candidates might have benefited from better support from our State Party. One type of support is financial. The LP of Massachusetts has a political account for its non-Federal spending. What did that Account do during the 2002 election season? Results were not all that might have been hoped. Perhaps some people will see ways that the State Party might have improved its results. Looking back in time:

In June 2002, the LPMA State Account raised \$331 and disbursed \$3664, including \$250 each to State Rep candidates Fain and Pillsbury, \$2200+ for convention expenses, and \$850 to Solstice Sun for marketing materials. There is also a charge, repeated every month, of \$35 for financial operations. In July, the State Account raised approximately \$165, and spent \$1035, including \$250 to

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affiliates. We can not endure this transgression of the fiduciary functions entrusted to the National Party staff any further. As with any grievance, the aggrieved party must state their case. So that all will know, we state the following:

1992 Governor candidate Miriam Luce, campaigning with Andre Marrou Gain ballot status for the LPNH. Four Libertarians are in the Statehouse. Party Grows.

1994 Governor candidate Steve Winter maintained ballot status. His key plank was educational choice.

1996 Governor candidate Robert Kinsbury lost Major Party status, despite promises by Presidential candidate Harry Browne to campaign during the important NH primaries. Party starts declining.

1998 Governor candidate Ken Blevens is unable to regain party status. Party declines.

2000 Governor candidate John Babiarz is unable to regain party status, but brings forth important issues that were used by the Republicans in 2002. Presidential candidate Harry Browne did not actively campaign in the primaries. Party declines, but new members join.

2002 Governor candidate John Babiarz is unable to regain party status, despite being the first third party candidate in a decade to be on the statewide debates. New members help make this a great campaign, but a few members are lost because of failed party status.

The 2002 campaign was the best shot we ever had in regaining ballot status. We were polling 3% in early October. We needed 4% for ballot access. We asked National for help. They said there was no money. We asked the National Party Political Director just to send an email alert. This was not done.

Because we did not get ballot access, there will be no presidential primary for Libertarians in New Hampshire in 2004. There will be no Libertarian presidential hopefuls in New Hampshire who could be picked up by the press for an alternative view. There will be no chance for a Libertarian candidate to appear in front of the dozens of satellite trucks that come to New Hampshire in the search of presidential candidates. In effect, we, for all practical purposes are dead for that election.

Our National Party prides itself on being a spoiler. Being a bad guy is not how you win friends. We need to run campaigns that put forth positive issues, and run on the issues. Look at the Democrats, the party of personal destruction. There is proof that if you have nothing to offer, negative attacks will kill you. The Republicans have been given a free ride for the next two years. They will fail also. We need to be ready to capture the disenchanted.

We spent 40K\$+ to help defeat Congressman Bob Barr. What Libertarian gained by this action? In fact we may have hurt others with this stunt. It would have been nice if we had a dog in the race, but, alas, this was for chest beating macho baloney. We need to affect local races that have our own dog in the hunt.

And we now come down to the final straw. The Unified Membership Plan. UMP was sold to the affiliates as a way of relieving resources at the local level. The National Party using its economy of scale would provide fulfillment, renewals and follow up. The National Party was lax in its obligations. The moneys raised from the memberships under UMP were to go to the state. Out of the blue, we were notified that only half of the affiliate's share of the money would be coming back to us. This is a material breach of contract. This is **fraud**. Under the laws of New Hampshire the National Party has breached their contract and can be held liable. We, the Libertarian Party of New Hampshire have voted to pull away from UMP. Further, we intend the recover said amounts in New Hampshire.

For these and other aggrievous acts, the New Hampshire Libertarian Party is bound fiduciary to its members, the people of the State of New Hampshire, and the laws of the Republic to pursue recourse. With the commitments from our members we will move to restore liberty in New Hampshire, with or without the National Party. We the members of the New Hampshire Libertarian party have exciting plans. We intend to execute them without being held back by a National Party. It is only proper to notify all of our intent. The New Hampshire Libertarian party will now only act in the best interest of the New Hampshire Libertarian party, including the decision if there will be a Presidential candidate in 2004.

For Liberty,

John J. Babiarz

Chair, Libertarian Party Of New Hampshire"

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(Continued from page 2) [LPNH Leaves UMP]

In response, LP National Chair Geoffrey Neale wrote the Party's State Chairs, saying :

"It saddens me to hear that New Hampshire has decided to withdraw from UMP. However, that is their right under the UMP contract, and we will honor their wishes.

We have, admittedly, failed to communicate properly with the states regarding the status and disbursement of UMP funds for the period of October, 2002. We are holding an LNC meeting this weekend, and I am asking the LNC to give me the authority to deal with our current debt situation. Currently, our Bylaws restrict our options severely, as they should. Permission to take some options must be granted by the LNC, and not taken without them.

I will have an update on our current situation and the prospects for the future after this weekend. Please allow me this weekend to allow the LNC to abide by our Bylaws, and give me the direction for issues over which I do **not** have the authority.

However, in response to the following statement by Mr. Babiarz: "Out of the blue, we get notified that only half of the affiliates money would be coming back to us.", I wish to emphatically state that in no manner should any previous communication to the state affiliates be construed or interpreted in any way, shape or form, that the LP will **not** pay the affiliates the UMP dues according to the existing UMP contracts. We **will** pay our obligations under the UMP contract. We did pay out half of the October obligation, because we did not have the funds to pay for the October obligation in its entirety. We will pay the remainder of the funds as soon as they are available. We are working on various fundraising efforts to do so.

What we **are** guilty of is being unable to make the UMP payments in a timely manner at this time. I am doing what I can to deal with this, and I will issue a very detailed report of what I have done, and will be doing, to deal with our cash flow and debt problems (the vast majority of which I inherited with my election as your National Chair in July of 2002) early next week **after** the LNC meeting.

I hope as many as possible of you, our valued leaders in the LP, will help me where you can to get us back on the proper path. I can't do this job without you.

Geoffrey Neale
LP Chair"

Readers should note that the "September" payment, made in mid-October, was late for many states, while for most states in the UMP plan the "October" payment made in mid-November was 50% short. This is the first time in six years of UMP operations that payments have actually not been made.

(Continued from page 1) [Financial Crisis]

sion. There will be no new hires, no new computers, and no substantial amounts of new software. The Major Donors Budget line was eliminated. Future major donations will be used exclusively to pay off the Party's debts, not to enhance the current budget.

Under the Unified Membership Plan, for the past six years the LNC collected dues for many though not all states. The LNC then forwarded member states a monthly check based on dues and donations. In November 2002 states were sent only half the money they were owed. The remainder of the money may be sent in late December. Apparently there is no expectation that the December payment can be made at all in the immediate future. As was explained to your reporter, there was no money left for payments.

While the Party's financial condition has been deteriorating for some time, the crisis became apparent after the July 2002 National Convention. LNC Members advise me that the loss on the 2002 National Convention has still not been determined. However, the Party's financial reports show for January-June 2002 a net worth fluctuating in the range \$182,000-\$216,000, while at the end of August 2002 the Party's net worth was precisely -\$117,251. While perhaps \$100,000 of this change appears to be Auditor—recommended adjustments, it would nonetheless seem that the 2002 NatCon lost more than \$200,000. Since August, the Party's net worth has improved, from minus \$117,000 to minus \$37,000.

Concerns have recently arisen that the National Committee is being denied information by its own Executive Committee. Regional Representative Joe Dehn forwarded to lpus-misc@dehnbases.org an exchange between himself and Ex-Comm member Mark Nelson, in which Nelson wrote: *"Attached [is] the initial presentation of the 2003 Budget... At this time, I believe this should remain confidential to the LNC. The format and conventions used are new, creating a high probability for misunderstandings. We should take the time to become conversant with this information before it is widely broadcast. Additionally, there are several notable shortcomings that need to be discussed on Saturday. The final budget approved at the meeting will become publicly available. I defer to the chair in this area, if he feels differently..."*

Dehn responded "In my opinion, this is carrying secrecy much too far. Proposed budgets have not been treated as confidential in the past. It's bad enough that we are just getting this now, three days before the meeting. This is one of the most important items of business that the LNC acts on each year, and LNC members should not be asked to vote on it without having any opportunity to discuss it with people who could provide advice (e.g., people with management or accounting experience) or to get input from the membership and the affiliate parties.

"If the format and conventions are new, the answer is to explain them. We spent quite a while at the last meeting dis-

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Discussing the importance of getting a basic, high-level version of this proposal out well before the meeting—the time frame we agreed on was one month before the meeting—so that LNC members would have a chance to get familiar with the basic idea. We never got that. Instead what you seem to be telling us is that now, three days before the meeting, it still isn't in a form that can be understood without hand-holding from you, which you aren't prepared to give us until the meeting.

“Obviously, the result of this is to make it impossible for LNC members to give meaningful consideration to this matter before the meeting.

“I am not convinced that this is really so hard to understand. If it is, then we ought to start finding out right now what is confusing and what other problems there might be, and I think we should welcome the input of other activists in that process.

“You say that you ‘believe’ that this should be kept confidential. Well, I disagree.

“You say you will defer to the chair.

“Well, I hereby request the chair to clarify that, as has been the case in the past, the proposed budget is **not** confidential, or, if he thinks it must be kept confidential, to explain why.”

Writing on December 10, LNC Regional Representative Joseph Dehn explained to why there are no recent Executive Committee minutes: "That's basically because they haven't been having 'meetings'. There was one official meeting since the last one for which minutes are posted, but the only topic was a general discussion of the budget process. The Chair told the Secretary to just record what decisions were reached. I don't think any decisions were reached. It struck me as a lot of 'reinventing the flat tire'.

“Since then, there has been at least one, ummm, ‘session’ during which the EC members worked on the budget. It was declared ahead of time to not be a ‘meeting’.

“Supposedly they came up with a proposed budget. There was a public announcement of this, in a fundraising appeal to announce@lp.org more than two weeks ago (23 November). But copies have not yet been made available to the LNC.”

In response to a member who prior to the December LNC meeting asked "With the LNC discuss list being Off-Limits, where does one get information?", Dehn wrote

"Right now, the answer seems to be mostly, one doesn't. That has been true of people with access to Inc-discuss also. As previously mentioned here, the information provided even to the LNC has been very spotty. The Chair appears to be being selective in answering questions, both those posted to Inc-discuss and ones sent to him privately. Some more information is starting to come out as we approach the upcoming [December 14 weekend] meeting, but it's still not what we

should be getting. Based on some of the comments made by EC members during the last LNC meeting, it is very hard to avoid the conclusion that this lack of reporting to the LNC is at least partly intentional. This is making it very hard for LNC members, especially regional representatives, to do their jobs properly."

(Continued from page 1) [Where Your Money Went]

State Rep candidates Wilcox and Boston and \$500 for State Senate candidate Carol McMahon. In the first half of August, the Party State Account brought in \$147.50, while in the second half of August the Account brought in not a penny. Spending for August included \$150 to MassCann for the Freedom Rally. In the first half of September, the State Account brought in another \$147.50, and disbursed \$250 to the Doherty State Rep campaign, and \$250 to an unrevealed destination. In the second half of September, the State Account again brought in nothing; no money was spent. In the first and second halves of October, the State Account gained \$50 and \$137.50, respectively; the only political spending was \$8.98 for refreshments.

We now reach Election Day. In the first and second halves of November, the State Account brought in \$147.50 and \$0.00, respectively. The large spending was for “candidate support”, \$750 to the Hilton Dedham Place, which was the vendor for the State Party’s Election Eve Party. The November 7 event was the only appreciable spending after the September 6 State Primary. The money apparently went for partying, not the outreach or electioneering that will build a Libertarian future.

The State Party also has a Federal Account. Over 10/17-11/25/2002, it received \$2881 and spent \$3408. Expenditures included \$1500 to Edward McCormick for legal services, \$357 to Elaine Laffin for administrative services, \$650 to the LNC for memberships, \$281 for telephone, and \$250 to the Dedham Hilton for event expenses. The State Committee informed Ilana Freedman it had no money to support her campaign. These numbers are far from the quarter-million dollars the Party spent in 2000-2002. It is sad that our State Party spent so much less for politics this year than it spent for other purposes in 2000-2002. A Party leadership focused more clearly on doing politics might attain happier outcomes.

Michael Cloud complained that the media ignored his Senate campaign. He raised \$165,909.47 for his campaign. Where did that money go? Disbursements for 10/17-11/25 include \$3000 for an election night party, \$2349 for Printing and Reproduction, \$1550 to the Postal Service, \$1000 to Time Printing, \$500 for LP News ads, \$500 to consultant William Pacheco, \$460 to Custom Signs & Lettering, and \$250 to the LPMA for election night. On 10/1-10/16/2002, one finds \$1986 to Mail-for-Less, \$850 to consultant William Pacheco, and over \$2300 for the Gun Owners Action League. For orthodox outreach, on 8/8/02 \$17,500 was spent on lawn signs. Libertarians spent \$165,909.47 on this campaign. It is sad that the campaign was unable to attract the attention of the media. A State Party leadership more focused on doing politics might have given better advice to Cloud’s campaign.

As supplied to Let Freedom Ring!

National LP Report to the LPC Executive Committee

Joe Dehn, LNC Representative 7 December 2002

I apologize for not being present today to personally comment on what is happening with the national LP. It is difficult to report on these matters for a combination of reasons: there are a lot of interrelated problems; new developments keep coming along; reporting by the officers to the rest of the LNC has been spotty; and there is an LNC meeting coming up in one week which will likely trigger new developments and/or revelation of additional information. Thus, the best I can offer at this point is a very brief overview of some of the issues. If you would like more information on any of these subjects, please feel free to contact me by e-mail or phone. You may also want to review the minutes and reports available on the web at: <http://archive.lp.org/lnc/>.

Finances

As you are undoubtedly aware from a combination of online discussion and fundraising appeals from the national office, the national LP is not in good shape financially. Due to a combination of lower revenue and poor accounting practices which made the extent of the imbalance of revenues and expenses unclear, the LNC is faced with a significant debt. Not only has it not been possible to pay current obligations on time, but the limitations and stress of this situation have made it difficult for the officers or staff to think about much else.

While the immediate crisis was sparked by several recent events and discoveries, I believe that the basic problem has been with us for much longer. Signs of trouble were ignored or explained away by staff and officers, and the LNC as a whole did not exercise sufficient oversight.

We've gone through some tough times financially in the past, and we should be able to get through this. The new Chair (and acting Executive Director) seems to be working hard to get better financial controls in place, and I expect the LNC to be a lot more careful about financial matters for a while. But I do not feel I am currently in any position to predict how long this situation will last -- like most LNC members, I simply don't yet have enough information.

Budget

At the upcoming meeting, the LNC is to decide on a budget for 2003. There is supposedly a draft budget, but copies have not yet been provided to the LNC and I have only fragmentary information about it so I do not feel it is appropriate for me to comment further at this time.

Membership

The paid membership count continues to decline. Since the beginning of the year, through the end of November, there has been a net loss of 4355 members (down 16%) nationwide, 930 in California alone (down 19%). The bulk of this is probably not due to any big increase in dissatisfaction, about the financial situation or anything else, but simply reflects the imbalance between normal levels of attrition and very low levels of recruiting activity. The only efforts at the national level which have shown the potential to reverse such a decline are

the large direct mail projects, which have been precluded by the financial situation for some time now. Except where a state or local party is able to mount some sort of effective recruiting effort of its own, I expect to see a continued gradual decline in membership levels for a while.

UMP

In the past, distribution of UMP funds on time has always been given the highest priority by national office staff. At the LNC meeting in September, at my request, the acting Director explicitly reiterated this policy. Unfortunately, for the first time in the six-year history of the UMP, in the past two months there have been significant failures to meet this obligation. At this point, national still owes the states half of the amount that would normally have been distributed in mid-November. There is no assurance that this will be cleared up by the time that the next payment would normally be made one week from now. I think the chances are fairly high that year end will find us a full month behind (e.g., if another half payment is made during December). For the LPC, this of course has implications for what gets distributed to the regions.

Aside from a general improvement in financial condition, there are two special factors that could provide relief with respect to UMP. One is that the state parties have been asked to consider voluntarily forgoing or deferring some of their payments. If enough states agree to this, and the LNC accepts these offers, there might be enough funds available to catch up on payments to the rest of the states. The other factor relates to the new outreach tabloid, discussed below.

I do not favor either the LNC asking the states to give up their UMP payments or the LPC responding positively to such a request. I also feel that this failure is sufficient cause for the LPC to seriously reconsider its participation in the UMP. I am not recommending any action to withdraw from the UMP at this time -- there are too many unknowns both about the numbers and potential LNC actions, and I think any such decision would best be made in full consultation with our regions, e.g. at the February convention by which time a lot of things should be more clear. However I do recommend the appointment of a committee to study this question so that, if the situation does not improve, the delegates and EC will be well-informed about potential choices.

Database

As you may know, several years ago the national office contracted for the development of a completely new system to maintain membership and contribution records. This is the system which provides the membership information to us for use at the state level and to redistribute to the regions, as well as for activities at the national office. This system has had a number of problems since it was first installed, and has also proven expensive to maintain and upgrade. At the same time there have been increasing demands from the state parties for more direct access to the data, which would require either significant additional work on this system or the construction of an additional system specifically for this purpose.

The current plan for resolving this situation is to replace the existing system with a commercial product called "Raiser's Edge". This is supposed to provide increased functionality for

managing fundraising in addition to capabilities equivalent to what we have now, plus it already is set up to allow for remote access by state and local organizations. This has the potential for not only improving the effectiveness of the national office and reducing costs, but also would eliminate most or all of the work that we now do at the state level to get the information to our regions (and eliminate the associated delays). However, due to the significant upfront cost and the lack of funds, it is not clear when this is actually going to happen.

BCRA

The new federal campaign finance law went into effect 6 November. This has potential implications for our regions as well as the state party, but they are far too complicated to begin to discuss here. I urge everyone who is involved with soliciting and accounting for party funds to review the various summaries and descriptions that are available elsewhere.

Staff

Several national office staff have left, for various reasons, and more are expected to leave. This will, over time, reduce expenses. This relief has, however, been delayed significantly by the fact that certain staff members accumulated vacation/sick leave which is now being paid off. The acting Director has brought in a consultant to work on getting the accounting processes in shape. The efforts of most of the senior staff have been redirected to fundraising. What this will all turn into over the next few months is not yet clear.

Campaigns

The 2002 campaigns results were mixed. Despite some impressive-looking numbers in a few peculiar situations, there were, in my opinion, no real "breakthroughs". Nor is it clear that any of the major state-level campaigns resulted in a big improvement in other areas, e.g., membership growth. On the other hand, there does seem to be continuing growth in aggregate measures, such as total number of votes for Libertarian candidates.

Literature

Through a donation of printing costs, two million copies of a new tabloid have been made available to the national LP. The content of this is pretty much the same as the booklet-format brochure that was distributed at the national convention. These are being made available to state parties in bulk quantities, with discounts at the 10,000 and 32,000 level. State parties are being asked to buy these using their UMP credits, which would effectively turn this donation of printing into cash which could then be used to pay other bills at the national level.

I think the LPC should consider buying a significant quantity of these. I am, personally, not entirely happy with the product -- its style is a bit too "right wing" for my taste. But different kinds of literature are suitable for different audiences, and there may well be enough circumstances for which this is suitable that buying them would be a good decision. I do not think the LPC should buy them just to help national out financially -- it should be because the LPC wants to use them. I recommend that either the existing committee responsible for outreach materials or some other small group review a sample of this tabloid and consult with various regions to make an estimate of the number we could realistically use within the next year. If finances at the state level allow, we might consider spending the 40% state share of one UMP payment on this (taking the remaining 60% in cash to be able to make a full distribution to the regions).

Strategic Planning

As you know, a major effort at strategic planning, which included setting goals for 2002, was undertaken in 2001. Needless

to say, many of these goals have not been achieved. Although I still think the process of producing it did have some value for the participants, recent events have only increased my doubts about the usefulness of this plan as a serious guide to action.

A special meeting to review the plan, participants being current LNC members along with the other people who were involved in the 2001 meetings, has been scheduled for February, in conjunction with the conference of state chairs. In addition, it should be noted that one of the goals in the national plan is to get state parties to come up with their own plans. If there is interest within the LPC in creating such a state-level plan, February might be a good target to set so that it can be presented to and reviewed by the state convention, and then also be made available to the national review team.

Confidentiality/Secrecy

The September LNC meeting brought to the surface what appears to be a significant divergence of opinion concerning the degree to which the decision-making processes at the national level should be confidential rather than open to the view of the membership. Traditionally, although certain exceptions have been made to deal with particular situations, LNC meetings have been open to observation, and documents provided to LNC members have been available for general distribution.

Most of the debate at the September meeting centered around the question of an e-mail discussion list used by LNC members, but the same principles extend to other documents and discussions and the comments of several LNC members made me feel that there is significant support for a more closed process overall. Several members of the Executive Committee made comments which indicated that they would refrain from making information available to other LNC members, or delay providing information, because of this disagreement about how much should be open. In addition, I think that more was discussed in executive session at this meeting than should have been under the previously accepted guidelines.

While this may not be as immediate a crisis as the financial situation, I believe it has the potential to be a bigger problem in the long run. I do not think that a secretive decision-making process is consistent with what we are trying to achieve. It will also make it more difficult for LNC members to exercise their oversight responsibility and more difficult for them to meaningfully report to the membership. I am afraid that the current crisis is causing some LNC members to be more accepting of secrecy. Just as with Americans accepting infringements on traditional liberties in the name of the "war on terrorism", I think the current financial problems and management transition are causing LNC members to be more tolerant of secrecy than they would otherwise be. What is seen as necessary now to deal with a temporary situation could too easily come to be seen as normal, especially among the newer LNC members who have not known anything else.