

Memo to the AELE Board

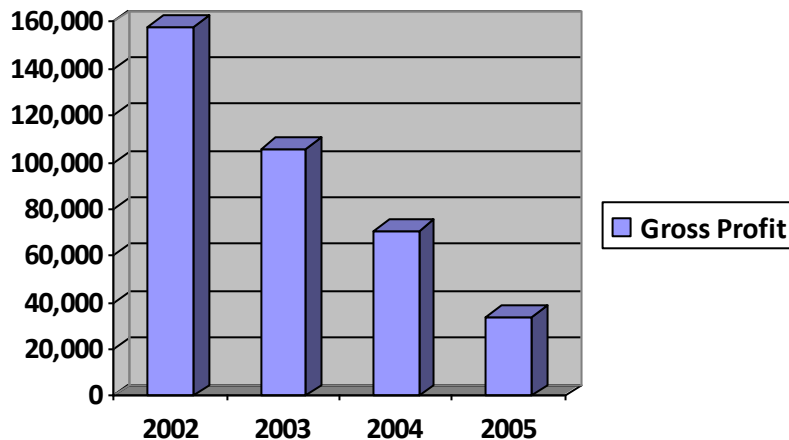
Overview of Potential New Revenue Sources

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1. Charging a fee for law libraries access.

a. *Historical perspective.*

For more than four years, AELE had password-protected law libraries (Jan. 2002 until June, 2006) and the number of paid subscribers fell every year. The gross profit from the sale of our *Monthly Law Summaries*, which contained a password that unlocked our online libraries, fell steadily from \$157,632 in 2002 to \$34,076 in 2005.



The 78% reduction in gross profits in only three years was caused, in part, by (a) an economic downturn (precipitated by the 9-11 WTC attacks) (b) a redirection of training priorities that focused on first responder responses to terrorist attacks, and (c) a steady decline in publication renewals. Free Internet media sources began to replace newspapers.



In March 2006, the AELE Board [made a decision](#) to continue the publications, but to make them free – including unlocking the online law libraries. An AELE [staff report](#) predicted that if an interest in our libraries fostered an increase in seminar attendance of 15%, the decision to make the publications and law libraries *gratis* would be revenue neutral.

- **If fact, seminar attendance and revenue increased by 31%, comparing the prior year (2005) with the following year (2007).**

The increased seminar attendance nose-dived after the crash of 2008, because (a) public tax revenues were affected by massive foreclosures in the housing market, (b) a depression in stock values and corporate dividends, and (c) a diminution of retail sales tax and commercial property tax receipts. A *Wall Street Journal* article estimated that 77% of municipal revenues come from commercial property taxes.

b. How AELE publications are used

The three online libraries of case digests are used for research, to answer a question or solve a problem. Most of the research is reactive, although a few cautious administrators research an issue before adopting a new policy or procedure.

We knew, during the years of print format only, that many subscribers never read our publications when received. They were not shared with subordinates; they were stored in a three-ring binder and used like a fire extinguisher, e.g., “In case of fire, break glass to remove extinguisher.” This was 100% reactive, after a lawsuit was filed and the agency’s lawyer told the chief or sheriff they might lose in court.

- **With unlocked libraries, the chief’s or sheriff’s subordinates can read cases and articles because of a professional curiosity. Deficient policies and procedures can be changed before a lawsuit is filed.**

The fire extinguisher conundrum is still true, even with unlocked libraries. For example:

- 4,331 people have opened the Jan. 2006 AELE *Jail & Prisoner Law Bulletin*, compared to only 611 people who have opened the Jan. 2011 issue.
- 3,230 people have opened the Mar. 2006 AELE *Fire, Police & Corrections Personnel Reporter*, compared to only 398 people who have opened the Mar. 2011 issue.

- 3,225 people have opened the Jul. 2006 AELE *Law Enforcement Liability Reporter*, compared to only 258 people who have opened the Jul. 2011 issue.
- **The older issues are accessed by researchers, which is why the access numbers are higher.**

The current issues are accessed by the intellectually curious. Almost half of the people who visit our website are directed by search engines; see the referral web stats at <http://www.aele.org/corp/webstats.html>

c. Creating a low-fee toll gate

Assuming (a guesstimate) that 300 agencies would pay \$49 a year for a law libraries pass, that is \$14,700. It is not a lot of money. It would require processing 300 credit card numbers. We could contract with a card processing firm like *PayPal*. We would still have to communicate with and send to a password to each new or renewing subscriber, and would have to create 12 new passwords a year or mandate a pro-rata billed calendar year access.

Large organizations like Lexis and Westlaw have spent hundreds of thousands of dollars to arrange billing and password software. We would have to adopt a manual model.

There was a problem with forgotten passwords, which disrupted our work the four years when our law libraries were locked. Forgotten password requests precipitated a large number of phone tag games.

Then there was the problem of improper password sharing, which was common. We would receive calls from nonsubscribing agencies, asking us for research assistance. When we replied that we had no record of their agency's subscription, they would say that "chief so-and-so gave them the password, so it was O.K."

The more pertinent question is, does AELE want to restrict our libraries to only 300 subscribers? Does it make sense to pay \$3,200 a month in salaries and legal research expenses to produce \$1,200 a month in revenue? I suggest that it does not.

More importantly, forgoing \$1,200 in monthly revenue unlocks the libraries for hundreds of thousands of police and corrections officers of *all* ranks, unpaid reserve officers, officers on military leave serving in Iraq and Afghanistan, plus criminal justice professors and their students. The users tend to be younger, college educated, and open-minded.

- **Since AELE unlocked its publications and online law libraries in 2006, the daily page views at [aele.org](http://www.aele.org) have increased by 4,272 per day, 29,904 per week, and 1,555,008 per year.**

Source: <http://www.aele.org/corp/webstats.html>

2. Soliciting charitable contributions on our website.

The laws have changed since AELE was in the fundraising business in the 1970s. Except in Texas, organizations MUST register as a charity in every state where they solicit

contributions, and submit a form to the state Attorney General or other official. Although most states will accept the *Uniform Registration Statement*,^{1} some do not, e.g., Florida.

If our accountant submits 53 additional forms (48 more states plus DC, PR, Guam, VI, and CNMI) and charges us a discounted rate of \$500 per submission, that is \$26,500. That amount is for forms submission only, and does not include the filing fees, which may be another \$15,000.

The District of Columbia, for example, requires all nonprofit fundraising organizations to file the URS form (with fees) and also to register and pay for an annual “business license” even if no office is maintained in D.C. The threshold amount for mandatory reporting is \$1,500 in revenue from all sources.^{2}

Many states require charitable organizations to register just to solicit funds. If we ask for contributions on our website, we technically must register in every state where a solicitation can be responded to. States typically exempt accredited educational institutions with a full-time faculty and student body. AELE does not qualify for that exemption under Federal or Illinois law.^{3}

Some states impose severe penalties if *fundraising costs* exceed 20% or 25% of contributions received from that state. Illinois and other states ask in their registration statements, whether our authority to solicit contributions has been suspended or revoked in prior years in other jurisdictions. If that is the case, an explanation and documentation are required, and could put our annual license in a state of limbo or vacuity while an uncaring bureaucracy sends and processes further inquiries.

Fundraising, registration and reporting are serious undertakings and a failure to comply with regulatory laws will prompt a prominent note in our annual financial reports, which are filed with the Illinois Attorney General’s office.

A list of state requirements is at http://multistatefiling.org/n_appendix.htm

Alan Ganz, Esq., a prior member of the AELE Board, often stated that Americans for *Effective Law Enforcement* is just that, and we must not deliberately ignore state registration requirements.

3. Using direct mail (or e-mails) to solicit members.

Membership drives are like website donations -- all of the state registration requirements apply. AELE previously engaged in two mass mail campaigns, using lists of persons who either funded conservative causes or were members of the [*Conservative Book Club*](#).

The first of these was orchestrated by [Richard Vigurie](#) of Virginia -- the man who pioneered conservative fund-raising.

We got a phenomenal 23,000 new members, who contributed \$1 or more. But slightly over 1,000 of these gave at a second mailing, and only a few hundred thereafter. The cost of the first mailing exceeded the contributions.

AELE former board member Jameson G. Campaigne Jr. persuaded his fellow board members to launch a second mail campaign, from which he earned a substantial consulting fee. We lost a lot of money on that mailing -- it completely fizzled. Mr. Campaigne did not return or donate any portion of his consulting fee.

Just as important as the selection of direct mail recipients is the content of the message.

Our early letters complained about “liberal” Supreme Court decisions, and how AELE could make a difference in the outcome of criminal justice cases. Use of conservative “code words” is essential. This was (in my opinion) utter nonsense, because our amicus briefs were unlikely to influence the votes of justices like William O. Douglas or Thurgood Marshall. Now, in 2011/2012, what would we write? The Supreme Court is far more conservative and less activist than in the 1970s.

- This Court allows officers to indiscriminately stop interstate buses and to search riders who consent to a search of their belongings. A “moderate” Justice, Sandra Day O’Connor, wrote that opinion (*Florida v. Bostick*, 501 U.S. 429).
- Later, the Court allowed police officers the unfettered discretion to handcuff and jail a resident motorist, who was known to the officer, rather than issue her a citation for a minor violation. A “liberal” Justice, David Souter, wrote that controversial opinion (*Atwater v. City of Lago Vista*, 532 U.S. 318).
- More recently, the Court held that the First Amendment does not protect public employees from termination or lesser discipline for expressions they make pursuant to their professional duties. “Moderate” Justice Kennedy wrote the opinion (*Garcetti v. Ceballos*, 547 U.S. 410).

Are these the kinds of “outrageous” decisions that would anger pro “law & order” conservatives? Would they want to send AELE money because of this Court is “soft” on crime or management rights?

4. Corporate donations or grants.

Since 1973, this was a big loser for us -- although once we received \$10,000 from Arco. Think corporate foundations, not corporations. Most of them have a “guilty conscience” fund, e. g, Coca-Cola and various breweries send modest donations to *Keep America Beautiful, Inc.*, which funded a \$25,000 “litter law enforcement survey” conducted by the IACP.

AELE tried to lure modest, but continuing, corporate donations at a fundraising lunch. While still in office, Governor James R. Thompson spoke to about forty vice-presidents of corporate security in Chicago. Thompson incorporated AELE in 1966 and served as its first president. AELE followed up with an appeal to the attendants, asking for donations. To my knowledge, not a single corporation responded with a donation – not even \$50 to cover the cost of their lunch.

We also struck out at lunches and dinners for targeted individual donors. At one such AELE dinner, Sen. James Buckley (R-NY), the brother of the late publisher and conservative columnist William F. Buckley, was our featured speaker.

5. Advertising revenue.

Advertisers want audited circulation statistics, and some will pay a tiny sum for each click on an ad (PPC - [pay per click](#)). That encourages web hosts to enlarge the size of the ads or to allow annoying popup screens, to enhance the click numbers. Some people will click on the popup just to make it go away.

A really popular article in the AELE *Monthly Law Journal* might be opened by 1,200 readers. If there is the standard response of a 2% click rate (often less) and the ad generates a 2¢ per click fee (often less), that is only 48¢ in PPC revenue.

Unlike sites like [PoliceOne.com](#), we don't have the web traffic to make this work. Moreover, if you open the home page of Police One you are dazzled by an array of colorful ads and links to commercial products that overwhelm the hard to find links to free information.

6. Non-governmental foundation grants.

Conservative foundations want "Tea Party" type commitments:

- a. Anti-abortion amendment.
- b. Anti-gay marriage amendment.
- c. Anti-health care mandates.
- d. Anti-public sector collective bargaining.
- e. Anti-flag burning amendment.
- f. Pro school prayer amendment.
- g. Privatization of many governmental services, e.g., jails, prisons, fire service.
- h. Privatization of Social Security and entitlement medical payments.
- i. Balanced budget amendment.

Conversely, liberal corporate foundations fund organizations that assist inmates, offer rehabilitation programs for addicts and ex-offenders, and champion the rights of the underprivileged and unrepresented segments of society.

Tea Party activism was founded, in part, on a contempt for "bourgeois" middle class values. Opposing extremes promote medical marijuana, immigration amnesty, and a punishment of *greed* (corporate or entrepreneurial success.)

Where, if anywhere, does AELE fit in that matrix? In Nov. 1991 we had a long-term strategy meeting in Chicago, attended by me, four Board members and seven invited guests. There was a strong reaction against involving AELE in other areas of interest to conservatives. See, AELE Minutes, at <http://www.aele.org/corp/m430-434.html>

7. Federal criminal justice grants.

There are multiple difficulties here.

The first is that we would need to upgrade to a “Yellow Book” audit,^{4} which might increase our audit fees by as much as \$20,000. Our current CPA firm refuses to conduct them. If we do not receive at least \$300,000 in grants, we will lose at this.

The second is that our “profit” would be limited to a fixed-fee of about ten percent of revenue spent. That encourages organizations to overprice their efforts, and to waste funds.

The third is that staff time must be documented in writing, in fractions of an hour. Typically, Beltway Bandits have staffers work on and bill multiple projects for the same time periods, which is why they are called bandits. It is a tolerated white-collar crime. I will not permit inaccurate or inflated billing. One of the Beltway Bandits blackballed AELE from serving on outside review panels, because I refused to inflate my time records.

The fourth is that some legitimate expenditures are haphazardly denied due to the reviewer’s lack of experience or knowledge of the area. While serving as a lawyer on the IACP staff, the in-house CPA and I had multiple meetings with federal officials that improperly disallowed legitimate expenses. Like some IRS agents, the reviewers were not receptive to either common sense or logic. They relied on their own unfathomable interpretations of arcane compliance regulations. This attitude precipitated unnecessary appeals, unfair settlements, and delays for payment.

Fifth, unlike the major “[Beltway Bandits](#),” (*Bechtel, Brookings Institution, Kroll, MITRE Corp., RAND Corp., Urban Institute, etc.*) AELE does not have the staff or talent to process applications or to comply with reporting requirements. At best, we would have to partner with a major player, although I question whether they would welcome our offer or treat us fairly.

Sixth, under the August 2011 debt ceiling and deficit reduction agreements, discretionary criminal justice funding will be reduced dramatically, adversely affecting organizations such as the IACP, NOBLE and PERF. Those organizations will be fighting each other for diminished funding, which will seriously impede, if not bar, the success of any new entrants.

8. Creating and selling non-traditional educational programs.

a. Electronic training

In 2000 we purchased a building and increased our office space. We hired Carl Milazzo as Asst. Executive Director to launch affordable CD-ROM roll call training in small law enforcement agencies. If successful, we planned to offer correctional legal CDs for small county jails.

We mailed out more than 6,000 sample LawMedia™ CDs to police agencies, shortly before the 9-11 disaster. I anticipated 600-1200 initial orders at only \$98, for twelve monthly programs. The quality of the content and narration was A+.

In spite of the WTC attacks, we did receive 16 orders. Their funds were returned. Only five 10-minute programs were produced; they are now free, and are advertised on our

main web page, with an \$8 S/H fee. They have excellent content and continuing relevance. See <http://www.aele.org/lm-menu.html>

Many thousands of officers have viewed this free training.

b. Locally hosted mini seminars

At Eric Daigle's suggestion, we brought one-day seminars on the use of force to small agencies. The mini-seminars were announced in our e-mail Alert bulletin, and on our website.

One day was for street officers, and a second day was directed at supervisors, internal affairs investigators and management. Of nine advertised programs, seven were canceled for insufficient registrations. Regarding the two successful locations, we earned net revenue of \$3,286, or just over \$821 a day.

The good thing is that over a hundred officers received the education. AELE no longer offers these programs, although enquiries are sent to Eric, should an agency wish to engage him contractually.

c. Online education

Smaller organizations like AELE cannot compete with the major providers like the Law Enforcement Training Network (LETN), the [mega] University of Phoenix, Kaplan or webinar providers like the Public Agency Training Council.

Also, the IACP, CALEA and the FBI/NAA have partnered with [*The Response Network, Inc.*](#), to offer online training in active shooter response, domestic violence, the use of force and many other topics. ^{5}

In 2010, Chicago newspapers reported that the University of Illinois spent \$900 million to create an online degree program, and it failed dismally. Less than 200 students enrolled. It is very expensive to create a quality distance learning program. Moreover, my impression is that police officers will not take online training unless it is on the clock, or it can be used to earn a degree.

9. Comments

While revenue is needed to continue AELE's activities, it is important to remember that AELE was founded as a nonprofit educational organization. Our competitors, however numerous and successful, should be praised and welcomed if the contents of their educational programs are professional. No member of the AELE Board of Directors profits from our successes, or loses money for our failures.

- **What is of primary importance is our online law libraries. More than 30,000 case digests and a free search engine are *gratis*, coupled by new entries of recent cases that are uploaded every month.**

The free law libraries are what make AELE unique. Those libraries, and updates, are of paramount importance to preserve.

- **Based on our growing website traffic, I am confident that AELE seminars will be extremely popular and profitable, when training and travel funds are fully restored.**

Of the 14 cities that AELE has hosted seminars, Las Vegas has consistently had the highest attendance per program, and the least cost for hotel rooms and food – plus low cost airfares.

More Southwest flights (and passengers) travel to or from Las Vegas than any other destination on their route map. They have their own concourse with 21 dedicated gates, and force the competition to keep ticket prices affordable. As a designated “leisure” location, there are no minimum stay requirements for deeply discounted tickets.

- **The ultimate question is, will our assets allow us to remain functional until the recovery occurs?**
- **If that is not possible, how and when should AELE hibernate and reboot the organization?**

Wayne W. Schmidt
August, 2011

Notes:

1. <http://www.multistatefiling.org/>
2. D.C. Code §44-1701.
3. “An organization, such as a primary or secondary school, a college, or a professional or trade school, that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled student body in attendance at a place where the educational activities are regularly carried on.”
4. http://en.wikipedia.org/wiki/Government_Auditing_Standards_%28Yellow_Book%29
5. Former IACP Legal Officers Section Chair Randy Means is director of curriculum development for *The Response Network*.

Reference:

IRS [Publication 1771](#), “Charitable Contributions: Substantiation and Disclosure Requirements”; Section 170(f)(8) of the Internal Revenue Code and Section 1.170A-13(f) of the Income Tax Regulations.

- a. “A charitable organization is required to provide a written disclosure to a donor who receives goods or services in exchange for a single payment in excess of \$75.”

- b. “A donor cannot claim a tax deduction for any contribution of cash, a check or other monetary gift unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or a written communication from the charity (such as a receipt or letter) showing the name of the charity, the date of the contribution, and the amount of the contribution.”
-