



Insights into Public Policy in the Lone Star State

# VERITAS

Texas Public Policy Foundation

## Issue 3 ★ September 2007

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The Foundation's Mary Katherine Stout, Vice President of Policy, welcomes panelists and attendees to a sold-out Policy Primer, *A New Education Model for the 21st Century*, held in Austin.

## SAVE the DATE!

The date has been set for the **6th Annual Policy Orientation for the Texas Legislature**

**January 9 & 10, 2008  
Sheraton Austin Hotel**

## A New Education Model for the 21st Century

**O**n August 15th, 2007, the Texas Public Policy Foundation hosted a standing-room-only Policy Primer entitled "A New Education Model for the 21st Century." More than 100 attendees, consisting of legislators (including the Chair of the House Public Education Committee), legislative staff, business and community leaders, and journalists filled the room.

The panelists were:

- Rollie Ford, Principal and Superintendent of Star Charter School in Austin;
- Anita Givens, Senior Director of the Educational Technology Division of the Texas Education Agency;

- Tim Lambert, President of the Texas Home School Coalition; and
- Dr. Karen Soehnge, Chief Academic Officer of the Houston Independent School District.

While statewide school choice, including public and private schools, is the ultimate goal of the Foundation's Center for Education Policy, significant opposition from the education lobby has contributed to Texas falling short of this goal. However, traditional voucher opponents have expressed support for public school choice. This primer explored various methods of introducing choice and competition into the public



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The Foundation's mission is to improve Texas by generating academically sound research and data on state issues, and by recommending the findings to opinion leaders, policymakers, the media, and general public.

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### Mission Statement

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute guided by the core principles of limited government, free markets, private property rights, individual liberty, and personal responsibility.

The Foundation's mission is to improve Texas by generating academically sound research and data on state issues, and by recommending the findings to opinion leaders, policy makers, the media, and general public. The work of the Foundation is conducted by academics across Texas and the nation and is funded by hundreds of individuals, foundations, and corporations. The Foundation does not accept government funds or take contributions to influence the outcomes of its research.

## The President's Message

This past July, the Foundation joined with other freedom fighters across the country to celebrate the life and legacy of one of the 20th Century's greatest champions of freedom—Dr. Milton Friedman.


For 50 years, Dr. Friedman fought for the belief that “the voluntary choices of individuals, not the dictates of the state, should be the default mode of human life; government is justified only insofar as it preserves, protects, and defends people's liberty.”

Not only did Dr. Friedman's vision and dedication to the freedom movement impact free market economics, but his work to promote educational freedom through school choice policies has branded him the father of the modern school choice movement. It is this type of visionary thinking and unwavering dedication that made Milton Friedman such an inspiration to so many around the world. We may have lost a great visionary, but the vision remains strong.

We at the Foundation have also been blessed with this same type of vision and leadership in our beloved Chairman Bill McMinn, who has served as either vice chairman or chairman of our board of directors for many years. He recently decided it was time to step down to focus on more “fun” things. A man of unassailable character, Bill was a great champion and defender of our work, never hesitating or faltering when he would receive that phone call by someone upset over a particular research paper or position that we had taken. In this business, doing the right thing often means great ideological battles, many times with your friends on the other side of the battlefield. It is not easy, but standing for principle in today's political environment never is. Bill was a master at guiding our ship forward, while never losing sight of where we came from. And he always reminded us that writing good papers for the sake of writing good papers is never enough—it is the IMPACT of our work on which we will be judged.

Bill is an incredible man who has touched millions of lives through his lifetime of work—both in business and in public policy. I will miss our almost-daily conversations greatly. He is—and will always be—a great inspiration to me and to our entire staff. He will be missed more than he will ever know.

However, with great loss also comes great opportunity. We will soon announce our new Chairman of the Board—so be watching! It is an exciting time for the Texas Public Policy Foundation as we continue to write the next chapter in our book. We have doubled our budget and quadrupled our staff in the last five years—with an exponential increase in impact. I watch with great anticipation what the *next* five years will bring. Watch out Texas!

But, we cannot do it alone. We need *your* continued support and uncompromising commitment if we are to reach our vision of a freer, more prosperous Texas. Thank you! 



Brooke Rollins  
President

*A New Education Model for the 21st Century, from page 1*

school system, including charter schools, virtual schools, magnet schools, and open enrollment.

As the principal and superintendent of Star Charter School, Rollie Ford spoke on behalf of charter schools generally and his school in particular.

Star is unique among charter schools in that its students only attend classes four hours each day. Many of the school's students compete in elite athletic and academic activities outside of school, although any student may attend Star under the state's open enrollment policy for charters.

"We have two school days every day," explained Ford. "The first group of students come in from 8 to 12, the second group comes in from 12 to 4, and classes are limited to only 15 students."

Star Charter School also enforces a zero tolerance policy—for both homework and discipline. Homework is due the next day and if not turned in, the

"The Foundation will continue to support efforts to reduce regulations on charter schools, increase flexibility for home-school students, and expand parents' ability to choose the best public or private school for their child."



student receives a zero. Zero tolerance also ensures that school administrators do not deal with discipline problems for more than 15 minutes per week.

Star Charter School also uses a new model in its testing methods. "Our approach is to forget the TAKS," says Ford. "We don't even look at the TAKS test. We look at the TEKS (Texas Essential Knowledge and Skills) and teach it really well and the test will take care of itself."

That model has been ground breaking. Star has gone from barely meeting the Acceptable rating to being one math test score away from achieving Exemplary status, and was recently named a National Charter School of the year. Unfortunately, the legislative cap on the number of charters—something the Foundation has worked tirelessly to lift—makes it increasingly difficult for successful schools like Star to replicate throughout the state.

Ms. Givens, Senior Director of the Educational Technology Division at the Texas Education Agency, is overseeing creation of the state's virtual school network, the product of an idea for which the Texas Public Policy Foundation had provided significant research and testimony over the past several years, and which was finally passed into law by the Texas Legislature in 2007. The network will allow greater flexibility and choice by facilitating distance learning.

For example, a student from a small rural district that does not offer many Advanced Placement classes could potentially take these classes from



From left: Jamie Story, education policy analyst; State Representative Donna Howard (D); and Brooke Dollens Terry, education policy analyst, at the conclusion of the Policy Primer, *A New Education Model for the 21st Century*.




Tim Lambert, President of the Texas Home School Coalition, speaks from the podium as part of the panel discussion on new reform models during the standing-room-only Primer held at the Foundation's offices.

Finally, Dr. Soehnge explained HISD's virtual school network, which existed before the statewide network was established.

Dr. Soehnge made perhaps the most surprising statement of the primer: "We fundamentally, as an organization, embrace school choice." One rarely, if ever, hears such a statement from a public school official. Houston ISD is leading the way in their commitment to increasing parental choice and flexibility within the public school system.

While vouchers and other forms of private school choice have not yet found a place in Texas education law, the August primer revealed that many parents are accessing choice through open enrollment, virtual courses, charter schools, magnet schools, and home schooling.

The Foundation will continue to support efforts to reduce regulations on charter schools, increase flexibility for home-school students, and expand parents' ability to choose the best public or private school for their child. 

other school districts across the state. The network could also make it easier for home-schooled students to enroll in public school courses.

Mr. Lambert shared his experience as president of the Texas Home School Coalition, and as a former home-school father himself. He discussed the opportunities that the virtual school network will provide to home-schooled students, who typically have been excluded from even part-time participation in public schools. He also discussed various bills that would increase flexibility for parents who wish to combine home schooling with some participation in public school classes and/or extracurricular activities.

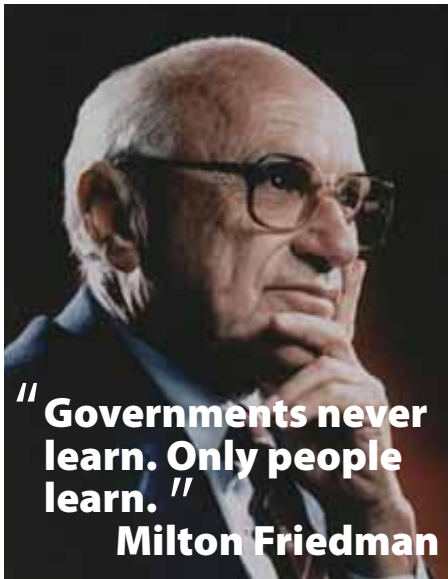
Dr. Soehnge, Chief Academic Officer of the Houston Independent School District (HISD), shared many of the innovative measures that HISD has taken to expand flexibility and embrace competition within the public school system. HISD uses per-student funding and open enrollment, meaning students can choose their school and the money follows the child. HISD also has a vast network of magnet schools for students with aptitudes in subjects such as technology, medicine, and the performing arts. In addition, HISD has opened about 20 of its own charter schools, and has adopted some of the best practices of existing charters.



State Representative Rob Eissler (R), Chairman of the House Public Education Committee, with Jamie Story, Foundation education policy analyst, after the sold-out Policy Primer.

## Honoring Milton Friedman

Foundation joins others across the nation, celebrating a legacy of freedom



**J**uly 31, 2007 would have been Milton Friedman's 95th birthday. To honor his vision and the impact he has had on our society, the Texas Public Policy Foundation—along with numerous policy groups around the country—joined the Milton and Rose D. Friedman Foundation in hosting a “Friedman Legacy for Freedom” event to honor this great freedom fighter.

Co-hosting this sold-out event with the Foundation were the Texas Conservative Coalition Research Institute, Texans for Fiscal Responsibility, and Americans for Prosperity. The event included a luncheon with special remarks from Thomas Siems, Senior Economist and Policy Advisor for the Federal Reserve Bank of Dallas.

The following is an excerpt from closing remarks by John Colyandro, Executive Director of the Texas Conservative Coalition Research Institute:

“Friedman’s regular column for *Newsweek* magazine put economics—free market economics—within reach of the casual reader because Friedman grasped that economics is much more than charts and graphs and calculus. Economics is the sum total of the daily, never-ending decision-making of hundreds of millions of people predicated on our values, perceptions, wants, needs, and desires. Viewed that way, economics is more robust and interesting and relevant because life cannot be captured by a mathematical formula. With that understanding, we have a clear view of why Friedman so passionately opposed the coercive state.

“It is impossible for central planners to make an economy work because there is no way for them to anticipate, much less meet, the wants and needs of hundreds of millions of people. It is why the Soviet Union failed, it is why Communist China is morphing, and it is why the rest of the world simultaneously envies and despises the United States of America.

“To most of us, Friedman is best known and revered for the book *Free to Choose*, co-authored with his wife Rose.

“*Free to Choose* wasn’t ground-breaking but is remarkable because of its simplicity and clarity. It gave a powerful voice to a growing number of Americans concerned about the direction of America. Our nation had slipped into rickety disrepair after so many decades of New Deals, New Frontiers and Wars on Poverty—none of which met expectations, except to those who believe

the rather visible hand of government should slap us into submission or caress us into gentle repose.

“*Free to Choose* helped ignite the Reagan revolution, and it is fair to say every one here was influenced directly or indirectly by Friedman.

“The important questions that Friedman raised are these: what is it that we are supposedly free to choose, and what is the basis of our freedom to choose?

“For Friedman, the basis of our freedom is equality and liberty: ‘In the early days of the Republic,’ he wrote, ‘equality meant equality before God; liberty meant the liberty to shape one’s own life. Equality and liberty were two faces of the same basic value—that every individual should be regarded as an end in himself.’



John Colyandro, Executive Director of the Texas Conservative Coalition Research Institute, provides closing remarks.

“As defined by Friedman, this is the object of our freedom. ‘A free society releases the energies and abilities of people to choose their own objectives. Freedom preserves the opportunity for today’s disadvantaged to become tomorrow’s privileged and, in the process, enables almost everyone, from top to bottom, to enjoy a fuller and richer life.’

“In celebrating the genius of the American experiment, Friedman noted that ‘the two ideas of human freedom and economic freedom working together came to their greatest fruition in the United States. Those ideas are still very much with us. They are part of the very fabric of our being.’

“But, as Friedman warned in 1979, ‘we have been straying from them. We have been forgetting the basic truth that the greatest threat to human freedom is the concentration of power.’

“In recent years, we have witnessed—or been party to—the creation of a new corporate tax, a subsidy program for business, and a massive court-ordered transfer of wealth in the name of public education. The most powerful interest at the state capitol is not a taxpayer organization, but the Texas Municipal League and the assortment of teachers’ unions who have a stake in the centralization and maintenance of governmental power.

“This is not to say that all is wrong with the world. It is not. Much good gets done, and many of our legislators and elected leaders deserve our respect and support. But we are falling far short of Friedman’s vision in Texas.



The Honorable Talmadge Heflin, Visiting Research Fellow at the Foundation, greets Texas Railroad Commissioner Elizabeth Ames Jones and State Representative Jimmie Don Aycock at a sold-out policy primer in honor of the late Dr. Milton Friedman.

“In assessing where we are and where we are going, it is difficult to reconcile our belief in freedom with the notion that other people willingly choose to give up theirs—to imbue the state with more power, even if it is the soft power of cushiony giveaways that buy our loyalty.

“In one memorable *Newsweek* column from 1982, Friedman wrote: “There is a sure-fire way to predict the consequences of a government social program adopted to achieve worthy ends. Find out what the well-meaning, public-interested persons who advocated its adoption expected it to accomplish. Then reverse those expectations. You will have an accurate prediction of actual results.’

“Despite all experience to the contrary, politicians keep trying ever new wondrous and exotic schemes to eliminate all manner of social malady, including poverty, accident and illness.

“As Friedman concludes, ‘Fortunately, we are, as a people, still free to choose which way we should go—whether to continue along the road we have been following to ever bigger government, or to call a halt and change direction.’

“Will we change direction? I am not so sure. It is sinful to lose hope, but a bit of skepticism is healthy and realistic in the current environment. After all, the federal government and state government are far bigger than when *Free to Choose* was published.

“Government spends more today on human services—a.k.a. welfare—than at any time in our history despite the fact there is no social or economic crisis plaguing America. Politicians have turned the world upside down because their priorities are inverted. Simply put: government spending should not skyrocket as the population becomes better off.

*continued on page 8*

**Friedman Legacy of Freedom**, from page 7

“In my view, we will only change direction, as Friedman implores, when we re-discover the eternal and essential nature of freedom, and renew our passion in the cause for which Friedman so generously devoted his life.

“Friedman summed it this way: ‘Our society is what we make it. We can shape our institutions. Physical and human characteristics limit alternatives available to us. But none prevents us from building a society that relies primarily on voluntary cooperation to organize both economic and other activity, a society

that preserves and expands human freedom, that keeps government in its place, keeping it our servant and not letting it become our master.’

“Thank you for attending this luncheon event.

“Many thanks to our friends at the Texas Public Policy Foundation for hosting us today, and very special thanks to our guest Dr. Siems.

“Finally, God bless Milton Friedman.” ★

**Listen HERE!**

To hear the full audio of this Policy Primer event, go to:

[www.texaspolicy.com/  
audio\\_gallery.php](http://www.texaspolicy.com/audio_gallery.php)

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## Donor's Corner

### Ray Barr, Senior Financial Advisor and Vice President, Merrill Lynch

by Shari Hanrahan



Ray Barr, Senior Financial Advisor and Vice President at Merrill Lynch.

It should come as no surprise that a Senior Financial Advisor and Vice President at Merrill Lynch would look for ways to make a dollar go farther. Ray Barr, a supporter of the Texas Public Policy Foundation since 2005, chooses to make donations to the Texas Public Policy Foundation that are tax deductible.

Through his company's payroll deduction plan for charitable contributions, Barr makes a monthly contribution to the Foundation through the United Way. Employees who participate in this United Way program have the option of choosing where their donation is directed once it goes through the United Way system. Called the Donor Choice Program, Ray likens United Way's "open designation campaign" to a write-in candidate on a ballot.

"This is a way to control where my contribution goes and allows me to direct it to a group I believe in," explains Barr. "Instead of giving to United Way's general fund, I write in *Texas Public Policy Foundation*, and know that my tax deductible donation will be used to promote limited government, private property rights, individual liberty, personal responsibility, and free markets."

*"Instead of giving to United Way's general fund, I write in Texas Public Policy Foundation, and know that my dollars will be used to promote limited government, private property rights, individual liberty, personal responsibility, and free markets."*

But Barr warns not to let this contribution replace other giving to the Foundation. "This is an easy, convenient way to add to your commitment every month."


A big fan of Ayn Rand and Milton Friedman, the Texas Public Policy Foundation's founding principles speak to the core of who Barr is. In fact, Barr attended the Foundation's recent birthday celebration for Friedman in July. As Barr describes, "The program was very informative and articulate.

As always, the presenters focused on the right issues and understand that business is a good thing, not a bad thing."

"Business is the goose that laid the golden egg in society. I don't distinguish between big and small business because all business clients are customers of each other. Business is what makes our country great and allows a \$47,000 per capita income in the United States while Cuba has a \$1,000 per capita income."

Although Barr also supports Texans for Lawsuit Reform and Texans for Fiscal Responsibility, he appreciates the Texas Public Policy Foundation's volume and quality of research and exceptional staff. He says the Foundation's ideas are well thought out and offer an intellectual side to politics based in research and fact.

Barr chooses to give through the United Way program in order to give back to his community. "It's convenient, my employer endorses it, and I enjoy giving to a group I feel good about. A contribution to the Texas Public Policy Foundation through the United Way gives you a voice at the local level about issues that are very significant."

Check with your employer today to see if they support an automatic payroll deduction plan for charitable contributions to 501(c)3 groups such as the Texas Public Policy Foundation through the United Way's Donors Choice Program. Your employer might even match your contribution, leveraging more pennies on the dollar—something any smart financial analyst would do! 

## In the News

Mary Katherine Stout in the Wall Street Journal

# THE WALL STREET JOURNAL.

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WEEKEND EDITION

## Lone Star Spending Spree

Give George W. Bush credit. He's drawn a lot of criticism for not doing more to control federal spending over the past six years. But he is now deep into a spending fight against a sacred liberal program. And he isn't backing away.

In recent weeks, Mr. Bush has confronted Congress over the State Children's Health Insurance Program—which is substantially funded by the federal government and up for congressional reauthorization this year. Mr. Bush understands Schip has become a wedge for expanding government-run health care in Texas.

In 1997, Congress and President Bill Clinton created Schip to provide health insurance for children of families that are living up to twice the federal poverty line. Many Republicans foolishly thought they could create a limited health-care program for kids and avoid ending up with full blown HillaryCare. What they didn't seem to appreciate was that Schip was itself a baby step toward universal health care.

But that gets ahead of the story. In 1999, Texas Republicans were divided on whether to authorize creating the program in the Lone Star State. Some GOP legislators opposed it. But Mr. Bush, then one year into his second term and preparing to run for the White House, favored it. He worked with Democrats, then in control of the legislature, to create Texas's Schip program.

It was supposed to have limits. Schip's champions argued that the program would not be an open-ended entitlement, obligating the state to pay for anyone who met eligibility requirements and signed up. Instead they promised to cap the costs at a specific dollar amount each year. If too many people sought to sign up, Schip administrators were to draw up waiting lists and halt enrollment.

It didn't work out that way, of course. Once it was up and running, the program mushroomed in cost and few officials wanted to control its growth. In 2001, its first full year, Texas's Schip cost \$381 million. One year later, the program was up to \$679 million and the state was headed into a \$10 billion budget deficit. (The state has budgeted more than \$900 million for the program for 2008.)

Not coincidentally, in 2002 Republicans won control of the legislature for the first time in more than 100 years. Shortly thereafter, Republicans cleaned up the Schip program by requiring that beneficiaries apply every six months instead of once a year (circumstances often change throughout year), and by mandating that those enrolled in the program meet specific income and assets tests. These reforms aimed to make sure the program really was a last resort for poor parents seeking health care for their children.

The assets test revealed evidence of abuse. Under the reforms, families were generously allowed to exempt up to \$15,000 in value of one vehicle and up to \$4,650 for a second. But several Texans were caught collecting Schip benefits while driving expensive, late model luxury cars. One person had three automobiles worth more than \$50,000 after the exemptions. Another family was denied enrollment when found to have \$150,000 in IRAs.

The number of people enrolled in the program fell precipitously between 2003 and 2005, to 326,557 from 507,259. The Texas Health and Human Services Commission estimates that 84% of that decline was a result of the reforms.

But this year, the state was flush with a \$14 billion surplus and Texas Republicans were backsliding. Advocates argued to stop dropping people from the program just because they no longer met eligibility requirements. Some argued that the state should figure out who chose not to reapply for benefits and convince them not to drop out of the program. Many wanted to loosen restrictions that stopped beneficiaries from owning expensive cars and eliminate waiting periods that deterred Schip from acting as a welfare magnet for enrollment.

Republicans capitulated. In the session that ended in May, GOP legislators noted that loosening Schip eligibility was the least expensive item on the Democrats' wish list.

Rep. Sylvester Turner, a Democrat and Schip supporter, said on the House floor: "Would I like to see more kids added? Absolutely. Would I like to see 700,000 kids that would qualify for [S]chips on the rolls? Absolutely." He also urged his colleagues to "do the right thing for kids today, hoping that as we move forward, we'll take another step for kids tomorrow, and the day after tomorrow." In the end, only a handful of Texas legislators voted against expanding the program by loosening eligibility standards, relaxing the assets test and reversing other 2003 reforms. Gov. Rick Perry has already signed it into law.

This is where President Bush's experience in Texas comes to play a role in his fight at the national level, where Schip must be reauthorized this year. As the governor who signed Schip into law in the state, he can remember the arguments and the promises made during the initial debates of the program. He can see how Schip has been used to expand government control of health care and how it has been abused. He can see how a program that started out for poor children has become an instrument for universal and, increasingly, socialized medicine.

Mr. Bush comes to this fight with an understanding of how Schip has played out in the states, which is why his administration recently instituted reforms to the program that aim to restrict eligibility to those it was originally intended to serve—the truly needy—and not provide an incentive for middle class parents to drop their private health insurance. Moreover, he has threatened to veto federal legislation that would allow states to expand their Schip programs.

It would be easy for Mr. Bush to give in on this fight. He is, after all, in the twilight of his administration. But next month, he'll square off against Congress to oppose an incremental advance of socialized medicine. We are fortunate he is today willing to do so at a time when Republicans in his home state were quick to abandon the fight.

*Ms. Stout is vice president of policy and director of the Center for Health Care Policy at the Texas Public Policy Foundation.*

## Foundation Profile

### Drew Thornley, Economic Freedom Policy Analyst



Drew Thornley

**D**rew Thornley, a policy analyst in the Center for Economic Freedom, joined the Foundation in September 2007.

Drew has a strong background in both law and public policy. After graduating summa cum laude with a B.A. in economics from The University of Alabama in 2002, he earned his J.D. from Harvard Law School in June 2005.


Following graduation, Drew joined Maddox, Thornley, & Sanders, in his hometown of Jasper, Alabama, practicing contract and real property law. He then moved to Chicago, where he served as Staff Counsel and Director of the State Supreme Court Project for Americans United for Life, a non-

profit bioethics law firm. As Director, he managed a project assessing the handling of bioethics issues by the states' highest courts, leading the editing of 50 state supreme court scholarly articles. He also traveled extensively throughout the country, speaking to various groups and leading state supreme court advisory sessions.

Drew is an avid swimmer and a self-described "cigar aficionado." He loves traveling, cooking, and Texas country music.

Passionate about free markets and the freedom of people to make decisions for themselves, Drew believes in small government and unfettered competition. He feels that, if government limited spending to those

things that are public necessities and left the rest to the marketplace, an economic prosperity like never before would be unleashed.

Drew is excited to be part of a team working to make life better for the people of Texas and believes wholeheartedly in the mission of the Foundation. 

## Special Exemption: Support the Foundation Today!

The Pension Protection Act of 2006 allows individuals age 70½ or older to make direct transfers from an individual retirement account (IRA) to qualifying non-profits, like the Texas Public Policy Foundation, of up to \$100,000. This special exemption expires at the end of 2007.

Distributions can be made only from traditional IRAs or Roth IRAs. Other retirement and pension plans, including 403(b) plans, 401(k) plans are not eligible.

Distributions are made directly by your IRA trustee to the Texas Public Policy Foundation and come with additional tax benefits as well. These transfers are not included in the IRA owner's income, are not reported on the taxpayer's income tax return, and they do not count against the limitations of taxpayer's charitable deduction adjusted gross income (AGI) percentage.

If you are interested in taking advantage of this opportunity to make a direct IRA transfer to the Texas Public Policy Foundation, or have any questions, please contact Sally Lay at (512) 472-2700.

Contributions must be postmarked no later than December 31, 2007 and may be sent to the Texas Public Policy Foundation at 900 Congress Ave., Suite 400, Austin, Texas 78701.

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