

2014 ANNUAL REPORT *of the* TEXAS PUBLIC POLICY FOUNDATION

Celebrating
25
years of Liberty

TEXAS PUBLIC POLICY FOUNDATION



901 CONGRESS AVENUE
Liberty's new address ...



In 1989, the world watched in awe as freedom fighters around the globe made their voices heard as they challenged the heavy hand of government tyranny and stood up for their right to liberty. In China, Eastern Europe, and Afghanistan, 1989 was a year of revolution. A year when one of the greatest defenders of liberty, President Ronald Reagan, insisted that freedom prevail... and the Berlin Wall came down.

Liberty and freedom were also on the minds of a small group of civic-minded Texans in 1989, in an area of San Antonio called “Five Corners.” It was in these humble beginnings that these San Antonio businessmen came together to bring independent, market-based thinking to the arena of state policy.

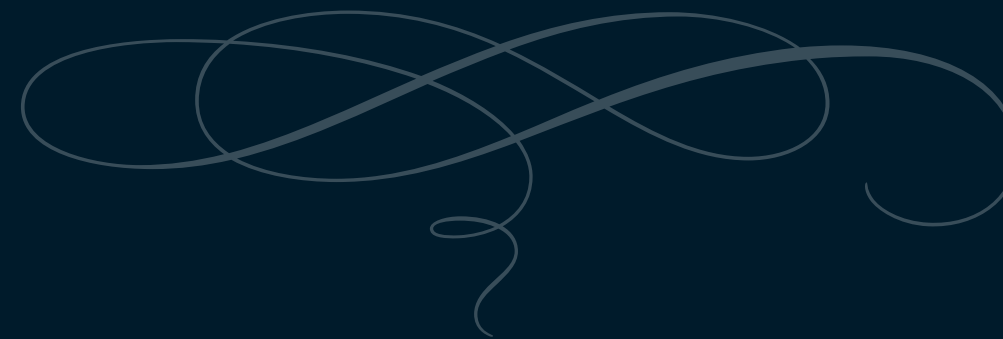
So it began in 1989, and the Texas Public Policy Foundation was born.

A state-based, free market think tank was an entirely new concept for the Lone Star State in 1989. The early years were not easy. Getting the message to the legislature and media was an uphill climb. But, with tenacious commitment to the principles of liberty, personal responsibility, free markets, limited government, and private property rights, the Foundation found its relevance growing each year.

The past 25 years have been a breathtaking ride in bringing conservative, free market principles to the area of public policy in Texas. The vision of the Foundation’s founding members is carried on each and every day in the hearts and minds of the staff and supporters that understand that we must never lose sight of the importance of keeping up the good fight—for a freer, more prosperous future.

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Message

FROM THE PRESIDENT & CHAIRMAN

IT IS OUR SINCERE PLEASURE TO WELCOME you to the 2014 Annual Report of the Texas Public Policy Foundation. In these pages, you will find a comprehensive picture of an organization that is fighting the good fight for liberty—both in Texas and across the nation. And, just as important, you will find the story of a think tank and policy institute that just celebrated its first quarter-century.

This, perhaps, is the most important thing to know about the Texas Public Policy Foundation as we closed 2014: that we have survived, and thrived, for 25 years. It is a momentous anniversary, and it is just the beginning.

A quarter-century ago, a small band of dedicated Texas patriots came together to change the world. Their means were modest, but their ambition was as big as the Lone Star State itself. Texas has always been a haven for outsized dreams—and fortunately we have had the men and women with outsized hearts to make them reality. We can think of no better description of the extraordinary people who shepherded this Foundation from its conception, to its founding, to the present day. And we know that when we hand it off to future generations, they will vindicate the example of we who came before.

There are many things to be said about this Foundation after 25 years, but I think the most important is simply this: that Texas is the last bastion of the American dream in large part because of our work. We are privileged to live

and contend in a unique historical moment, when Texas stands as a bulwark against the ambitions and predations of Washington, D.C. Our prosperity is a function of our liberty, and our liberty is a function of our very identity—created beings as affirmed in the American Declaration of Independence. If this seems like something basic, that does not mean it is something easy, nor does it mean it is something widely agreed upon. The case for liberty seems obvious to those of us who engage daily in its pursuit—but as our Founders foretold, it needs constant renewal. Ease and power are their own temptations; in the hands of government, they are the chief foes of a free and open society.

This Foundation has come a long way. On January 1, 2003, we were a tiny group based in San Antonio of about four people—and hardly any idea how to make the next payroll. As we write this over a decade later, the contrast is stark: we have nearly 47 people, a healthy budget, and a new headquarters building of six stories going up just two blocks from the Texas State Capitol. Our significance, which once barely extended out of San Antonio, is now manifest on the national stage.

Some of this is an inevitable consequence of the importance of Texas—and especially its example as a counterweight to Washington, D.C. Some of it is the consequence of our hard work, our tireless dedication, our generous supporters, and our insight in identifying and confronting the threats to liberty.

“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

It turns out that in defending Texas, we have defended America. And we can hardly think of a higher honor.

We share all of this partly because it is a tale worth telling. Any time the forces of freedom endure and prevail, especially over 25 years, it is a thing worth celebrating. And, of course, it is always good to remind those who give their time, talent, and treasure to the Foundation that they have made a very sound investment indeed. Supporting our work means more than simply supporting the generation of the ideas. We are in the business of generating change. And we are proud to say our record is one of success.

But the most important reason we share this is to illustrate just what it takes to secure liberty—even in the Lone Star State. We Texans know better than most the price of freedom. We see it at the Alamo, at Goliad, and at San

Jacinto. We understand that those battles were fought, not as a conclusion to the fight for liberty, but for the right to continually live and advance that fight down through the generations. Our freedom as a nation, won on battlefields from San Antonio to the Sabine River, is justified only if we secure our freedom as a people. That remains just as urgent a concern in 2015 as it was in 1836.

Fortunately, Texas still produces men and women willing to sacrifice, to work, and to win in that cause.

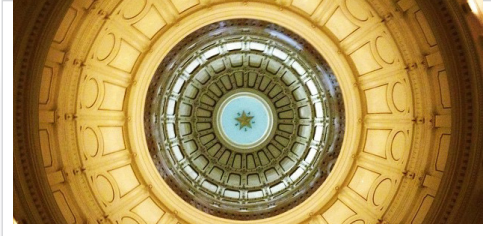
This, finally, is how we urge you to read our annual report. It is the record, yes, of an organization with much to be proud of. But on a deeper level, it is the record of another year, just like every one of the 178 years before it, in which Texans have fought the good fight—not just for our own freedom, but for America's. And we will never stop.



Brooke L. Rollins
PRESIDENT & CEO



Dr. Wendy Lee Gramm
CHAIRMAN



FISCAL RESPONSIBILITY & TRANSPARENCY

THE TEXAS PUBLIC POLICY FOUNDATION'S 25 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.

Setting the Record Straight

Keeping the state's budget in line is hard enough without accounting gimmicks and false information obscuring the true nature of Texas' finances. The Center for Fiscal Policy took 2014 to set the record straight on these and other matters, diligently researching to paint an accurate picture of the Texas budget.

Vice President of Policy Chuck DeVore published a book titled *The Texas Model: Prosperity in the Lone Star State and Lessons for America—2014 Edition*. DeVore highlights Texas' job creation success and compares our model with those of California and other states.



≈ The Honorable Chuck DeVore appears on BBC Scotland to discuss how the Texas Model of low taxes and a fair regulatory climate have created greater prosperity and opportunity than other states.

Another key report published by the Center, titled "The Real Texas Budget," advocates for greater transparency by providing an accurate picture of what the state's budget really looks like, without the various gimmicks and con-

cealments woven into the official budget. In "Protecting Texas Taxpayers: Sales Tax Relief (STaR) Fund," the Center argues in favor of the STaR Fund, a simple tool designed to lower the bottom line of the budget and the sales tax. The Center's efforts led legislative leaders to draft legislation on the STaR Fund, and produced nearly 40 total media mentions and op-eds in the *Austin American-Statesman*, *Fort Worth Star-Telegram*, *Houston Chronicle*, and *McAllen Monitor*.

In 2014, the Center held 190 meetings with legislators and their staff; briefed 37 state candidates on budget issues; published 30 reports, 70 blog entries, 27 press releases, 45 commentaries, and a book; and was quoted and/or mentioned in such media outlets as *Investor's Business Daily*, *Washington Post*, *Fox News*, *Forbes*, *Dallas Morning News*, *Fort Worth Star-Telegram*, *Houston Chronicle*, *Austin American-Statesman*, *Orange County Register*, *San Antonio Express-News*, *Daily Caller*, *Texas Tribune*, *Breitbart Texas*, and others.

The Conservative Texas Budget

With the "Conservative Texas Budget," the Center rolled out an arsenal of conservative recommendations to provide more budget transparency, request key budget reforms, and suggest a spending limit based on population growth plus inflation. The Conservative Texas Budget calls for limiting the growth of all expenditures for 2016-17 to no more than the rate of population growth plus inflation, and has the support of 15 other organizations under the banner of the Conservative Texas Budget Coalition. A press conference held by the Coalition received press coverage from such publications as the *Texas Tribune*, *Dallas Morning News*, *Houston Chronicle*, and *Austin American-*



≈ The Foundation's director of the Center for Fiscal Policy, The Honorable Talmadge Heflin, speaks with the media about the state's economic outlook after the Texas Comptroller released the state's 2016-17 revenue estimate in January.

Statesman. The Coalition continues to shape the statewide budget debate through research and collaboration with legislators from across the state.

Together, the Real Texas Budget and the Conservative Texas Budget serve as powerful tools for helping the Legislature and the public understand the often complicated

finances of our state. By changing the state budget debate through detailed research and unrelenting advocacy of transparency and telling the facts as they are, the Center seeks to empower Texans with the information they need to keep the growth of government in check.

Teaching High School Students about Free Markets Aboard the U.S.S. Lexington

In June, the Texas Public Policy Foundation had the honor of participating in an interactive economics workshop for 70 high school honors students at the Military Order of the World Wars Southwest Youth Leadership Conference. This Conference took place aboard the U.S.S. Lexington in Corpus Christi.

Dr. Vance Ginn, economist in the Center for Fiscal Policy (pictured at right), and James Quintero, director of the Center for Local Governance, presented on the differences between capitalism and socialism by conducting a hands-on experiment showing the differences between a free labor market (more liberty) and one that the government interferes with by imposing a minimum wage (more government).



The Texas Public Policy Foundation works tirelessly to help promote sound conservative principles to the public and especially to the next generation of leaders. We provide a better understanding that the best path to prosperity is through free enterprise, individual liberty, and economic freedom—the principles we promote here at the Texas Public Policy Foundation. These are concepts that many have never heard. By educating the youth on these important principles, we provide all Americans with a chance to have a better future.



HEALTH CARE: PUTTING PATIENTS IN CHARGE

HEALTH CARE IN TEXAS REMAINS FRAUGHT with both state and federal government mandates and overregulation. Unshackling health care from government interference so that a competitive health care market can emerge is the only way to lower the cost of health care, improve quality, and put affordable coverage within the reach of more Americans.

Challenging ObamaCare

Over the past year, the Center for Health Care Policy has been at the heart of the debate over the implementation of the Affordable Care Act, a/k/a ObamaCare, in Texas. The Center has worked to show how the federal health care law increases the cost of coverage to the detriment of Texas employers and employees alike.

Last year, the Center met with the offices of top elected officials from Texas to discuss strategy for addressing the ACA implementation timeline for 2014-15 and other matters related to both the ACA and Medicaid. Center director John Davidson was invited to give testimony before the Senate State Affairs Committee, where he presented research on anticipated negative effects of the ACA for Texas. He was also invited to speak at the LBJ School of Public Affairs on ACA implementation, as well as other groups throughout the state.

In 2014, Davidson was interviewed by Fox 7, National Public Radio, Texas Tribune, Time Warner Cable News, Kaiser Health News, Breitbart Texas, *Austin American-Statesman*, and others. His articles and commentaries have been published in *The Wall Street Journal*, *National Review*, *Forbes*, *Austin American-Statesman*, *El Paso Times*, *Dallas Morning News*, and *The Federalist*.

Medicaid Reform

In 2014, the Center continued to build on its multi-year proposal to reform Texas' Medicaid program. "Save Texas Medicaid," the Center's comprehensive report on how to reform Medicaid under a federal block grant, by giving states more control over their own health care policy, formed the basis of legislation adopted by the American



≈ Foundation executive director, The Honorable Arlene Wohlgemuth, discusses health care solutions in an Al Jazeera America interview at the Foundation's offices.

Legislative Exchange Council in March for use as a model in any state.

In addition, the Center is developing an indigent care pilot program with the Texas Health Institute that would leverage hospital systems' charity care programs, community clinics, and volunteer physician networks in select regions of the state. Once up and running, the program will show the nation (especially Washington, D.C.) that Texas has a better solution to caring for its indigent population than by expanding the broken Medicaid system: replace federal bureaucracy with greater engagement of the charities and communities that form the backbone of civil society.



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, competition and consumer choice, and fight against government interference and heavy-handed regulations.

Keeping Electricity Affordable

In 2014, the Center for Economic Freedom launched a targeted campaign to dissuade the Public Utility Commission of Texas from re-regulating Texas' competitive electricity market and imposing a \$3.2 billion-a-year electricity tax on consumers through a capacity market.

To educate policymakers, consumers, and the media of this real threat to Texas' best-in-the-nation free market approach to electricity generation, the Center engaged in an aggressive research and media blitz. During the campaign, the Center published nine research papers and 34 commentaries and blogs. The Center built a broad coalition to fight the capacity market that included small and big business groups, conservative and liberal legislators, free market groups, and environmental groups.

For the second year, a major victory was won when the PUC decided not to impose a capacity market on Texas electricity consumers, but the fight is not over. We continue to work with Texas legislators to provide indepth research and policy solutions on how to keep the Texas electricity market reliable and affordable in the future.

Another threat to the Texas electricity market comes from the EPA's Clean Power Plan (CPP). The CPP represents a total takeover of the electricity market in the United States, will destroy what is left of state authority in the regulation of local issues, and will add tens of billions of dollars to the cost of electricity nationwide each year. The Center is collaborating with the Foundation's Centers for Energy and the Environment and Tenth Amendment Action to provide a comprehensive response to this challenge; this strategy will be used to guide our efforts to respond and coordinate with other states.

Economic Freedom

The Center has been busy publishing in a number of other areas to continue to promote economic freedom—the wellspring of prosperity—in Texas.

The Center continues its work on protecting property rights, and filed an *amicus* brief with the Texas Supreme Court supporting a property owner's attempt to protect their ability to be paid for a property condemned by a private company. Such action is vital to reduce regulatory takings by cities and reduce abuse of the eminent domain process, which cities use far too often.



Bill Peacock, director of the Center for Economic Freedom, participates in a 2014 Policy Orientation panel, "Economic Development, Texas Style."

Whether tackling problems such as the heavily regulated Texas homeowners and windstorm insurance markets, Texas cities adopting ordinances restricting payday lenders and borrowers, or the state's broken Sunset Commission, the Center is working tirelessly to cut through regulation and bureaucracy to ensure that all Texans have access to free, competitive markets.



EDUCATION: CHOICE & OPPORTUNITY

CHOICE AND OPPORTUNITY IN EDUCATION ARE THE KEYS TO STUDENT SUCCESS. Therefore, the Foundation's Center for Education Freedom is leading the debate on school choice and other education reforms—striving to ensure that all Texas students have the tools they need to reach their educational goals.

School Choice

Leading up to the 84th Texas Legislature, the Center for Education Freedom spent 2014 laying the groundwork for the state's biggest ever push to pass school choice legislation. To help in this battle, the Center has assembled the School Choice Coalition, an all-star team of non-profits and individuals that coordinate efforts to promote school choice. Members include the Texas Association of Business, Americans for Prosperity, Christian churches, Texas Catholic Conference, LIBRE Initiative, Justice Foundation, Institute for Justice, Texas Charter Schools Association, and the Texas Private Schools Association.

In association with the Texas Association of Business, TPPF commissioned Dr. Arthur Laffer—former economic advisor to President Reagan—to perform an economic analysis of the effect universal school choice would have on the Texas economy. Dr. Laffer's research shows how important a victory for school choice would be for the state of Texas: property values increasing by 20 percent or more; 560,000 to 985,000 new jobs; and \$260 billion to \$460 billion more in the Texas economy.

The Center has led the charge to make school choice a reality in 2015—drafting model legislation and working with policymakers to bring greater choice in education to Texas parents and their children. The Center has written extensively in the media in support of school choice, with numerous articles appearing in the *Austin American-Statesman*, *Fort Worth Star-Telegram*, and other outlets.

Through the careful preparation, dedicated research, and masterful coalition building of the Center, 2015 could very well mark a turning point for the Texas public education system.

Fixing Public Education

While school choice was the Center's top priority in 2014, the Center's policy team published work on a variety of education topics that deserve legislative attention. The Center has published numerous papers on school finance reform and provided interviews on the topic with KXAN, KVUE, TWC News, and Texas Public Radio. While the Travis County District Court decided that Texas' public schools meet the constitutionally-required standard of efficiency, the Center—relying upon the Texas Supreme Court's precedent—disagrees, and has worked throughout 2014 to make the case that our schools *can and should* be run more efficiently.

The Texas Constitution establishes education to provide the public—literally, the people—the knowledge they need to live prosperous lives, but especially so that the people will know their rights and liberties. Everything the Center for Education Freedom does works toward this goal so that Texas will have a future as great as its past.



Center director, The Honorable Kent Grusendorf, compares the results of government-controlled markets and free markets at a December 2, 2014 press conference at the Texas Capitol.



HIGHER ED: TRANSPARENCY & ACCOUNTABILITY

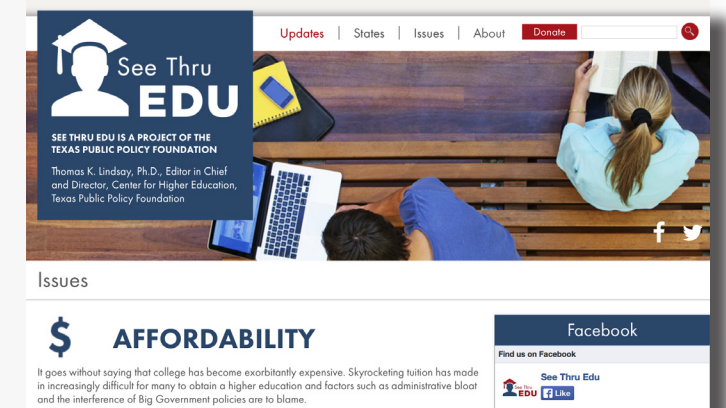
THE CENTER FOR HIGHER EDUCATION HAS MADE great strides in the higher education revolution—opening the door to reforms that bring greater transparency and accountability to higher education practices in Texas and the nation.

Reforming Higher Education

The “Informed Student Document” bill, the Center for Higher Education's signature idea from 2013 requiring colleges in Texas to inform college-bound high school students of the college's graduate employment statistics, received positive press in the *Texas Tribune* and the *Dallas Morning News* as the bill's implementation proceeded smoothly in 2014. Building on this success, in 2014 the Center introduced a number of new ideas to continue the push for reforming the Texas higher education system.

In “Combating the ‘Other’ Inflation: Arresting the Cancer of College Grade Inflation,” the Center tackled the issue of grade inflation—professors handing out so many A's and so few C's, D's, and F's that GPA has become a practically meaningless tool in determining how a student performs academically. In another research study, “Winning the ‘Space Race’—How Universities Can Maximize Existing Space to Reduce Tuitions,” the Center points out that universities can cut costs and lower tuition by making more responsible use of existing campus space instead of turning to new construction (where students and taxpayers foot the bill for buildings most of them will never use). Few taxpayers know the full extent of the campus building boom of recent decades; since 1974, campus space has ballooned from 160 square feet per student to 450 square feet per student, financed almost entirely through tuition increases and taxpayer subsidies.

A key reform that the Center has put its energy behind is the Texas Affordable Baccalaureate Program (TABP), which looks to fight rising tuition costs by offering “affordable baccalaureates.” True to conservative values, the TABP works through innovative solutions that lower the cost of college education while saving taxpayer dollars.



SeeThruEdu.com published more than 220 articles in 2014 and its Facebook page has surged to more than 78,000 followers in just 18 months.

Outreach

Since even the best ideas cannot change the world unless they are heard, Center director Dr. Tom Lindsay spent much of 2014 promoting the Center's work through outreach, publication, and building a strong web presence.

Dr. Lindsay was interviewed by *The Wall Street Journal* on the subject of college faculty productivity, which has decreased as professors focus more on research and less on their primary role of teaching undergraduates.

The Center published five articles in *Forbes* and 12 editorials for the widely-read policy news source Real Clear Policy. Three of the Center's editorials scored in the top-ten of Real Clear Policy's “Most-Read” list in 2014, including Lindsay's editorial “Harvard's Chickens Come Home to Roost,” the site's most-viewed piece that day. The Center's website, SeeThruEdu.com, published more than 220 articles—garnering interest and traffic to Facebook and Twitter—while SeeThruEdu's Facebook page has surged to more than 78,000 followers in just 18 months.



AN EFFICIENT, EFFECTIVE SYSTEM OF JUSTICE

OVER THE LAST SEVERAL YEARS, THE CENTER FOR EFFECTIVE JUSTICE has created a new discourse for criminal justice and corrections across Texas, the country, and the world. The Center's experts are leading the way to a justice system that is transparent, puts victims first, emphasizes public safety, works with communities, and keeps the growth of government in check.

Right on Crime

In 2014, Right on Crime continued to grow, adding seven new signatories to its Statement of Principles, including former Maryland and Puerto Rico Governors Bob Ehrlich and Luis Fortuno, and Heritage Foundation economist Steve Moore. Right on Crime was featured at the State Policy Network's Annual Meeting (SPN is an organization of state-level think tanks), co-hosting the event's kickoff dinner and featuring a keynote address in which Governor Ehrlich explained why he had become a Right on Crime signatory.

Right on Crime has established a growing national presence, maintained through events like a Washington, D.C. breakfast for conservative leaders and a national summit to discuss criminal justice reform. These events were attended by legislators from across the country and many prominent conservatives, including Newt Gingrich, Grover Norquist, David Keene, Ken Blackwell, Ed Meese, J.C. Watts, Ken Cuccinelli, and Alfred Regnery.

Across the country, "Right on Crime" has become synonymous with effective, conservative, commonsense criminal justice reform. Look at Mississippi, where Governor Phil Bryant explicitly referred to his state's bill, modeled after similar Texas reforms, as the "Right on Crime plan."

Big Ideas for Reform

Yes, 2014 was a year of national recognition for the Center—both its ideas and the policy analysts behind the ideas. Center director Marc Levin was named to The Politico 50, a list of the "thinkers, doers, and dreamers who really matter in American public policy." Other figures on the list include governors, senators, members of the President's cabinet, Supreme Court justices, and even the Pope!

THE POLITICO 50
Our list of the thinkers, doers and dreamers who really matter in this age of gridlock and dysfunction.

25/Marc Levin

Director, Center for Effective Justice at the Texas Public Policy Foundation

THE CONSERVATIVE PRISON REFORMER.

During the 1988 presidential campaign, supporters of George



Center director Marc Levin is recognized by Politico magazine as one of The Politico 50's "thinkers, doers, and dreamers."

The American Legislative Exchange Council endorsed a number of the Center's policy proposals in 2014. These included a voucher-based model for indigents to select counsel in criminal cases, curtailing the release of inmates directly from solitary confinement, and improving post-release supervision of criminals. If enacted, these measures would be strong steps toward the Center's goal of reforming criminal justice to enhance public safety while eliminating unnecessary costs and outdated practices.

Marc Levin testified on conservative criminal justice reform in five different states: Illinois, Kansas, Nebraska, Nevada, and Tennessee. He also spoke before the U.S. Senate Subcommittee on the Constitution, Civil Rights, and Human Rights on the dangers of overusing solitary confinement and releasing inmates in solitary confinement directly into the civilian population. Senior policy analyst Vikrant Reddy presented testimony before the U.S. Sentencing Commission, which was considering an amendment to the Federal Sentencing Guidelines.



LOCAL GOVERNANCE: EFFICIENT & TRANSPARENT

THE CENTER FOR LOCAL GOVERNANCE PROMOTES GOOD GOVERNANCE by educating local policymakers and the public on best practices, efficiency, and transparency in local government. The Center works to showcase conservative ideas in action and help other local governments establish the same success stories in their own communities.

Liberty Cities

Over the past year, the Center for Local Governance has initiated substantive contact with local officials and interest groups from hundreds of local jurisdictions, working to fight tyranny and advance liberty at the local level in all parts of the Lone Star State. The Center has teamed up with the recently incorporated City of Von Ormy, south of San Antonio, to promote and educate policymakers and the public on the "Liberty Cities" concept and how to successfully implement it in local governments everywhere. Liberty cities operate on a model of small municipal government, low taxes to pay for necessary services, and low levels of regulation.

The Center partnered with the City of Marlin, an economically distressed suburb of Waco, to create the Marlin Community Initiative, a program to save taxpayer money and provide maintenance for the town while helping to reintegrate local offenders serving probation back into the community.

In May, working with partners such as Americans for Prosperity, Empower Texans, and local tea party groups, the Center mounted an effort to highlight the dangers of local bond debt in Frisco, as Frisco ISD was passing a \$775 million bond proposal. The Center also advised the City of Friendswood on local debt matters, helping them save an estimated \$10 million on the issuance of a bond.

Transparency

The Center is working with Empower Texans to develop a Fiscal Snapshot Index Project, an effort to synthesize and analyze municipal finances. The Center has built a broad coalition, including Americans for Prosperity, Texans for Fiscal Responsibility, Grassroots America-We the People, and Texas Public Policy Action, that calls for a series of

recommendations on transparency and accountability in the use of bonds, as well as calling for fair elections. Most of these ideas have become legislation and are moving through the regular session of the 84th Texas Legislature.

Some of the many outreach efforts conducted by the Center included hosting a workshop at the inaugural meeting of ALEC's American City-County Exchange in Dallas, which discussed the Center's work on competitive contracting; and hosting a booth at the Texas Municipal League's Annual Conference to disseminate the Center's research and ideas.



Senior policy analyst, The Honorable Jess Fields (third from left), educated county commissioners from Utah on local governance issues at the National Association of Counties in Washington state.

In 2014, the Center published 21 research papers on local governance issues as well as 21 op-eds in newspapers and media outlets around the state and nationally, including *Forbes*, *San Antonio Express-News*, *Dallas Morning News*, and *New York Daily News*. The Center was also mentioned 90 times in media outlets including *Bloomberg Businessweek*, *New York Times*, *Fort Worth Star-Telegram*, *Austin American-Statesman*, *Texas Tribune*, *Breitbart News*, and *Watchdog.org*.



TENTH AMENDMENT: RECLAIMING THE CONSTITUTION

THE CENTER FOR TENTH AMENDMENT ACTION works to restore the constitutional balance between the state and the federal government and to educate the public and our leaders about the framers' vision of a federal Constitution—and the powers granted therein.

Health Care Compact and the EPA

In 2014, the Center for Tenth Amendment Action worked to coordinate opposition to the EPA's Clean Power Plan, support the Health Care Compact, and educate legislators and concerned citizens on the liberty-promoting possibilities offered by the Article V Amendments Convention movement (through which the states would call a Constitutional Convention to pass amendments that push back against federal overreach). It also researched and highlighted state over-dependence on federal funds.

The Center worked to develop a Magna Carta from the states centered on the Health Care Compact and the Regulation Freedom Amendment to restore control of vital health care and regulatory issues to proximate elected, and therefore more highly accountable, representatives.

Partnering with the Center for Energy and the Environment, the Center collaborated with other states that are calling for rejection of the EPA's Clean Power Plan. The RASP Act—the model legislation that is being

used to defend state energy regulatory authority from the EPA—included significant contributions from Senior Fellow Karen Lugo. The Center worked with Texas leaders to submit a substantive set of comments on behalf of state legislators regarding the flaws in the Clean Power Plan, and teamed with Representative Ken Ivory of Utah to design a training program to educate state and county of-

ficials on drawing the line against federal incursions into state matters.

Karen Lugo attended a small group lunch with top elected officials from Texas to discuss the early opportunities for legislation to address the Clean Power Plan and Endangered Species Act, another piece of federal legislation that threatens the Texas economy.

Supporting Federalism

The Center is rapidly expanding outreach into several states, thereby growing into something fundamentally more powerful and forceful in the federalism arena. It now serves as a resource for legislators who are organizing an Article V State-Called Amendments Convention and is setting up centers in other states as satellites.

The Center's outreach in 2014 included meetings with key federalism leaders from the State Policy Network, State Budget Solutions, the Heritage Foundation's Resource Bank, and The Lands Council to organize special Tenth Amendment action teams. Articles and commentary from the Center were featured in such publications as the *Austin American-Statesman*, *Washington Examiner*, *Daily Caller*, *National Review Online*, and *Forbes.com*. Karen Lugo also co-authored an *amicus* brief in the *King v. Burwell* case at the U.S. Supreme Court.

Overall, 2014 was a year of tremendous growth for the Center, a trend expected to continue in 2015 as Dr. Thomas Lindsay was named Center director. The revised and more aggressive Center for Tenth Amendment Action fills an urgently needed leadership space: a center for ideas and action to restore the proper place of the states—and with it, individual liberty—in American life.



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. This push at the federal level for new environmental and energy regulations could ultimately cost Texas millions of jobs, send energy prices through the roof, and destroy household income.

Taking on the EPA

The Environmental Protection Agency (EPA) continues its unprecedented regulatory overreach, using sham scientific and legal reasoning to support a vast expansion of government. The Center for Energy and the Environment fought back against the EPA with research and public outreach based on scientific evidence.

In January, Center director Kathleen Hartnett White was invited to testify before the United States Senate's Committee on Environment and Public Works where she highlighted the implausible scientific assumptions and lack of statutory authority of President Obama's Climate Action Plan. In "Extreme Weather and Climate Change: What the Science Really Says," published in June, the Center examined data which demonstrate that recent extreme weather events are not at all unprecedented, thus undermining the Administration's claim that man-made emissions of carbon dioxide (CO₂) have caused worsening weather. "EPA as Overlord of U.S. Electric Power" analyzes the EPA's proposed Clean Power Plan and the negative impact it would have on Texas. On behalf of the Heritage Foundation, Kathleen also served as team leader to develop key recommendations to the new Congress on issues relating to the EPA, CO₂, and regulatory science.

The Center's research is respected nationwide. Kathleen White has been invited to speak on environmental issues by the Heritage Foundation, The Marshall Institute for Science and Public Policy, and the University of Houston. A wide variety of news outlets have extended the same invitation, including *National Review*, *Investor's Business Daily*, *Forbes*, *The Hill*, *Roll Call*, *The Washington Times*, *Austin American-Statesman*, *The Houston Chronicle*, *Daily Caller*, and *Texas Tribune*.

Changing the Energy Conversation

The Center has taken the offensive to redefine the national energy conversation by documenting the monumental benefits achieved through fossil fuels. In September, the Center hosted its first national energy conference in Houston, the *At the Crossroads: Energy and Climate Policy Summit*. The Summit brought together an internationally renowned list of speakers, including Matt Ridley, Richard Lindzen, Mark P. Mills, Calvin Beisner, Frank Clemente, Governor Rick Perry, Lieutenant Governor Dan Patrick, and others.



Kathleen Hartnett White opens the groundbreaking event, *At the Crossroads: Energy and Climate Policy Summit* in Houston.

Kathleen's paper, "Fossil Fuels: The Moral Case," was so successful that the Heritage Foundation's Steve Moore approached her to turn the paper into a jointly authored book. The book, which will be published by Regnery Publishing in the late fall of 2015, will expand on the paper's theme, which details the important role that fossil fuel energy played in the industrial revolution as well as how fossil fuels sustained unprecedented economic growth, wealth, prosperity, and release from poverty throughout the world.





Celebrating 25 years...

IN THE HISTORY OF LIBERTY there are some years that stand out: years when men and women stood up, defied power, and risked everything to reclaim and defend the rights conferred by “Nature and Nature’s God.” The modern roster is both short and glorious: 1776 ... 1789 ... 1836 ... 1848 ... and of course, 1989.

The year 1989, just 25 short years ago—was the year of revolution.

In China, students and citizens rose up to demand law-ordered liberty. They bled for it. In Poland, the Communist military regime cautiously allowed a limited election for a mere 100 seats in the national legislature. They lost every single one of them. In Germany, a crowd gathered before the Berlin Wall checkpoints and demanded to be let through. The crowd surged, the soldiers gave way, and the Berlin Wall collapsed in a night.

This was 1989. And liberty’s triumph did not spare the Lone Star State.

In the year when conspirators for freedom and prosperity gathered in Berlin, Warsaw, and Beijing, they also gathered in a most unlikely spot: San Antonio, Texas. There, at Five Corners, an idea was brought into action. An institute was made real. An endeavor for liberty was created. A Texas Public Policy Foundation was born.

The roll call of Foundation founders and leadership in 1989 is a list of some of the most visionary and brave Texans of our age:

- **Dr. James R. Leininger**, Chairman of the Board.
- **Fritz S. Steiger**, President and Board Member.
- **Skipper Dippel**, an eminent banker from Brenham.
- **Jim Windham**, a distinguished Houston businessman.
- **Scott Bennett**, a talented columnist with the *Dallas Morning News*.
- **Tex Lezar**, a respected lawyer from Dallas with a record of service in Reagan’s Department of Justice.
- **General Robert McDermott**, USAF, an American hero in war and a public servant in peace, and distinguished Chairman of USAA.
- **Chaz Neely**, the generous visionary who wrote the first check, behind Dr. Leininger, and served as an originating board member.
- **Phil Adams**, a pioneer on the Foundation’s first steering committee and board who opened doors and minds to our mission.

The past 25 years have been a breathtaking ride in bringing conservative, free-market principles to public policy in Texas. The vision of the Foundation’s founders is carried on each and every day in the hearts and minds of its staff and supporters. These Texans, as much as the men who laid down that cornerstone for liberty in 1989, understand that we must never lose sight of the importance of keeping up the good fight—for a more free, more prosperous future.

The year 1989 was a year of revolution for liberty. We celebrate its achievements. And we remember that one vital act of that revolution took place, right here, in San Antonio, a quarter-century ago.

November 14, 2014

OPPOSITE FROM LEFT: TO RIGHT The Alamo—site of the VIP reception prior to TPPF’s 25th Anniversary Gala. | Fritz Steiger, TPPF’s co-founder and first president, is introduced by chairman Dr. Wendy Gramm. | Texas Governor-elect Greg Abbott celebrates with TPPF founder Dr. James Leininger and his wife, Cecelia. | Texas Governor Rick Perry shares stories of TPPF’s success with supporters at the event. | Attorney General-elect Ken Paxton speaks to the crowd of TPPF supporters gathered at The Alamo. | Lt. Governor-elect Dan Patrick joins with fellow patriots from across the state to celebrate 25 years of the Texas Public Policy Foundation and liberty in the Lone Star State.





OUTREACH & COMMUNICATIONS

Sending a message

IN 2014, THE FOUNDATION'S COMMUNICATIONS team continued its extraordinary work spreading the message of liberty, personal responsibility, and free enterprise across Texas and the nation. The effort to tell the story of the Texas Model's success has turned the nation's attention to the Lone Star State as a beacon of hope for future prosperity.

Achieving 4,330 media hits and doubling our audience with more than 571 million media impressions around the globe, our media footprint is far larger than what is expected of a state-based think tank. These remarkable numbers underscore the quality of the Foundation's research and the efficacy of our communications strategy in harnessing both traditional and social media.



⌘ Vice President of Policy Chuck DeVore is interviewed by KXAN-TV following his address to a school choice rally and press conference on the Capitol grounds.

The year began with the *12th Annual Policy Orientation for the Texas Legislature*, which garnered over 450 media hits in outlets like Texas' "big five" newspapers, Drudge Report, Breitbart, and Forbes; two viral videos with more than 12,000 views; and almost 3,000 social media mentions. The communications strategy for the Foundation's signature event yielded tremendous results and shattered past records.

In September, the Foundation held the seminal event, *At the Crossroads: Energy and Climate Policy Summit*, which brought together the brightest and most eminent minds on energy and climate change to discuss the path forward from the crossroads between the transformative energy revolution and coercive federal mandates. The event attracted more than 30 members of the media and resulted in 70 state and national media hits, including the major Texas newspapers, *The Washington Post*, and the *Associated Press*.

The Foundation has long fought for educational freedom and school choice in Texas, and in anticipation of the 84th Texas Legislature taking up school choice in 2015, we placed 10 commentaries touting the benefits of school choice—from higher teacher pay to halting the decline of the American middle class—in papers across Texas.

We started 2014 with a single standing agreement to provide weekly commentary for the *Austin American-Statesman*. By the end of the year, we forged additional agreements for weekly original pieces in Breitbart and *The McAllen Monitor*, and a monthly column in Texas Tribune. Overall, 2014 was a banner year for the Foundation's communications, amplifying the voice of liberty to secure freedom and prosperity for this and future generations.



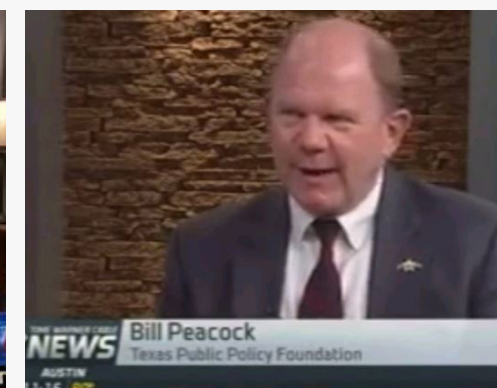
Brooke Rollins, the Foundation's president and CEO, is interviewed by a local TV station following a policy primer event, Poverty and Prosperity Summit.



Senior Policy Analyst Vikrant Reddy is interviewed by the media regarding the Foundation's groundbreaking policy solutions to effective justice issues.



Distinguished Fellow-in-Residence Kathleen Hartnett White provides an interview with Energy Makers on her published report, "The Moral Case for Fossil Fuels."





STANDING ON PRINCIPLE

Investing in liberty

IF YOU HAVE EVER MADE A CONTRIBUTION to support the work of the Texas Public Policy Foundation, then you are an integral part of our achievements in the last 25 years. Your support makes our work possible and has helped make our efforts to preserve and advance liberty so successful.

We have put together an extraordinary team, comprising some of the smartest minds and foremost policy experts in Texas and the nation, working to advance free-market and limited-government solutions to the greatest challenges facing the Lone Star State and America. But they simply could not do so without the support of thousands of dedicated patriots in Texas and throughout this great land who partner with us each year. Generous, private donations create the space, the tools, and the support necessary to generate and implement creative, world-class solutions that improve the lives of all Texans and set the standard for the rest of the country.

For the Texas Public Policy Foundation, 2014 was a monumental year. We not only commemorated the past 25 years in which the organization has grown to become one of the most effective and influential policy institutions in the country, but we also marked the start of a new era in which we will set our sights even higher. As we continue to expand

and increase our presence in Texas and other parts of the country, raising the support needed to adequately fund the defense and promotion of liberty will only become more challenging. As this report demonstrates, donors like you are boldly and steadfastly rising to meet the need.

Texas is where liberty proves its case, and now our new headquarters building just 350 yards from the State Capitol will serve as a permanent marker for liberty and stand as a testament to the millions of Texans who value liberty, personal responsibility, and free enterprise. To make this building a reality, donors from across the country came together to raise \$19 million for our Lone Star Rising Capital Campaign. There were many who said we could never do it; that a state-based think tank could never muster enough support to reach our goal. But we let our work—and our commitment to liberty—speak for us. In spite of the odds, at the time of this writing, we are just \$3 million short of completing the campaign.

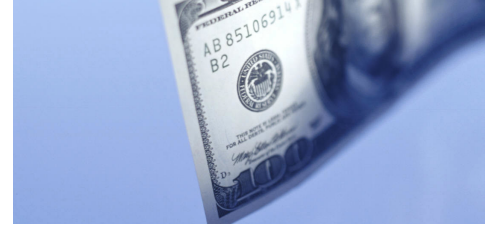
If you partnered with us in 2014, thank you! You sit at the forefront of a new chapter for the Texas Public Policy Foundation and a new dawn for liberty in the Lone Star State. It is a privilege to partner with our loyal supporters, and we look forward to the great things we will achieve together in 2015 and beyond.

OPPOSITE TOP ROW: U.S. Senator Ted Cruz talks about how standing on conservative principles has made Texas the beacon of hope for the rest of the nation. | Representatives Matt Krause and Dan Flynn enjoy one of the many spirited and inspirational keynote addresses at the sold-out 2014 Policy Orientation.

MIDDLE ROW: Texas State Representative Scott Turner speaks with Representative Marsha Farney after his opening keynote address. | Many of the Foundation's founders and most committed supporters attended the Foundation's dedication ceremony of its new headquarters building at 901 Congress Avenue—named after Foundation friend and patriot, the late Michael S. Stevens.

BOTTOM ROW: Former U.S. Senator and former Republican presidential candidate Rick Santorum discusses the current political landscape with TPPF supporters. | Texas State Representative Bryan Hughes with Louisiana Governor Bobby Jindal speak at a special Visionaries Meeting event.





FINANCES: RESPONSIBLE STEWARDSHIP

WHILE MANY NON-PROFITS HAVE STRUGGLED under the current national economy, the Foundation actually increased its income at a greater rate than its expenses, continuing to expand our voice across the state and nation. This growth is a great testimony to our donors' commitment to freedom and our staff's commitment to fiscal responsibility.

BALANCE SHEET

Assets

Cash & Receivables	\$5,311,448
Prepaid Expenses	\$72,545
Property & Equipment	\$6,069,062
Total Assets	\$11,453,055

Liabilities

Current Liabilities	\$81,978
Deferred Revenue	\$546,220
Total Liabilities	\$628,198

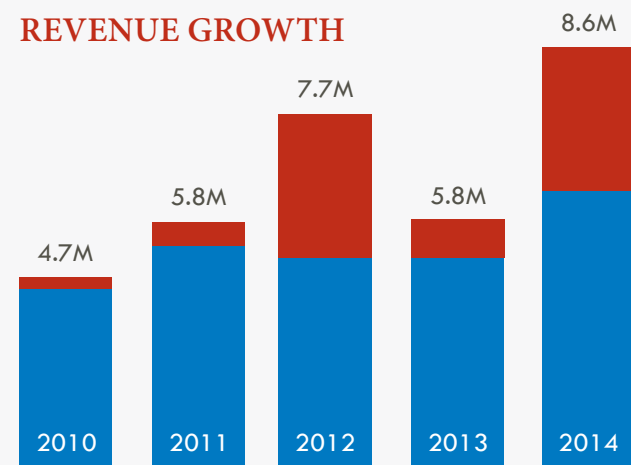
Net Assets

Equity Prior Years	\$7,869,776
Equity 2013	\$2,955,081
Total Net Assets	\$10,824,857

Total Net Assets & Liabilities

\$11,453,055

REVENUE GROWTH

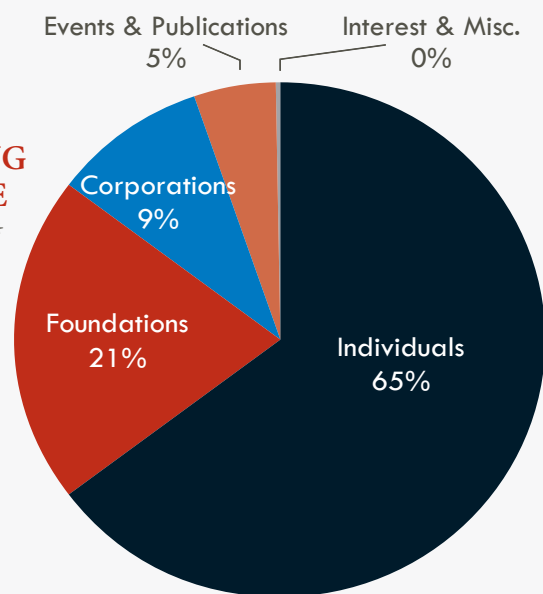


■ Capital Campaign & Restrictions ■ Operating Revenue

—All financial data subject to review by independent audit.

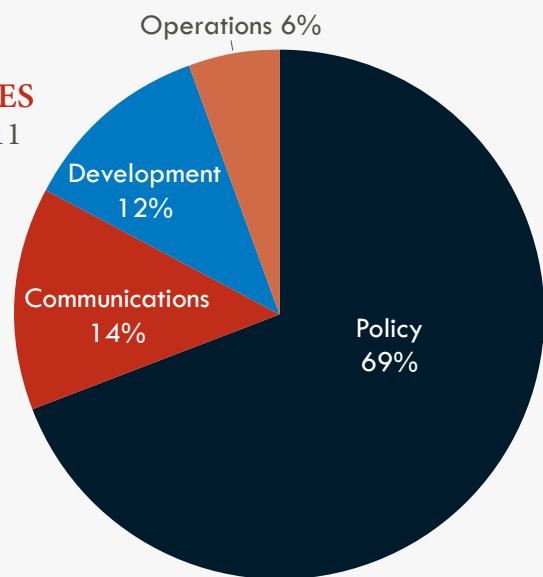
OPERATING REVENUE

\$6,117,547*



EXPENSES

\$5,582,011



*Note: In addition to this amount, there is \$1,249,758 restricted for 2015 projects and \$1,219,967 from Capital Campaign contributions for total revenue of \$8,587,271.

Staff

Annie Casteel, Director of Major Gifts
 Arlene Wohlgemuth, Executive Director
 Bill Peacock, Vice President of Research & Center Director
 Brooke Rollins, President & CEO
 Caroline Espinosa, Director of Communications
 Cherish Schaffer, Director of Special Projects
 Chuck DeVore, Vice President of Policy
 Cody Jo Bankhead, Digital Campaigns and Analytics Manager
 Colin Monaghan, Grants and Donor Communications Manager
 Dave Reaboi, Communications Director
 David Guenther, Senior Director, Public Affairs
 Derek Cohen, Policy Analyst
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 Geoffrey Tahuahua, Donor Relations Manager
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 Karen Lugo, Senior Fellow
 Kate Murphy, Hogg Mental Health Policy Fellow
 Kathleen Hunker, Policy Analyst & Managing Editor
 Kathleen Hartnett White, Center Director & Distinguished Fellow
 Kent Grusendorf, Center Director
 Leigh Thompson, Policy Analyst
 Marc Levin, Center Director
 Michael Barba, Policy Analyst
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 Robert Croft, Vice President, Strategic Partnerships
 Sarah French, Vice President of Development
 Shannon Tracy, Communications Associate
 Talmadge Heflin, Center Director
 Tom Lindsay, Center Director
 Vance Ginn, Economist
 Vikrant Reddy, Senior Policy Analyst

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 Kyle Stallings
 George W. Strake, Jr.



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.

On behalf of the entire staff of the Texas Public Policy Foundation, thank you for your enduring commitment to freedom. It is only with your support that we can lift Texas up as a beacon of liberty and secure prosperity and freedom for generations to come.

