



2009 ANNUAL REPORT of the TEXAS PUBLIC POLICY FOUNDATION



Years as the Voice of Liberty





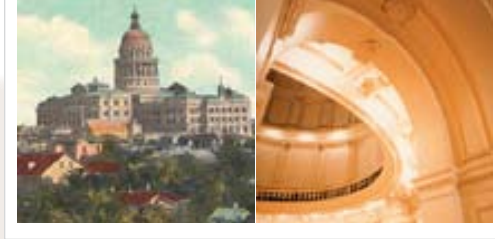
Celebrating 20 Years as the Voice of Liberty

THE TEXAS PUBLIC POLICY FOUNDATION is a 501(c)3 non-profit, non-partisan research institute that was established in 1989 to improve Texas by generating academically sound information about state problems and recommending efficient, effective solutions.

The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach. Our goal is to lead the nation in public policy issues by using Texas as a model for reform.

“THE *Texas Public Policy Foundation* HAS BROUGHT TOGETHER SPECIFIC PROPOSALS BY SOME OF THE NATION'S BEST AUTHORITIES ON THE MOST IMPORTANT ISSUES FACING OUR STATES...”

~RONALD REAGAN



MESSAGE FROM THE CHAIRMAN AND PRESIDENT

“Don’t mess with Texas.” A familiar saying across the Lone Star State, it embraces the rugged individualism and spirit of the early Texas freedom fighters—many of whom paid the ultimate price in their defense of liberty.

This same sense of individualism on which our country was founded was embodied in the Tenth Amendment, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

States, not the federal government, were designated as the primary sovereign bodies in our country in order to protect the rights of the people. In 1890, Supreme Court Justice Louis Brandeis envisioned the state legislatures as “laboratories of democracy” willing to tackle new and innovative approaches in meeting the needs of society.

Unfortunately, in 2009 federalism and inalienable rights were overshadowed by an atmosphere of bailouts, stimulus spending, burgeoning deficits, and government power grabs into areas such as health care, energy, banking, and the automobile industry. It was an atmosphere alien to conservative principles and most definitely not the way we do things in Texas.

But with 20 years of experience fighting for public policy issues in Texas, the Texas Public Policy Foundation was well positioned to take the lead on the road back to prosperity and send a resounding message to Capitol Hill.

FOUNDATION SUCCESSES

Our Foundation’s mission—to promote and defend liberty, personal responsibility, and free enterprise in Texas and as a model for the nation—was never as timely as it was in 2009. Our efforts played a significant role in making Texas a free market laboratory that has become a national showcase for what can be accomplished when sound conservative principles are incorporated into public policy.

As always, our work began here in Texas. As the gavel came down on *sine die*—the close of the Texas Legislature’s 81st regular session—Texas taxpayers had fared well, considering the national climate of unfettered spending and economic uncertainty. The Legislature adopted a relatively conservative budget which kept state spending increases to less than the anticipated growth in inflation and population; a major success that helped hold the line on government spending in Texas.

The Foundation’s research into the long-term consequences of accepting federal stimulus funds for unemployment insurance played a significant role in this success. We showed Governor Rick Perry and the Texas Legislature that there was no such thing as a free lunch when it comes to federal funds—taking the federal unemployment insurance funds would have perpetuated large tax increases once the funds ran out. Texas led the nation by refusing these federal dollars.



MAKING AN IMPACT—ONE STATE AT A TIME

The impact of our work didn't stop at the Red River. We leveraged our study—prepared by Dr. Arthur Laffer, one of President Ronald Reagan's chief economists—by doing five similar studies for other states so they too were able to take on federal encroachment into their affairs.

Providing the research and effective outreach strategy to these additional states is but one example of how the Foundation is leading the way for other state-based think tanks to affect their policy debates.

We also took a stand, from a state perspective, in shedding light on the detrimental effects a government takeover of health care would have on our state's economy and future prosperity, by releasing another well-received study by Dr. Laffer. Our work on health care led to more than 125 million media impressions as our findings reached across the country on outlets such as CNBC, CNN, Fox News, and Rush Limbaugh, just to name a few. Our research was replicated in 12 other key states as well, using our same model of leadership.

So while we remain committed to being a state-based think tank making a strong impact in Texas, we are also making a national impact on select issues important to Texas—one state at a time.

LEADING THE WAY ON THE ROAD TO PROSPERITY

One reason for the Foundation's success is that Texas has been a national star during the current economic downturn. Mortgage failures here are far below the national level and real estate prices have held up well. Texas created more jobs last year than all of the other 49 states combined, and leads the nation in job growth over the last decade.

Forbes magazine recently called Texas “a poster child for economic recovery,” and ranked four Texas cities—Austin, Dallas, Houston, and San Antonio—in the top 10 cities to best survive the recession.

Home to more Fortune 500 companies than any other state, and one of “the best places to do business” according to *CEO Magazine*, Texas remains poised for a bounce back from the global recession thanks to policymakers' commitment to time-tested, conservative principles of low taxes and maintaining a reasonable regulatory environment.

As we continue to lead into the future, we paused in 2009 to celebrate the successes of the Foundation's past 20 years as the voice of liberty in Texas. Our Liberty Gala celebration culminated in a black tie event at the historic Stephen F. Austin Hotel. Many of our friends—old and new—came together to help us commemorate the effect we have had on shaping Texas public policy. Governors Rick Perry and Haley Barbour (Mississippi) headlined the event, recognizing that the fundamental principles of fiscal discipline, limited government, and individual liberty are the premise of our economic success today and our sterling hope for the future.

While the Foundation's dedication to sound, conservative principles hasn't changed, our plans for where we carry on our work have. In December, the Foundation purchased a new headquarters building within the shadow of the Capitol. When the renovations of this 1876 treasure are complete, the headquarters will include a high-tech media center to better reach the public and an amphitheater to accommodate the Foundation's many sold-out, in-house policy primers and media events. The acquisition assures that all members of the Texas Legislature and their staffs are mere steps away from Foundation research and policy experts.

While we look farther down the road with regard to our structural growth, we have also recognized the need to continue to build a strong team of conservative leadership to take us on the next leg of our journey. With that in mind, The Honorable Arlene Wohlgenuth joined the Foundation's team as full-time executive director at year's end.



“They say the world has become too complex for simple answers. They are wrong. There are no easy answers, but there are simple answers. We must have the courage to do what we know is morally right.” ~ Ronald Reagan

As a longtime friend and a respected leader in the public policy community, she is an invaluable asset to the Foundation in overseeing day-to-day operations, while continuing to lead the Foundation’s health care research. Her proven record of turning free market principles into effective policies will be a tremendous asset as we begin the next phase of our organization’s growth.

Whether it is budget restraint, tort reform, or deregulation, much of what we do winds up happening in other states around the country. While we may occasionally step into the national debate, we will never lose sight of where our main focus belongs—right here at home.

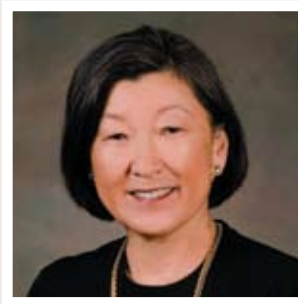
We are committed to Texas because we firmly believe there is no better place in the country—or the world—to do the work of freedom than here in the Lone Star State.

Of course, one of the reasons that Texas is such a great place to live and do our work is because of you and your dedicated support. We remain humbled and inspired by your unwavering dedication and generosity.

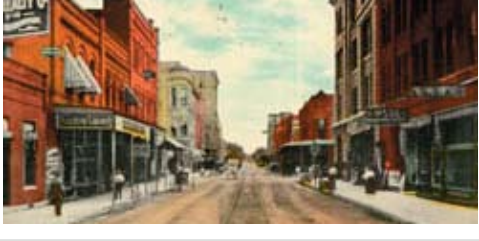
Working together, we can keep Texas—and the nation—on the right path and pave the way for a brighter, freer, more prosperous place for future generations to call home.



Brooke L. Rollins
PRESIDENT & CEO



Dr. Wendy Lee Gramm
CHAIRMAN



FISCAL RESPONSIBILITY & TRANSPARENCY

The Texas Public Policy Foundation's 20 years of quality, independent research and focused outreach have made it the authoritative voice in support of fiscal responsibility and limited growth in government as it relates to public policy in Texas. The Foundation is proud to have played a role in keeping Texas on the road to prosperity with sound, conservative fiscal policies that promote continued economic growth.

In 2009, our nation witnessed runaway spending and a burgeoning deficit that is being heaped on the backs of our children and grandchildren. With bailouts and stimulus plans being force fed to American taxpayers, it was more important than ever that the Foundation's Center for Fiscal Policy be tenacious in its role as fiscal watchdog—keeping Texas on the path of fiscal sanity.

To keep the out-of-control tax and spend mindset on Capitol Hill from infiltrating Texas, the Center for Fiscal Policy educated the Legislature and the public on the harmful economic consequences of the state accepting \$555 million in Unemployment Insurance (UI) stimulus funds. Because of the short-term nature of the stimulus

funds, businesses would have received some temporary tax relief, but the Foundation's research showed that accepting those stimulus funds would have resulted in job losses and a long-term tax increase. The Foundation worked alongside policymakers to do the right thing.

The Center also worked tirelessly to rein in a proposal for new legislation that could have created \$20 billion in new transportation taxes for all Texans. The local-option transportation measure so fiercely lobbied by Dallas/Fort Worth local elected officials could have resulted in billions in higher gas taxes and transportation fees, despite documented evidence of local governments habitually overspending and not using their current taxing capacity that could be dedicated to transportation. Largely due to the work and commitment of the Center, the bill ultimately died, leaving Texans free from footing this multi-billion dollar expense.

As our nation faces climbing unemployment and the worst recession in decades, now is not the time to increase the tax burden on small business—one of the greatest drivers of our economy. For this reason, the Foundation advocated for a reduction and/or elimination of the business tax. Ultimately, the Legislature cut taxes for thousands of small businesses in Texas.

Spending & Fiscal Discipline

To help curb spending in Texas, the Foundation formed an alliance with the National Federation of Independent Business, Americans for Prosperity, Texas Conservative Coalition Research Institute, Texas Eagle Forum, Heritage Alliance, Texans for Fiscal Responsibility, and the Free Market Foundation to publish "Blueprint for an Effective



≈ Donna Arduin, economist and Texas Public Policy Foundation Senior Fellow, presents findings from a Foundation report on rejecting the stimulus funds for Texas. Many state representatives participated in the Foundation's efforts.



The Foundation's Director of the Center for Fiscal Policy, The Honorable Talmadge Heflin, speaks about the state's fiscal policy and economic outlook at a San Antonio business as Representative Frank Corte (San Antonio) looks on.

Budget” to serve as a tool for crafting the budget. This effort was successful as the Legislature exercised fiscal restraint by adopting a budget holding the growth of the All Funds budget to 8.5 percent, an increase within our recommended rate of growth of population plus inflation. The Legislature also decreased general revenue spending by 1.9 percent versus the previous biennium.

In addition, the Center emphasized the importance of protecting Texas' Economic Stabilization Fund from being spent on any major new programs or agencies. The result of these efforts: heading into the next legislative session, the state should now have approximately \$8.2 billion in cash reserves to help cover shortfalls and provide much needed tax relief to Texas taxpayers.

DEFENDING CONSERVATIVE PRINCIPLES



“I decided to run for the Texas House of Representatives to protect liberty and economic freedoms for all Texans by reducing the size and power of our state government, lowering taxes on families and

businesses, and enacting policies that encourage job creation and economic growth. As such, I view the Texas Public Policy Foundation as one of the most important organizations in Texas—defending free markets, opportunity, limited government, and lower taxes.

Where would Texas be if there was not a Texas Public Policy Foundation?

For starters, Texans would be paying all kinds of new transportation taxes to unaccountable bureaucrats. I firmly believe that if the Foundation had not been involved in that fight—providing my colleagues with authoritative research and principled arguments—it absolutely would have passed. Sometimes, what's important in the legislative process is not what you pass but what you kill. The Foundation offered clear solutions for solving our state's transportation problems by using existing state and local revenue, rather than raising taxes.

The Foundation also had a dramatic impact on the budget, in helping us craft a budget that was reasonable and within the limitations of population growth and the rate of inflation.

Given that next session our budget is going to be restricted based on lower revenues, we need to make sure we address our spending and don't respond like so many other states such as California and Michigan that massively increased taxes. That will be the critical fight in the next session. We need the Texas Public Policy Foundation to provide the ammunition, the information, the research to be able to explain to people why it is important that we remain fiscally prudent and conservative. That research allows us to fight in committee and on the floor for correct and good policy.”

-State Representative Ken Paxton



Governor Perry speaks at a Foundation press conference on health care reform as Foundation President Brooke Rollins and doctors look on.

HEALTH CARE: PUTTING PATIENTS IN CHARGE

With the health care reform debate taking center stage in Washington during the second half of 2009, the Center for Health Care Policy was hard at work here at home, educating legislators and the public on the detrimental consequences of a government takeover of the health care system that injects government bureaucrats into the health care decisions of patients and their providers.

Expanding Public Programs & Regulation

In 2009, legislative committees in both chambers passed bills that would have expanded the Children's Health Insurance Program eligibility level to include families of four earning more than \$66,000 per year. This would have morphed the program away from its original purpose—providing health insurance to children of the working poor—into an expensive entitlement for the middle class. Due to the Center for Health Care Policy's diligent work on this issue, no expansion legislation passed.

The Center also raised awareness of the negative consequences of increased regulation of private health insurance. Only three of the more than 15 bills filed that increased regulations actually made it through the Legislature.

National Health Care Public Awareness Campaign

The Center for Health Care Policy has been actively engaged—via research and outreach activities—in the national health care debate. The health care project has been the largest and most dynamic endeavor the Foundation has ever undertaken in terms of generating national and state media outreach.

The project was two-fold. First, the Foundation commissioned Dr. Arthur Laffer, former Reagan advisor and internationally acclaimed economist, to produce academic research showing the consequences ObamaCare would have on both our state and country.

Second, the report "The Prognosis for National Health Insurance," was released on the national stage, reaching huge audiences through media outlets such as CNN's *Newsroom*, FOX News' *Your World with Neil Cavuto*, Bloomberg's *Inside Look*, CNBC's *Squawk on the Street*, the *Laura Ingraham Show*, and many more. Dr. Laffer was invited to participate in a lengthy segment on the *Rush Limbaugh Show* and had an op-ed published in *The Wall Street Journal*.

Now that ObamaCare has been signed into law, the Center will continue to educate policymakers on ways to implement the bill's burdensome mandates using free market approaches to help mitigate the negative impact on our state and its citizens. The Center will also produce quality research focusing on the future of Texas' Medicaid program—calling for major reforms to avoid the inevitable future tax increases that will result from the program's continued growth.



The Foundation's Vice President of Research, Bill Peacock, participates in a press conference on eminent domain reform on the Capitol steps.

REMOVING BARRIERS TO ECONOMIC GROWTH

With a real understanding of the direct correlation between economic freedom and prosperity, the Center for Economic Freedom played a vital role in maintaining Texas' competitive advantage by educating and encouraging policymakers, businesses, and the public to embrace free market principles, support more competition and consumer choice, and fight against government interference and heavy-handed regulations.

Civil Justice

Texas' success in tort reform over the last decade has left us with little to reform. While this is good news, the momentum can start shifting backwards as trial lawyers hit the Capitol's hallways. Such was the case during the 2009 legislative session. There were numerous attempts to roll back the reforms of the last 10 years that have reduced excessive litigation costs and increased access to the courts for those who are truly injured.

However, none of these bills passed, as the Foundation worked with the tort reform groups and legislators to keep Texas' business climate one of the best in the nation. The Foundation produced research on several of these issues and made it available during the debates, and continues to prepare for the return of more of these anti-reforms in the 2011 legislative session.

Property Rights

Eminent domain reform finally made its way into law for the first time since 2005. HJR 14, approved by voters in November, put a stop to most attempts to impose *Kelo*-style takings here in Texas.

Although the Texas Legislature had outlawed takings for economic development purposes in 2005, it left a major

loophole. Cities could still tear down a barrio apartment and replace it with a high rise condo to increase tax revenue, if the tax revenue was "a secondary purpose resulting in ... activities to eliminate [a] slum or blighted areas." Not surprisingly, El Paso had responded by putting a plan in place designating entire blocks as blighted for redevelopment purposes, where the resulting increase in tax revenue was secondary to eliminating blight.

With the passage of HJR 14, however, this kind of development won't continue. Now, cities have to find each parcel of property blighted to justify a taking, which is essentially impossible to do on the scale needed for development projects.

The Foundation's Center for Economic Freedom put five years of experience to work this session to help legislators craft this law to protect Texas property owners. At the 2009 Policy Orientation, the Foundation held a press conference with Governor Perry and Susette Kelo—of the now famous *Kelo* case—and hosted a kickoff panel discussion on the issue. The Center's involvement in crafting model legislation, providing testimony at hearings, and participating in last-second negotiations with cities helped to ensure the success of needed eminent domain reforms.



EDUCATION: CHOICE & OPPORTUNITY

Choice and opportunity in education are the keys to student success. Therefore, the Foundation's Center for Education Policy was at the forefront of the debate on charter schools and other education reforms—striving to ensure that all Texas students have the tools they need to reach their educational goals.

Charter Schools

Freedom and choice in education provide all children with greater opportunity to succeed. With more than 40,000 children currently on Texas charter school waiting lists during the past school year, the need for lifting the cap on the number of charters allowed to operate in Texas is evident. But despite the diligent work and committed efforts of the Center for Education Policy, many public school children will continue to wait due to the Legislature's inaction in lifting the arbitrary cap on charter schools. With the knowledge that the best way to learn about charter schools is to see them in action, the Center coordinated several tours with legislative offices on both sides of the aisle and held a movie screening of an education documentary that profiled successful charter schools.

Incentive Pay

The Center also worked tirelessly to preserve funding for the nation's largest teacher merit pay program amid an economic recession and efforts by multiple teacher associations to weaken the program. The Center authored a letter to House and Senate budget conferees, signed by several organizations (business groups, education reform groups, grassroots organizations, and urban and rural superintendents), showcasing specific merit pay successes. Brooke Dollens Terry, senior education policy analyst, was invited to speak about Texas' merit pay program and specific school districts at the Texas Charter School Conference and the Pacific Research Institute's School Board Training. At these events she shared with school board members and school administrators across the country how Texas' success is a shining example of the power of free market solutions in public education. Texas public school students and taxpayers are benefitting from the Legislature's decision to expand teacher merit pay programs that reward and retain excellent teachers.

When the Legislature passed a bill that would have created an additional and unnecessary government pre-k program, the Center developed and coordinated alliances with various organizations, provided testimony, and authored a joint letter to all House and Senate education members expressing concerns over this unnecessary growth in government, and the governor subsequently vetoed the bill. The bill focused on inputs, not results, and removed the private sector as a full partner in providing early childhood education.

By the end of the year, the Center had conducted more than 300 legislative meetings and testified 28 times before the Legislature and State Board of Education to inform stakeholders on the importance of market-based reforms, choice, accountability, and transparency in our education system. Children are the key to Texas' future success as an economic leader. We must provide them with the building blocks to help meet the challenge.



≈ Foundation senior policy analyst Brooke Dollens Terry speaks with Senator Dan Patrick and other participants at a charter school press conference in Austin.

HIGHER EDUCATION TRANSPARENCY & ACCOUNTABILITY

The Foundation's Center for Higher Education worked to promote reforms that will inject more choice and competition into the area of higher education, providing greater opportunities and efficiencies to the most important customers—students. The Center worked to raise awareness of the benefits of legislation which requires institutions of higher education to place syllabi, curriculum vitae, and budgets online and requires universities to create a plan to post student evaluations of faculty online—opening the books to greater transparency and accountability of higher education practices.

Teaching American Traditions & Ethics

Ronald Reagan once admonished that “freedom is never more than one generation away from extinction ... It must be fought for, protected, and handed on.” Keeping this in mind and to encourage universities to teach Western civilization, the Foundation created a coalition called the Coalition for American Traditions and Ethics (CATE). Since its origin, CATE has seen considerable success and its growing list of coalition members spans across the ideological spectrum. The coalition held a well-covered press conference, met with UT-Austin administrators to give input on their developing Core Texts and Ideas program, and continues to work with administrators at Sam Houston State University to help foster a program there. At session's end, the Legislature made a commitment to continue to study this issue in preparation for the next legislative session.



≈ Higher education policy analyst Elizabeth Young speaks at a Coalition for American Traditions and Ethics press conference at the Capitol.



The Texas Public Policy Foundation has spent the past 20 years working for school choice for families like Lupe Arenivar and her son, Anthony. The Arenivars are some of the lucky ones. They were accepted into a charter school program, among a waiting list of more than 40,000 other Texas students.

Originally from El Paso, Lupe and Anthony have been living in Austin for the past four years. Anthony had been enrolled in the Austin public school system, but it was not quite what Anthony and his mother had been looking for to meet his specific needs. As a teacher herself, Lupe knew the kind of educational environment that would best fit her son's individual learning style. “I wanted to find a school that was not overcrowded, where my son would be happy, feel safe, and be academically challenged,” Lupe said. “I looked into private schools, but they were too expensive. I then started looking into charter schools.”

In researching their options, Lupe found the Harmony School of Excellence, a college preparatory school for grades k-8 that focuses on math and science (Anthony's favorite subjects). Harmony also offered programs in Graphic Design and Robotics, other areas of great interest to Anthony. Seeing that this was the perfect fit for her son, Lupe wasted no time and contacted Harmony. “We were put on a waiting list, and we knew the chances of getting accepted were slim because the numbers of applicants were high, but we decided to try,” Lupe recalls. “We were very happy when he was accepted.”

Anthony Arenivar is currently in the sixth grade at Harmony. He makes straight A's and participates in the Gifted and Talented Program. Both Lupe and Anthony feel very lucky to have had this choice and opportunity available to them. The high quality staff, small class sizes, safe environment, and challenging curriculum have been exactly what Anthony needed to achieve his education goals. “I am very much in favor of charter schools because they offer kids another option, another chance to find a place where they can fit in, excel in their studies, and reach their potential,” Lupe says. “I believe that every child deserves just such a chance.”



AN EFFICIENT, EFFECTIVE SYSTEM OF JUSTICE

Over the last several years, the Center for Effective Justice has helped legislators craft policies that are tough and smart on crime, leading to a decline in the state's crime rate at the same time the state's prison population has dropped. Non-violent offenders are diverted to programs that require them to take responsibility for their actions, obtain treatment, and become productive, law-abiding citizens.

Reducing Adult and Juvenile Crime and Costs to Taxpayers

The 2010-11 state budget, crafted in 2009, reflected the Foundation's goal of no new prisons and support for strengthening probation and parole supervision alternatives. During the 2009 summer, 1,899 unneeded prison beds were closed, saving nearly \$28 million a year. Through dozens of budgetary, statutory, and administrative reforms since 2005 that we have championed, the state has avoided building the 17,000 prison beds that the Legislative Budget Board projected would be needed in January 2007, saving more than \$2 billion. The Legislature followed the Center's recommendation in 2009 to provide a fiscal incentive for counties that implement juvenile probation programs that are proven to reduce

re-offending in exchange for sending fewer youths to state lockups. These community-based alternatives are evaluated based on rigorous performance measures such as recidivism. This funding shift allowed the state to budget more than \$100 million less for state lockups, saving taxpayers \$67 million.

The Center also worked with lawmakers to enact several bills in 2009 to lower barriers that hinder ex-offenders from being successful, including the adoption of a proposal drafted by the Center that allows qualified, non-violent ex-offenders to obtain provisional occupational licenses for most jobs. Research shows ex-offenders who are employed are much less likely to re-offend.

Empowering and Restoring Crime Victims

The Center is implementing a strategy to expand the use of victim-offender mediation and in late 2009, after consulting with the Center, Harris County began offering victims the opportunity to resolve minor juvenile criminal mischief cases through mediation. Mediation has been proven to improve victim satisfaction, increase restitution collections, and reduce recidivism at a lower cost than the traditional, lengthy court process.

Limiting the Scope of Criminal Law

Legislators, with input from the Foundation, rejected many proposed new criminal offenses applying to ordinary business activities. Bills that failed would have subjected developers to criminal penalties, criminalized store owners who sell aerosol paint that unbeknownst to them is later used for graffiti, and imposed criminal penalties on restaurant owners who serve food containing trans-fats. Lawmakers heeded our call in rejecting a scheme to license roofers with criminal penalties and high barriers to entry. Licensing a new occupation results in less competition and higher costs to consumers.



⌘ Representative Jerry Madden participates on a Center for Effective Justice policy primer panel, moderated by the Center's director Marc Levin.



The Honorable Kathleen Hartnett White, Director of the Armstrong Center for Energy & the Environment, is joined by U.S. Senator John Cornyn as she presents research findings from a Foundation report on climate change legislation.

FREE MARKET APPROACH TO ENERGY & ENVIRONMENT

Environmental mandates at the state and particularly at the federal level are growing at an unprecedented pace, and typically without rigorous scientific justification. With 14 percent of Texas' Gross State Product derived from energy production and energy intensive (manufacturing) industries, the Texas economy would be disproportionately impacted by federal carbon caps. This push at the federal level for new climate legislation could ultimately cost Texas millions of jobs, send energy prices through the roof, and destroy household income.

Free Market Environmental Policy

The Armstrong Center for Energy & the Environment stepped up in 2009 to be sure Washington bureaucrats didn't "mess with Texas." With the experienced leadership of former chair of the Texas Commission on Environmental Quality, The Honorable Kathleen Hartnett White, the Center was poised to play an important role in the climate debate. Through sound academic research, educational events, and briefings with policymakers, the Armstrong Center brought increased visibility and prominence to the potential harm that these proposed bills would have on Texas, and in the end, no regulatory greenhouse gas bills passed.

At least 25 state legislators—along with the Comptroller and Governor's office—requested bill analysis, background information, talking points, or amendment language from the Center to help them make environmental policy decisions based on sound facts and scientific evidence.

The Center was at the lead in the development of a multi-state project aimed at raising awareness of the

consequences of federal climate change legislation. Working with the American Council of Capital Formation, the Armstrong Center helped coordinate six research papers for Texas, Arkansas, North Dakota, Michigan, Montana, and Louisiana. The state-specific reports were an important tool in informing their residents of how the "one-size-fits-all" legislation would have detrimental effects on the job climate and the pocketbooks of taxpayers.

Water: Preserving Texas' Resources

Preserving Texas' precious water supply requires natural resource policies based on free market principles. In the area of water policy, the Armstrong Center provided legislators with background information and analyses of recent Texas Supreme Court rulings upholding the landowner's vested property right in groundwater. To further educate Texas policymakers on this vast, complex issue, the Center facilitated "Texas Water 101," a legislative briefing hosted by Representative Bill Callegari for more than 60 legislative staff and members.

Celebrating 20 years

On June 12, 1987, as he called on General Secretary Gorbachev to “tear down this wall!” President Reagan sought to secure for the people behind the Iron Curtain the same freedom and opportunity that our Founding Fathers sought when they signed the Declaration of Independence.

Two years later, as Chinese freedom fighters challenged the heavy hand of government tyranny in Tiananmen Square and Communist regimes fell along with the Berlin Wall, a small group of civic-minded Texans came together in the Five Corners area of San Antonio to protect liberty and freedom for future generations.

The past 20 years have been a breathtaking ride in bringing conservative, free market principles to public policy in Texas. The vision of those who first conceived of the Foundation—Dr. James Leininger and Fritz Steiger—and all of those who have served the Foundation since, will be carried on in the hearts and minds of the staff and supporters who understand that, only through eternal vigilance, can we secure a society in which people are free and liberty flourishes.

» **Top:** Former Arkansas Governor Mike Huckabee with a Foundation supporter at a San Antonio event.

Former U.S. House Speaker Newt Gingrich is interviewed by the media at Policy Orientation.

Middle: Foundation Chairman Dr. Wendy Gramm, Foundation President Brooke Rollins, Texas Attorney General Greg Abbott, and Cecelia and Dr. James Leininger at a holiday event.

Texas Comptroller Susan Combs at a Foundation policy primer event.

Bottom: George Will speaking at the 2003 Policy Orientation for the Texas Legislature.

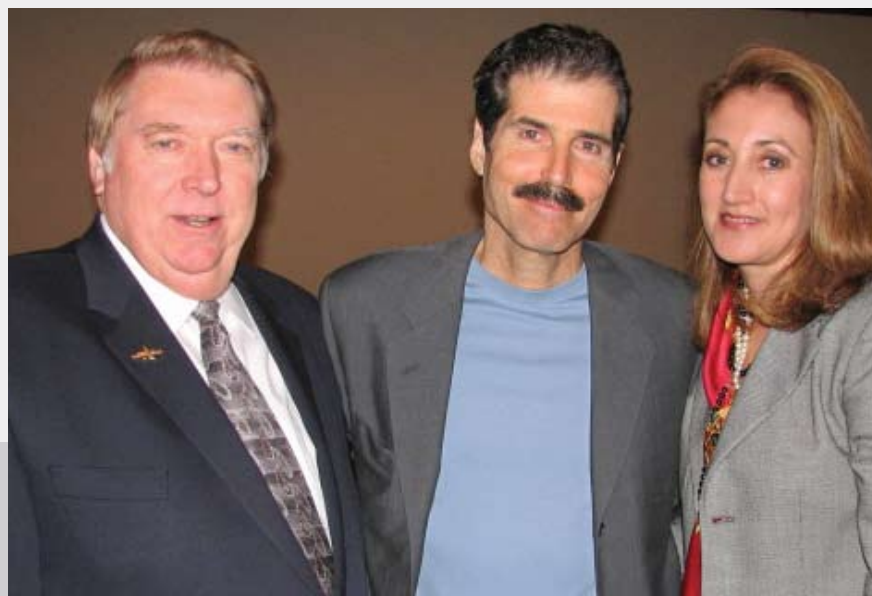
Nationally acclaimed economist Dr. Arthur Laffer, Foundation President Brooke Rollins, and Texas Governor Rick Perry enjoy a laugh prior to a policy discussion on economic policy.

“Freedom is never more than one generation away from extinction. It must be fought for, protected, and handed on for them to do the same.”

~ Ronald Reagan



» Former U.S. Senator Phil Gramm gives introductory remarks at the Foundation's Policy Orientation for the Texas Legislature event in Austin.



» The Honorable Talmadge Heflin, Director of the Center for Fiscal Policy, with Fox Business Channel host John Stossel and Foundation board member Brenda Pejovich at a Foundation event in Houston.





Representatives Geanie Morrison, Linda Harper-Brown, and Myra Crownover with Foundation Chairman Dr. Wendy Gramm.

BRINGING PEOPLE & POLICY TOGETHER

Foundation events bring people together to engage in the debate and help carry the mantle of liberty forward for future generations in the Lone Star State and beyond.

Taking the message of freedom and liberty beyond the halls of government, the Foundation extended its ideals, principles, and conservative solutions across Texas—and the nation—with policy events, press conferences, and speaker presentations by some of the best known thought leaders in the conservative movement. The 2009 line-up of speakers and policy experts included renowned economist Dr. Arthur Laffer of “Laffer Curve” fame, former Congressman Barry Goldwater Jr., former Florida Governor Jeb Bush, Mississippi Governor Haley Barbour, Texas Governor Rick Perry, Texas Lt. Governor David Dewhurst, and Texas Attorney General Greg Abbott.

The Seventh Annual Policy Orientation for the Texas Legislature was another sell-out event and did not disappoint as the state’s premier policy event of the year.

The Foundation also continued its highly popular policy primer series with 13 primers that brought together experts from both sides of the aisle to discuss the state’s most pressing policy issues. “Sick in America” sold out in less than 24 hours and more than 250 attendees gathered to hear John Stossel of the Fox Business Channel diagnose how a government takeover of our health care system would be *very* bad for our health.

On September 11, 2009, the Foundation hosted an historic event as it celebrated in grand style its 20th Anniversary Liberty Gala. The black tie event brought together elected officials, state legislators, and many longtime friends and supporters of the Foundation to hear Governors Barbour and Perry deliver an important and ever so timely message: state leadership must prevail in the face of federal dictates.

» **Top:** The Foundation’s founders Dr. James and Cecelia Leininger of San Antonio and Fritz and Francis Steiger of Fayetteville, Arkansas, reunite at the 20th Anniversary Liberty Gala in Austin.

Foundation staff with John Stossel following his “Sick in America” Policy Primer presentation at the AT&T Conference Center in Austin.

Middle: Mark Rollins (left) with former Foundation president Jeff Judson and wife Margaret at the special dessert reception on the rooftop patio of the Foundation’s new building.

Texas Railroad Commissioner Michael Williams, Foundation Executive Director The Honorable Arlene Wohlgemuth, and Representative Wayne Christian at the Foundation’s Liberty Gala.

Bottom: Mississippi Governor Haley Barbour gives special remarks at the Foundation’s Liberty Gala celebration.

Governor Perry participates in a press conference on eminent domain prior to the start of the 7th Annual Policy Orientation.

“I have sponsored and attended all eight Policy Orientations. They just keep getting better and better. The topics of the panel discussions were diverse and interesting and the speakers were excellent and focused more on practical solutions than academic debate.”

TREY LARY, ALLEN BOONE HUMPHRIES ROBINSON, LLP





Foundation Vice President of Policy and Communications, Justin Keener, opening a press conference at the Texas State Capitol unveiling the Foundation's report on the economic effects of the federal stimulus package.

SENDING A MESSAGE: COMMUNICATIONS & OUTREACH

To be sure the message of freedom is heard loud and clear across the Lone Star State and beyond, the Texas Public Policy Foundation's communications team engaged both "traditional" media—newspapers, radio, and television—and "new" media technologies—Internet-based social media outlets such as Facebook and Twitter.

The Foundation's research on health care reform grabbed the attention of the national media when world-renowned economist Dr. Arthur Laffer hit the TV circuit on behalf of the Foundation—conducting interviews with CNBC, CNN, Fox Business, Bloomberg, and a live interview from the floor of the New York Stock Exchange.

The same health care research findings also blanketed the radio airwaves on conservative powerhouses such as the Rush Limbaugh and Laura Ingraham radio shows.

Including health care coverage, the Foundation's overall message was featured in many national publications including *The Economist*, *National Review*, *Investor's Business Daily*, and *The Wall Street Journal*.

All told, the media presence was nothing short of amazing in 2009. The Foundation had 22 op-eds published in large-circulation newspapers, and nearly 1,200 media mentions, for a total ad equivalence of \$5.08 million. The work of the Foundation was mentioned in news coverage in 211 Texas cities, plus news outlets in Pennsylvania, California, Arizona, New Mexico, Iowa, North Carolina, New York, Illinois, and Ohio.

Visitors to the Foundation's website increased by 30 percent and its podcast series, Texas PolicyCast, was downloaded nearly 290,000 times throughout the year.



Dr. Arthur Laffer, at the New York Stock Exchange, awaiting an interview with CNBC as part of the Foundation's whirlwind national media tour on the health insurance reform debate.





» The Foundation's Marc Levin, Director of the Center for Effective Justice, is interviewed by Univision's Austin affiliate following a policy primer event on criminal justice reforms.



» Brooke Dollens Terry, senior education policy analyst, is interviewed following a press conference to bring public awareness to the issue of charter schools.



» The Foundation's Executive Director, The Honorable Arlene Wohlgenuth, discusses the adverse effects of national health care reform on Texas' economy.



INVESTING IN FREEDOM: STANDING ON PRINCIPLE

In 2009, supporters of the Texas Public Policy Foundation invested in freedom and the conservative principles that have made Texas a beacon of freedom, liberty, and opportunity for the rest of the nation—and world—to see. Even as the political landscape in Washington was shifting and the country strayed from time-tested conservative ideals, Foundation supporters did not waver in their dedication and committed efforts to move us forward on the road to prosperity.

Today, modern American conservatism not only has a strong intellectual tradition forged over the last 50 years, but is a force to be reckoned with. True, on the national scene it looks as though conservatives have been exiled and are trying to find their way back out of the wilderness, but that belies the intellectual and moral strength of conservatism that we have been able to keep alive and well here in Texas.

Over the last decade, Texas has been a national leader in tort reform, deregulation, budget restraint, health care reform, and many other policy areas. And these successes have not gone unnoticed.

Last year, Texas surpassed New York as home to the most Fortune 500 companies. Texas now boasts 64 Fortune 500 headquarters, ahead of New York's 55 and California's 52. At one point late in 2008, Texas had created more jobs than the rest of the nation *combined*.

Throughout 2009, the Foundation remained at the forefront of the battle to keep Texas in the driver's seat on the road to prosperity—providing policymakers with a conservative roadmap based on the principles of limited government, low taxes, fiscal responsibility, and free enterprise.



≈ Karl Rove, former senior policy advisor to President George W. Bush, with Foundation supporters and event hosts Sara and John Lindsey.



≈ Foundation board member Vance Miller and Geraldine "Tincy" Miller with former Florida Governor Jeb Bush at a Foundation event in Dallas.

It was a year of great challenges on the national level, but Texas continued to forge ahead as an economic powerhouse due in part to principled leadership and the eternal vigilance of our dedicated supporters who understand the importance of preserving our Founding Fathers' vision of economic prosperity and freedom for all.

For the past 20 years the Foundation has been privileged and humbled by the many supporters and friends we have met along the way. For this reason, the Foundation welcomed its extended family to celebrate "20 years as the voice of liberty" at a black tie Liberty Gala.

The spectacular evening closed with the Foundation's unveiling of the next step in its mission—a new Foundation headquarters, just one block from the Capitol. When renovations are complete on this 1876 treasure, the Foundation's offices will more than double in space and include a high-tech media center and amphitheater to accommodate the Foundation's many sold-out events and special gatherings.

In working towards the next step in our mission, we have kicked off the Capital Freedom Fund campaign to renovate our newly purchased headquarters building. With the continued commitment of our generous supporters, the Foundation will continue to grow in its presence, impact, and reputation as a leader in bringing sound, conservative principles to the area of public policy.

In 2009, Foundation supporters combined to provide \$3.37 million in revenue. We know that the economic downturn has been hard on many, and for this reason we pledge to be responsible stewards of your investment and provide you the greatest returns: continued progress towards a freer, more prosperous Texas.

We are all indebted to your generosity and dedication in standing with us, and look forward to continuing our partnership with you in the fight for freedom.



With the positive economic climate Texas has enjoyed under fiscally conservative leadership, it's no wonder that business has thrived. It is also no surprise that Sam Bradshaw has been a supporter of the Texas Public Policy Foundation and the Foundation's work to ensure that Texas' economic outlook remain strong and prosperous.

Like many small business owners, Bradshaw understands the necessity of Texas' friendly business climate. "Choosing Texas as the state in which Triad is headquartered was an easy choice."

Triad Energy Corporation ("Triad") is a privately-owned independent oil and gas exploration and production company founded by Bradshaw in 1983 and headquartered in Houston, Texas. Triad's exploration and production functions include prospect evaluation, leasing, drilling, developing, operating, and accounting. The Triad team has successfully combined its exploration and development efforts with significant acquisitions and trades and operates 142 active and 133 inactive oil and gas wells in South, West, and East Texas and owns interests in 1,496 other wells.

"The Texas Public Policy Foundation champions conservative principles when examining government control, taxation, regulation, and personal responsibility, all of which I wholeheartedly support. The same conservative values that undergird the Texas Public Policy Foundation were passed on to me by my father and guide my daily life." Bradshaw supports the Texas Public Policy Foundation to ensure limited government and low taxes. For instance, during the 81st legislative session, all major bills regulating energy markets and imposing environmental controls exceeding federal law failed to pass, due in part to the Foundation effectively demonstrating such regulation is not based on sound science and poses a tremendous economic burden. It is contributions from individuals such as Bradshaw that makes this kind of work possible.

For more than 25 years, Bradshaw has been a supporter of the conservative principles of limited government, while "resisting government intervention at all levels of my business, whether it's regulatory, environmental, taxation, or capital formation."



FINANCES: RESPONSIBLE STEWARDSHIP

Amidst the worst economy in 30 years, the Foundation actually increased its income while remaining flat on expenditures, continuing to expand our voice across the state and nation. This is a great testimony to our donors' commitment to freedom and the staff's commitment to fiscal responsibility. With a keen understanding of the difficult economic climate facing many Texans, the Foundation was never more vigilant in making sure that every penny of every contribution was used in the most efficient, effective way.

Assets

Cash & Receivables	\$ 1,224,380
Property & Equipment	\$ 1,240,714
Prepaid Expenses	\$ 35,558
Total Assets	\$ 2,500,652

Liabilities

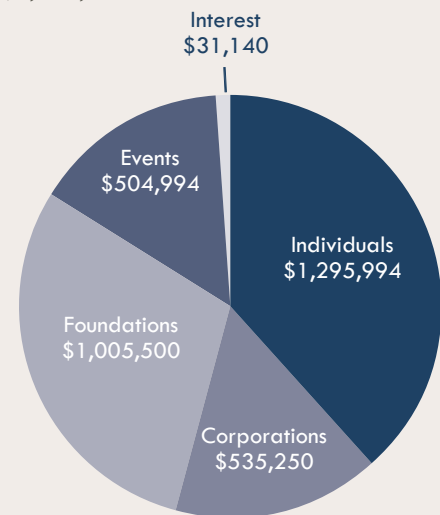
Current Liabilities	\$ 26,474
Deferred Revenue	\$ 442,777
Total Liabilities	\$ 469,251

Net Assets

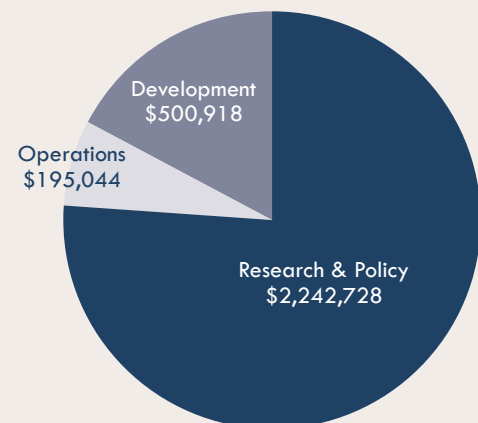
Equity Prior Years	\$ 1,597,212
Equity 2009	\$ 434,189
Total Net Assets	\$ 2,031,401

Total Net Assets & Liabilities	\$ 2,500,652
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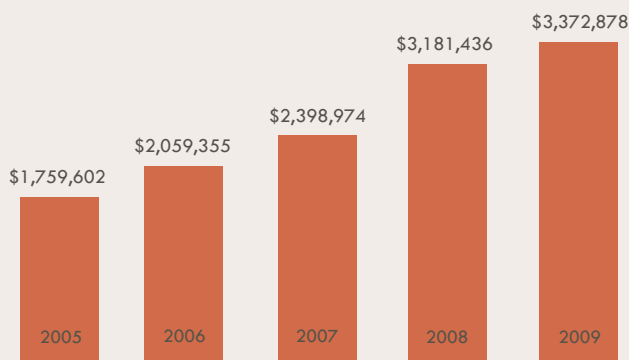
2009 INCOME: \$3,372,878



2009 EXPENSES: \$2,938,690



REVENUE GROWTH: 2005-2009



—All financial data subject to review by independent audit.

Staff

FOUNDATION STAFF

Brooke L. Rollins, *President & CEO*

The Honorable Arlene Wohlgemuth, *Executive Director & Director, Center for Health Care Policy*

Shari Hanrahan, *Vice President of Outreach*

Justin Keener, *Vice President of Policy and Communications*

Bill Peacock, *Vice President of Research & Director, Center for Economic Freedom*

Ryan Brannan, *Policy Analyst, Center for Economic Freedom*

Nancy Druart, *Publications & Marketing Manager*

Sarah French, *Director of Development*

David Guenther, *Director of Media & Government Relations*

The Honorable Talmadge Heflin, *Director, Center for Fiscal Policy*

Liz Hemphill, *Development Events & Special Projects Manager*

Michael Joyce, *Program Coordinator*

Marc Levin, *Director, Center for Effective Justice*

James Quintero, *Policy Analyst, Center for Fiscal Policy*

Greg Sindelar, *Director of Operations*

Scott Specht, *Donor Relations Manager*

Brooke Dollens Terry, *Senior Policy Analyst, Center for Education Policy*

The Honorable Kathleen Hartnett White, *Distinguished Fellow-in-Residence & Director, Armstrong Center for Energy & Environment*

Elizabeth Young, *Policy Analyst, Centers for Health Care & Higher Education*

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In Memoriam



Brianna Becker
1987-2009

On September 25, 2009, the Foundation experienced a great loss with the untimely death of one of our beloved interns and friends, Brianna Nichole Becker.

Brianna was a cheerful presence, a friend to all who knew her, and a passionate and articulate supporter of liberty. She lived her life with a tireless commitment to our shared principles, and that inspiration will carry us forward as we continue the hard work of preserving freedom.



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