

2011



COME AND TAKE IT

2011 ANNUAL REPORT *of the* TEXAS PUBLIC POLICY FOUNDATION



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You can all go to hell; I will go to Texas.
— David Brockett

Message from the Chairman and President

In 2011, Texans commemorated the 175th anniversary of the Texas revolution—and in this Annual Report on the Texas Public Policy Foundation, we are proud to tell you that we have conducted ourselves in the spirit of the original Texas revolutionaries.

At the dawn of 1836, the struggle for liberty in Texas looked uncertain. In the autumn of the preceding year, many victories were won: San Antonio de Bexar was seized in the name of freedom, and the Gonzales cannon was successfully defended. But as the new year came, so too did the army of Santa Anna—and with it rode the forces of despotism, dictatorship, and deprivation.

The flame of Texas liberty seemed set to be extinguished barely after it was lit.

At the dawn of 2011, the cause of Texas liberty was also under threat: not from a Mexican army bent upon imposing its will, but from the myriad forces in politics and policy who declared that at long last it was time for Texas to become a big-spending, big-taxing, big-government state.

Some of those forces were in Washington, D.C., where the ambitions of the big-government crowd are at a fever pitch. We took the fight to them in the name of federalism and freedom, not just with our ordinary policy work—but with the establishment of the Laffer Center for Supply-Side Economics.

This is one of the Foundation's signal accomplishments of 2011. Dr. Arthur Laffer—renowned economist, warrior for liberty, and one of the seminal minds of the Reagan Revolution—has reposed his name and his legacy with us. For our part, we are privileged to work directly with him and his colleagues in our continuing engagement in the fight for freedom. The launch of the Laffer Center this past year was just the beginning: we will produce analyses, commentary, and research to further the supply-side mission in 2012 and in the years to come—and show that a policy institute in Austin, Texas, can have a truly national impact.

Also on the national stage, we spent 2011 defending Texas from the various media and political attacks that accompanied the launch of the national election season. When Texas and its model of limited government and individual responsibility came under assault, the Foundation was there. Whether on television (including MSNBC, Fox News, and the BBC) or in international print media (including *The New York Times*, *The Economist*, *The Wall Street Journal*, and *Le Monde*), or in our own Texas Model series of research and commentaries, the Foundation's personnel were ready and able to answer the call to stand up for Texas.

We could hardly have asked for a better way to commemorate our Revolution.

Not all the foes of liberty last year were in D.C. Some of them were right here in Texas. Entering the 82nd legislative session, we were told several things:

We were told that the Texas state budget shortfall was too big to fill with cuts alone.

We were told that the rainy day fund had to be spent.

We were told that taxes in some form had to be raised.

We were told that the low-tax, limited-government model that made Texas great had finally failed.

Everything we were told was wrong.

Just because they were wrong doesn't mean they were not popular. You remember as well as we do that this was the consensus in Austin and at the Texas Capitol in the first months of 2011. Standing against the arrayed forces of the big government crowd's conventional wisdom were the Governor, the Texas Public Policy Foundation—and you.

We all know the story of what happened in 1836. We know the terrible defeats suffered by the forces of freedom.

We know of the sacrifices at Goliad.

We know of the martyrdom of the Alamo.

We know the panic of the Runaway Scrape.

But we also know what happened when Sam Houston's army chose to stand and fight on a small field at a small place called San Jacinto.

Standing and fighting made all the difference—in 1836, and in 2011.

This Foundation recognized the danger upon Texas—and we knew that what was at stake was nothing less than the prosperity and liberty of our great state. That's why, beginning in March, we took the lead in assembling the Texans for a Conservative Budget coalition. This coalition assembled the pro-liberty leaders in our state, and welded them into a cohesive force to let Austin know that Texans want—and will always want—truly limited government.

We led the way in rejecting the contentions of the big-government, big-state tax forces.

We said that the shortfall could be covered with spending cuts.

We said there was plenty of excess left in the state budget.

We said that government had to live within its means.

We said that the failures of our politicians should not be made good on the backs of Texas households.

We stiffened the spines and strengthened the hearts of our allies and friends in the Texas Legislature. We provided them with the intellectual, and more importantly, the moral foundation that they needed to do the right thing for Texas.

The result of this extraordinary effort was obvious.

There were no new taxes.

The rainy day fund was not spent.

The shortfall was covered by a series of aggressive and necessary cuts.

The Texas state budget was balanced on the terms that Texans demanded.

Thanks to this Foundation and the leadership of Texas conservatives from the Governor down to the unknown activist, the 82nd Texas Legislature passed the first Texas state budget in over half a century that was smaller than its predecessor.

When we consider the big issues facing not just Texas, but the nation—especially the big issues of the growth of government, the management of public debt, and the crushing burdens of the entitlement state—the magnitude of our accomplishment is difficult to understate. In the past decade, we've become accustomed to Texas leading the way in multiple spheres: in economic growth, in employment, in industrial development, and not least in liberty.

We learned the lessons of Sam Houston and we learned the lessons of Texas' Revolution 175 years ago: when the time comes to stand and fight—we can, we do, and we win.

This was the big story of 2011 for the Foundation. But it wasn't the only story. Texas accomplished so very much in the past year. Here are just a few of our achievements:

- Small-business tax relief was secured for more than 40,000 companies around the state. Through 2014, Texas businesses earning less than \$1 million annually will be exempt from paying the Texas Franchise Tax.
- Texas property owners will now have much greater protection from unconstitutional takings of private property via eminent domain.
- A number of cost containment measures were enacted in statewide health care. The legislation included the Health Care Compact that would allow Texas to reform Medicaid for long-term sustainability and regain our state sovereignty in health care.
- The Foundation's work supported the passage of "Loser Pays" lawsuit reform which significantly reduces the incentives to file frivolous lawsuits; increases access to the courts for legitimate cases; and enhances our state's pro-business, pro-growth climate.
- With the help of our detailed research and practical policy recommendations, legislation was passed that clarifies and reaffirms landowners' real property right to groundwater beneath their land.
- As a result of our efforts to educate policymakers on the need to stop the uncontrolled growth of the federal government, Texas passed legislation calling for a balanced budget amendment to the Constitution.
- In a landmark victory for the Foundation, the Texas Youth Commission and the Texas Juvenile Probation Commission were combined into a single agency.
- Legislation was passed, with our help, that will shift higher education funding in Texas toward a formula based on student success measures, as opposed to funding based on enrollment. The Legislature also increased transparency and accountability by requiring that faculty data be made publicly available online to help students make informed decisions about higher education.

This is our 2011 record. This is the record of a think tank that is entrepreneurial, aggressive, principled, and—most importantly—effective. It is accurate to describe us as a think tank, but that is not the entirety of who we are.

We do not just think: we act. And when we act, we do so with clarity, and with an eye toward the decision for liberty.

Now we have entered 2012. This will likely be, as you well know, one of the most momentous years—not just in the history of Texas, but in the history of the United States. What we did in 2011, extraordinary as it was, was mere prelude to what we must do now.

This year is the year in which the victories of 2011 must be translated into enduring change. This is the year in which the seeds of success in 2013 are planted. We must be ready.

We will win—and in doing so, we will show two things. We will show that our reasoned belief in the power and efficacy of freedom remains undiminished. And we will show that the inspirational power of the Texas revolution is not merely a thing for anniversary years—but a constant and enduring presence in our daily lives.

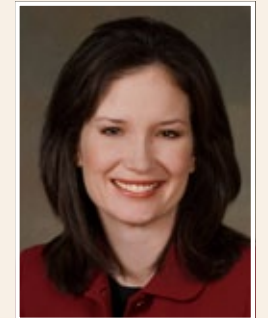
Dear friends, we are so blessed to wake up every day under the big sky of the Lone Star State. That blessing and the heritage that comes with it are sacred trusts. At the Texas Public Policy Foundation, we defend that trust every day.

And we are proud to do it in your company.



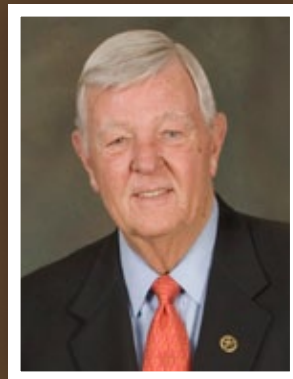
Dr. Wendy Lee Gramm
CHAIRMAN

Wendy Gramm



Brooke L. Rollins
PRESIDENT & CEO

Brooke Rollins



In Memoriam

William A. McMinn
1930-2011

The Foundation acknowledges with great sadness the passing of one of our heroes—Chairman Emeritus Bill McMinn. He served for many years on the Foundation's Board, and our growth and success during his tenure is a direct credit to his guidance and his passion for liberty. This warm, gentle, loving man was deeply committed to Texas, to freedom, and to the founding principles of our country. The cornerstone he laid now supports a great edifice, and we who remain in the light of his works are forever in his debt. We will miss you, dear friend.

Fiscal Policy

The Center for Fiscal Policy advances prosperity through good stewardship of taxpayer dollars and promotes the principles of responsible taxation

Holding the Line on Spending

The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

TAXES

In 2011, during the 82nd Texas Legislature, the Texas Public Policy Foundation led the charge in the ongoing battle to limit exorbitant government spending, urging lawmakers to "hold the line." With its core principles of promoting fiscal responsibility and limited growth in government, the Foundation realized the need for vigilance where appropriations, spending, and mounting debt were concerned.



Center for Fiscal Policy director Talmadge Heflin at the Manda Machine Company in Dallas, speaking about the importance of preserving the state's rainy day fund.

The Foundation's Center for Fiscal Policy worked tirelessly to educate both the public and the Legislature on how to balance the budget without raising taxes or increasing spending. The Center also met with leading members within the Tea Party movement in Texas via weekly conference calls that shared these same messages.

The Foundation promoted a measure that would have required a two-thirds supermajority of the Legislature to raise taxes, advised the Legislature against creating a personal income tax, cautioned lawmakers against "fixing" the margin tax in such a way that would damage the economy, and urged the Legislature to adopt the Texas Taxpayer Savings Grant program. The Center for Fiscal Policy was also personally invited by House Ways and Means Chairman Harvey Hilderbran to lay out proposals for revising the state's Tax Code at a hearing in spring 2012.

SPENDING AND FISCAL DISCIPLINE

The Foundation and its allies formed the Texans for a Conservative Budget coalition, which persuaded the Texas Legislature to balance the 2012-13 budget without raising taxes or tapping the state's rainy day fund. To support these efforts, the Foundation created a series of 10 television commercials for broadcast in key markets across the state during the budget debate. The ad campaign was proclaimed by the *Texas Tribune* as "the most well-known" commercials of the session, containing "a broad and clear-cut message."

This effort was a success, as the Legislature exercised fiscal restraint by adopting an All Funds budget for 2012-13 that, for the first time in nearly 50 years, appropriates less than the previous biennium. At \$172.3 billion, the state's 2012-13 All Funds budget appropriates \$10 billion less than the amount in the 2010-11 General Appropriations Act (GAA).

Also during the legislative session, Arlene Wohlgemuth, the Foundation's executive director and director of the Center for Health Care Policy, joined Fox 7's Good Day Austin as a weekly featured guest, updating viewers on fiscal matters.



Representative Dan Flynn talks with an attendee following a Texas Budget Source Policy Primer on public employee pensions at the Foundation offices in Austin.

Health Care

The Center for Health Care Policy promotes a competitive private health care market with choice for consumers, lower prices, and improved quality

Fighting for a Healthy Texas

Medicaid poses an imminent threat to the stability of the state budget and solvency of the program itself.

PUBLIC HEALTH CARE PROGRAMS

Medicaid makes up roughly one-fourth of our state's budget and is growing at an unsustainable rate. It fails as an adequate system for the financing and delivery of health care, as low reimbursement rates have caused almost two-thirds of the state's doctors to refuse to accept Medicaid patients, thus restricting access to quality care for Texans.



Lt. Governor David Dewhurst listens as Foundation executive director and director of the Center for Health Care Policy, The Honorable Arlene Wohlgenuth, speaks at a press conference addressing the growing Medicaid crisis.

The Center for Health Care Policy published a detailed analysis entitled "The Big Squeeze," discussing how spending cuts or tax increases are necessary to maintain the current Medicaid program. This was followed by an in-depth study of alternatives to more effectively provide medical care to low-income individuals called "Medicaid Reform: Constructive Alternatives to a Failed Program."

The Health Care Compact, Medicaid Waiver bill, and the quality-based reform bill were all passed during the special session as SB 7. The Health Care Compact, a concept originated by the Foundation, was attached to the quality-based reform bill, giving states that join the ability to craft their own health care plans and programs without interference from Washington, D.C. This type of state flexibility is crucial to bringing Medicaid costs under control.

To push back against the stranglehold that ObamaCare is placing on the health care insurance marketplace, the Center worked with policymakers in Texas and other states to support efforts to put health care decisions back into the hands of the individual and out of the hands of the federal government. To this end, the Center for Health Care Policy and Center for Tenth Amendment Studies submitted the Foundation's first *amicus* brief in *Florida, et al, v. HHS*, the multi-state lawsuit against ObamaCare. Writing for the Foundation as *amicus curiae*, Mario Loyola filed the brief in support of the 26 states challenging the constitutionality of President Obama's health care reform law.

HEALTH CARE REGULATION

In addition to reforming government-provided health care, health insurance needs to be made more affordable for everyone. This requires freeing the health care market from unnecessary regulations. The Foundation has long been opposed to mandated benefits on health insurance. Believing consumers should be free to decide what their insurance covers, the Center for Health Care Policy stood against numerous bills during the 82nd Texas Legislature that would have mandated new benefits. Ultimately, none of these bills were passed into law.

Higher Education

The Center for Higher Education champions a system of higher education with greater affordability, accessibility, quality, and transparency

EFFICIENCY IN HIGHER EDUCATION

To ensure that higher education reforms remain at the forefront of the Texas and national conversations, the Foundation introduced its first Center for Higher Education director, Dr. Thomas K. Lindsay, who brings more than two decades of experience in higher education leadership, instruction, and reform to the Foundation. His extensive credentials include service as president of Shimer College in Chicago, Illinois; as provost and executive vice president at Seton Hall University in South Orange, New Jersey; and as provost and vice president for academic affairs at the University of Dallas.

The Foundation's Center for Higher Education has consistently advocated for policies that promote online education, which studies have shown to be not only far less expensive but also of equal or greater educational value than traditional, face-to-face education. In the 2011 legislative session, a bill was passed requiring that public institutions of higher education submit plans for making their four most popular degree plans available online, providing greater affordability and increased access to public higher education.

In addition, skyrocketing tuition is pricing our top public universities out of the reach of middle-class families. This crisis is not Texas' alone. Nationally, over the last quarter-century, college tuitions have jumped four times faster than inflation. The Center has been fighting—in print, on the air, and before the Legislature—to end this war on the middle class.

TRANSPARENCY AND ACCOUNTABILITY

Spending taxpayer dollars without transparency or accountability undermines the openness required of limited government. To this end, the Center worked for reforms that would deliver greater transparency such as HB 736, which provides parents and students with a clearer picture of their educational investment.

Greater accountability on the part of our public universities was rewarded when Governor Perry signed HB 9—initiating fundamental change to the method by which Texas universities are funded. For decades, so-called "formula funding" rewarded universities on the basis of the number



Amity Shlaes, best-selling author of *The Forgotten Man*, speaks to the sold-out audience about the future of higher education and the debate over research versus teaching.

of students they enroll, rather than on learning outcomes. As a result of this new legislation, our universities will now be held accountable for the task of preparing Texas graduates to compete nationally and globally.

In April, the Center for Higher Education hosted a half-day higher education conference featuring panel discussions on higher education affordability, the future of higher education, and the balance between research and teaching. The program concluded with a luncheon and remarks by Amity Shlaes, author of *The Forgotten Man*. In June, the Center hosted a Lone Star Issues lecture and book signing with Naomi Schaefer Riley, author of *The Faculty Lounges and Other Reasons You Won't Get the Education You Paid For*.

At the August 2011 University of Texas Board of Regents meeting, system chancellor Francisco Cigarroa laid out his Framework for Excellence, with several of the recommendations stemming from the Foundation's efforts in higher education reform—specifically regarding online degree programs, increasing four-year graduation rates, and using effective incentives to reward great teachers.

Energy & Environment

The Armstrong Center for Energy and the Environment champions market-based stewardship of natural resources and provides principled solutions to environmental problems



Dr. Bill Bennett introduces the Foundation's president and CEO, Brooke Rollins, as special guest on his nationally-syndicated "Morning in America" radio show, broadcast live from the Alamo Ritz in Austin.

The Foundation joined forces with Salem Communications on "Free American Energy Now," an outreach campaign to increase public awareness of ways in which federal environmental policy is impeding U.S. economic recovery and energy independence. Members of the Armstrong Center for Energy & the Environment and the Foundation appeared on weekly 10-minute segments on Dr. Bill Bennett's "Morning in America" and the Hugh Hewitt radio programs to discuss these issues. The project's kick-off event included a luncheon hosted by Dr. Bennett and a live broadcast from Austin's own Alamo Drafthouse Cinema at the Ritz, featuring Foundation president and CEO Brooke Rollins.

GOVERNANCE

November's elections, budgetary constraints, and Environmental Protection Agency (EPA) overreach led to a positive change in Texas' policy landscape as voters sent 38 new representatives to the Capitol, many of whom champion limiting the size and scope of government. The budgetary challenges of the session also dampened, if not precluded, bills to expand regulatory programs. EPA's assault on Texas industries and state agencies evoked multiple resolutions and bills to protect existing state authority rather than producing bills to increase federal regulatory authority. We continue to fight against further attempts to implement environmental policies that will cripple economic growth and prosperity.

ENERGY

One of the Center's goals of the 82nd session was to formulate policies based on rigorous cost-benefit analyses and factual data to systemically restrain state and federal regulators. We worked to educate Texas policymakers on the importance of avoiding state government's centralized planning of our still entrepreneurial, productive energy sector. Success came as the House refused to move SB 15, the Texas Energy Policy Act, after swift passage by the Senate. This onerous bill would have created an Energy Policy Council within the Public Utility Commission composed of legislators, agency officials, and academics, but no representatives from the energy industry.

As a preeminent authority on energy and the environment, Kathleen Hartnett White was invited to testify before the U.S. Subcommittee on Energy and Power, U.S. Committee on Energy and Commerce, and the U.S. House of Representatives on EPA's Green House Gases and Clean Air Act regulations. She was also invited to work with the U.S. House Energy & Commerce Committee and the Science, Space and Technology Committee to structure a series of hearings about EPA regulatory initiatives, and to provide background information and technical data on the issues.



Kathleen Hartnett White (right), director of the Armstrong Center for Energy and the Environment, discusses the EPA's regulatory overreach and its detrimental effects on the Texas energy sector with State Representative Myra Crownover.

Tenth Amendment

The Center for Tenth Amendment Studies works to restore the Constitutional balance between the states and the federal government

FEDERALISM

The Center for Tenth Amendment Studies worked tirelessly in 2011 to educate both the public and our leaders about the Framers' vision of a federal Constitution, how it was meant to protect our liberty, and how it was meant to prevent a tyranny of the majority. The Center actively supported resolutions in the 82nd session that would have presented an "Article V application" for Congress to convene a convention for the limited purpose of proposing a balanced budget amendment with spending limitations to the states for ratification.

In the U.S. Congress, senators presented a superb balanced budget amendment proposal, S.J. Res. 10, which would balance the budget, cap spending at 18 percent of GDP, and require supermajorities for any tax or debt-ceiling increase. The Center produced a comprehensive analysis of S.J. Res. 10 with an extensive history of federal spending to demonstrate the urgent need for such an amendment.

AGENDA FOR STATE ACTION

In *National Review*, the *Weekly Standard*, the *Daily Caller*, and on television, radio, and newspapers throughout Texas, the Center for Tenth Amendment Studies has consistently advocated limited government, economic freedom, and self-reliance—the principles that made our country great. The Center stands against a federal government that seeks the solution to every problem through government, that seeks to stifle diversity in the name of uniformity, and that wants to insinuate itself into every aspect of our lives.

The Center worked to protect our liberty from a federal government that wants to control every aspect of our health care—relationships with our doctors, health insurance choices, and the ability to experiment with health care regulation within the states. The Center assisted in developing the Health Care Compact, which will return health care funding to the states and give them the right to regulate whatever aspects of health care they might wish to regulate, suspending the operation of federal law correspondingly. The Health Care Compact passed as part of SB 7 in the special session at the end of June.

In addition, the Center held a Policy Primer on "Protecting Self-Government in the States Through Interstate Compacts."

The Center also fought to protect our liberty from federal policies that would stifle energy production and job creation in the name of pseudo-science. Through sound research that exposes the fallacy and illegality of EPA's regulatory avalanche, the federal war on our energy sources, and of using animals that are *not* endangered to turn our economy upside down, the Center will continue to move forward on this important issue to rein in EPA's heavy hand.

During the 82nd session, Center director Mario Loyola was invited to testify 10 times before the Texas House Select Committee on State Sovereignty, three times before the Texas Senate Finance Committee, and before the Senate and House State Affairs Committees. In addition, he was invited to testify before the Colorado Senate Finance Committee on April 26.



Mario Loyola, director of the Center for Tenth Amendment Studies, provides a recap of the work the Center did during the 82nd legislative session to restore the Constitutional balance between the states and the federal government.

K-12 Education

The Center for Education Policy provides market-based solutions to improve public education in Texas through school choice, competition, and greater spending transparency

K-12 EDUCATION QUALITY

During the 82nd session, the Center for Education Policy worked successfully with the Texas Coalition for a Competitive Workforce, including testifying before the House Public Education Committee to defend the education quality and accountability gains made from the 80th Texas Legislature's HB 3. The Center also worked with Rep. Ryan Guillen's office to draft a bill designed to improve virtual education access and quality in Texas. The bill was designed to model the Foundation's vision for the future of virtual education and blended learning—exploring new frontiers in learning technologies, and creating a virtual learning environment in Texas that encourages flexible, open participation for school districts and private online education providers. Unfortunately, the bill did not make it out of committee.

K-12 SCHOOL FINANCE

Efficiency in education refers to creating a school funding system in Texas that ensures Texas taxpayers get the most for every dollar they spend. To achieve this goal, the Center worked closely with Rep. Ken Paxton to promote a bill that would have enabled education tax credits in Texas. Though the bill did manage to get a hearing before the House Appropriations Committee, it, like most school finance



Representative Jerry Madden (center) discusses online learning opportunities for Texas students with Representative Bill Zedler (right) and another attendee of an education Policy Primer held at the Foundation's offices.

issues during the 82nd Texas Legislature, was unable to make any meaningful movement through the House.

To further remind Texas policymakers that competition and other fundamental reforms are the key to a more effective, efficient education system, Center policy analyst James Golsan published "Texas School Finance: A Call for Reform," which was distributed through both the House and Senate Education Committees to illustrate that more money is *not* the solution to improving education in Texas.

CHARTER SCHOOLS

The Center has worked hard to open up Texas charter school policy to allow maximum access, and encouraged lawmakers to consider options like private school vouchers to create competition for our monopolistic public education system. The Center worked with Rep. Bill Zedler to produce legislation for removal of the charter school cap. The Legislative Budget Board placed a substantial fiscal note on the bill, rendering it unable to move out of the House Public Education Committee.



Representative Rob Eissler addresses a sold-out crowd at the Foundation's in-house Policy Primer on virtual education and online learning in Texas.

Economic Freedom

The Center for Economic Freedom works to free citizens from interference in their private property rights and promotes a regulatory regime that enforces an honest, open marketplace

PROPERTY RIGHTS

At the heart of the Center for Economic Freedom's work is protecting private property. Though the debate over property rights often centers on eminent domain abuse, property rights can also be violated by intrusive regulations and a runaway civil justice system.

Last year, the Center's multi-year efforts in eminent domain paid off when a comprehensive reform bill—SB 18—was signed into law. This bill adds significant protections for private property rights, many of which originated from the Center's research. These include prohibiting eminent domain takings that are not for a public use, allowing cities, counties, and school districts to take land *only* for a "public use" rather than a "public purpose," and beginning to empower owners to repurchase their property if it is not used for the use for which it was taken. This work on property rights is bearing fruit in the courts as well, as the Foundation is inserting itself into the judicial process with *amicus* briefs, research, and commentary on the courts' actions. Several recent rulings by the Texas Supreme Court have begun to shift the balance of power from condemnors to property owners.

ELECTRICITY AND ENERGY

Since 2005, the Center has fought to protect Texas' world class electricity market from re-regulation by policymakers who don't like market outcomes. This session, we testified repeatedly against certain provisions in the Public Utility Commission of Texas (PUC) Sunset bill—SB 661—that would have unnecessarily increased the PUC's regulatory authority over the market. The bill did not pass.

CIVIL JUSTICE

The Center has also participated in the legislative debates on tort reform since 1995. The result of these debates is that Texans today can—more often than not—enter a courtroom with a reasonable expectation that justice will be done. In 2011, the Foundation supported adopting a "loser pays" system and various other procedural reforms to help increase access to courts and reduce the costs of litigation. We wrote the most extensive research paper released on the issue, and testified on



Bill Peacock, director of the Center for Economic Freedom, is interviewed by the BBC on renewable energy and the Texas electricity market.

the loser pays bill—HB 274—multiple times. The bill passed the Legislature and was signed into law, further increasing access to justice in Texas.

HOMEOWNERS & WINDSTORM INSURANCE

Texas Department of Insurance (TDI) sunset legislation finally passed after two legislative sessions. The bill took modest steps promoted in the Center's own sunset report on TDI to move Texas closer to a true file-and-use system with less regulatory interference from TDI.

TELECOMMUNICATIONS

The Center's comprehensive research on deregulating the telecommunications market helped the passage and signing into law of SB 980, the omnibus telecommunications deregulation bill. This legislation will allow new technology and innovation such as Voice Over Internet Protocol (VOIP), broadband, and cable to compete in the marketplace.

Effective Justice

The Center for Effective Justice works to reduce the negative human and economic impact of crime on victims and communities

A NEW CRIMINAL JUSTICE DISCOURSE

The Center for Effective Justice is about creating a new discourse for criminal justice and corrections in Texas and the nation. For far too long, corrections budgets in every state have grown at breakneck speed with little oversight or endeavor for efficiency. The Center for Effective Justice has begun to change that pattern and is at the forefront of the new criminal justice conversation.

In 2011, the Center worked to educate policymakers on efficient and effective methods of criminal justice, crime prevention, corrections, incarceration, and supervision. One of the 82nd session's success stories included trimming \$101.9 million in the adult corrections budget in Texas.

In August, the Center hosted a panel discussion at the State Policy Network Conference in Seattle to address why conservatives should take a greater interest in juvenile justice reform. Speakers included Texas Rep. Jerry Madden, former New York City prosecutor Susan Broderick, University of Cincinnati Professor John Wright, and University of San Francisco Professor Dan Macallair.

To help control the growth of government in unnecessary and overbroad criminal penalties, the Center filed an *amicus* brief in the 11th Circuit Court of Appeals in a major overcriminalization case.

RIGHT ON CRIME

The Foundation is the undisputed leader of the growing movement supporting free market criminal justice policy. Our Center for Effective Justice is leading a paradigm shift in Texas and across the country with Right On Crime, its revolutionary conservative approach to corrections. Right on Crime has brought together some of the biggest names in conservative thought to create new ideas and new leadership for criminal justice. Right on Crime has quickly become the go-to source for policymakers seeking to increase criminal justice efficiency and effectiveness in their state.

In its first full year, the ROC initiative received more than 200 national media hits, including mentions in *The New York Times*, *Forbes*, *The Financial Times*, *The Guardian*,



Jeanette Moll, juvenile justice policy analyst in the Foundation's Center for Effective Justice, participates as a panelist at the Pelican Institute, a free market think tank in Louisiana.

Newsweek, *CNN.com*, *The Daily Caller*, *Pajamas Media*, *The Huffington Post*, the *Associated Press*, *The Economist*, *The Chicago Tribune*, and many more. Right On Crime also received several international mentions due to interviews that Center director Marc Levin conducted with British and Canadian media. Right On Crime received significant attention on talk radio outlets across the country, including 40 appearances on programs from San Diego to Connecticut and nationally-syndicated programming such as NPR and the Lars Larson Show.

Due to its outstanding work in Texas, the Center was invited to present model legislation to introduce incentive-funding in the juvenile justice system before the Public Safety and Elections Task Force at the ALEC States and Nation Policy Summit in Phoenix, Arizona.

The Laffer Center for Supply-Side Economics



Dr. Arthur Laffer talks with Senator Phil Gramm and Texas Tech University System Chancellor Kent Hance following the launch event for the Laffer Center for Supply-Side Economics. | Dr. Laffer provides the keynote address at the Heritage Foundation's annual Resource Bank.

“The economic issue has never been whether one is a liberal or conservative, Democrat or Republican, or other such misleading taxonomic delineation. The issue revolves exclusively around one’s perception of human behavior.” -Arthur B. Laffer, Ph.D., writing in the *Los Angeles Times* in 1981

The Foundation was honored to launch the Laffer Center for Supply-Side Economics in partnership with Arthur B. Laffer, Ph.D., long-time economic advisor to President Reagan and one of the country's greatest economic minds. After working together for many years on notable projects, including the Foundation's "Thinking Economically" series and the often-cited "Competitive States: Texas v. California," Dr. Laffer turned to the Foundation to create the Laffer Center as a permanent home for his work, and a platform for his continued efforts to restore prosperity to our country.

The Foundation officially launched the Laffer Center on April 18, 2011, with 400 people on hand to hear from Dr. Laffer, Governor Rick Perry, former U.S. Senator Phil Gramm, and Texas Tech Chancellor and former U.S. Congressman Kent Hance.

As a respected economist, Dr. Laffer continues to play an influential role in the national debate. In this election

season, Dr. Laffer and his ideas have been invoked by more than one candidate during the Republican presidential debates and related coverage; and Dr. Laffer's research on "The Economic Burden Caused by Tax Code Complexity" published by the Laffer Center in April 2011, was cited in Governor Mitt Romney's "Plan for Jobs and Economic Growth."

As Chairman of the Laffer Center, Dr. Laffer made appearances during the year to everyone from the like-minded audience at the Heritage Foundation's Resource Bank meeting in Dallas, to a luncheon debate with Alice Rivlin, Ph.D., director of the Office of Management and Budget under President Bill Clinton.

As the Laffer Center looks ahead, its goal is to cultivate the next generation of supply-side thinkers to continue Dr. Laffer's enduring legacy as both a respected economist and a communicator able to articulate complex economic ideas in easily understandable terms.

Sending a Message

TAKING OUR MESSAGE BEYOND THE HALLS OF GOVERNMENT—EXTENDING FREE MARKET IDEALS, PRINCIPLES, AND SOLUTIONS TO CITIES AND TOWNS ACROSS THE LONE STAR STATE AND THE NATION

The Foundation has seen exponential growth in media coverage of our work. In 2011, we were featured in the media an average of 15 times every day, earning more than 579 million media impressions around the world! These are staggering numbers for a state-focused think tank, especially one that is not located in a national media center. They demonstrate the quality of our research and sophistication of our communications outreach. Our coverage has included appearances in *The Wall Street Journal*, *The Washington Post*, *The New York Times*, *Investor's Business Daily*, *National Review*, *The Economist*, and even publications in England, France, and Italy.

In the 82nd legislative session, as the Texas Legislature faced intense pressure to raise taxes and empty the state's rainy day fund for the 2012-13 Texas state budget, the Foundation mobilized its allies to form the Texans for a Conservative Budget coalition. One of the Foundation's key roles was to produce a series of television commercials that were broadcast on network and cable outlets in 13 Texas media markets. As a direct result of these effective advertisements, key policymakers changed their positions in support of our recommendations. Remarkably, the Legislature balanced the 2012-13 state budget by cutting non-essential spending, and without using any of the rainy day fund or raising taxes.

The *Austin American-Statesman's* Jason Embry observed, "You have to hand it to ... the Texas Public Policy Foundation ... They won." The *Texas Tribune* affirmed that of all the advertising on television in this session, "The most well-known campaign ... comes from a conservative coalition headed by the Texas Public Policy Foundation. They've produced several ads with a broad and clear-cut message." The same day in *Texas Monthly*, R.G. Ratcliffe put it most eloquently: "...when the smoke cleared from the Senate's budget debate, it was ... Brooke Rollins of the Texas Public Policy Foundation who had carried the day."

OPPOSITE PAGE, CLOCKWISE FROM TOP: Brooke Rollins, Foundation president and CEO, is featured in *Texas Monthly's* list of the 25 most influential leaders in Texas. | Joshua Treviño, vice president of communications for the Foundation, appeared on multiple television networks including MSNBC, Fox News, and the BBC. | Marc Levin and Vikrant Reddy of the Foundation's Center for Effective Justice discuss the Right On Crime initiative on the NRANews radio program. | The Foundation's budget commercials were broadcast across the Lone Star State in markets serving a total population of approximately 14.6 million Texans, with probable viewership estimated at 2.1 million.

Rollins recognized by *Texas Monthly* as one of 25 most influential leaders in Texas.

The year 2011 kicked off in fine fashion when *Texas Monthly's* February issue listed Foundation president and CEO Brooke Rollins as one of the top 25 leaders who shape Texas. This recognition came after eight years of tireless work, in which she took TPPF to new heights of influence and relevance in Austin—and in Washington, D.C. The listing as a top-25 Texan isn't just a feather in our cap: it's a real testament to the efficacy and significance of the hardest-working policy foundation in the state-level sphere—and the woman who made it so.



Events & Outreach

THE FOUNDATION IS REMARKABLY EFFECTIVE at mobilizing allies across the country and communicating our message to policymakers nationwide. Our Center for Tenth Amendment Studies was the first in the nation to recommend an interstate compact as a tool to limit the federal government's growth. We collaborated with the American Legislative Exchange Council to have the compact adopted as "model legislation" for its 2,000 members, about 900 of whom are state legislators from across the country. Thanks to the Center's in-depth research, a national outreach event, and coordination of a multi-state effort, the compact has been passed in Texas, Georgia, Missouri, and Oklahoma, and is being considered in eight other states.

As part of our efforts to overturn ObamaCare and raise awareness of the devastating consequences of this bill, the Foundation has submitted three *amicus* briefs to the Supreme Court of the United States in the main lawsuit challenging the constitutionality of ObamaCare.

The Center for Effective Justice's "Right On Crime" initiative was named the most significant criminal justice development of 2011 by *The Crime Report*. Right On Crime reached another milestone in 2011 when former Florida Governor Jeb Bush became an official signatory of Right On Crime's Statement of Principles. He joins a long list of nationally-known Right On Crime supporters, including Edwin Meese, attorney general during the Reagan administration; former House Speaker Newt Gingrich; Grover Norquist, president of Americans for Tax Reform; Asa Hutchison, a former director of the Drug Enforcement Administration; and Dr. William Bennett, former U.S. Secretary of Education and a former "drug czar."

The U.S. Census projects that Hispanics will account for 42 percent of Texas' population by 2015. The Foundation conducted strategic outreach—in the form of four roundtable discussions across the state—to share our message of free markets, limited government, and individual responsibility with this important demographic.



CLOCKWISE FROM TOP LEFT: An attendee at the Foundation's in-house Policy Primer on virtual learning asks a question of the panel. | Texas Supreme Court Justice Dale Wainwright hosted Visionaries Meeting attendees on a private tour of the Court. | One of four Hispanic outreach roundtable discussions hosted by the Foundation, this one held in Laredo, TX. | Brooke Rollins, Foundation president, Tim Dunn, Foundation board member, and Mary Katherine Stout, executive director of the Laffer Center share a laugh with attendees during a policy conversations gathering. | Policy Primer panelist, Merrill Matthews from the Institute for Policy Innovation, discusses policy solutions regarding public employee compensation.

October 21, 2011

Investing in Liberty

“I’m asked to support hundreds of groups, but the Texas Public Policy Foundation has proven its effectiveness promoting the Founding Fathers’ principles, and now protecting our country against Washington overreach. And TPPF shows me exactly how my investment is being used. As a contributor, I appreciate that.”

L.C. “CHAZ” NEELY, TPPF BENEFACTOR SINCE 1991

AS THE FOUNDATION’S WORK becomes more important to the national debate, our benefactors are funding the initiatives that will change the course of the future. Their contributions are executing major media campaigns that will educate millions about energy policy. Their investments are providing for model legislation on Medicaid and criminal justice. Their sacrifices are moving forward pension reform and the opening of once-regulated industries. Their time is now.

Like never before, Texas Public Policy Foundation members have provided the funding to get the important work done. We are stewards of their trust, and allocate every dollar to change our state, our nation, and our world.

We take this trust very seriously. Our board takes a principled approach to investment just as it does to public policy, and it works tirelessly to ensure our Stability Fund is as liquid and safe as possible. Even in the current economic downturn, the Foundation’s work will move forward—ensuring our ability to carry on the fight for liberty in Texas, and the nation, with your help.

OPPOSITE PAGE, CLOCKWISE FROM TOP LEFT: Former U.S. Senator Phil Gramm shares a story with U.S. Senator John Cornyn (TX) at a special night honoring Senator Gramm’s public service. | State Representatives Linda Harper-Brown, Diane Patrick, and Stefani Carter. | Foundation Chairman Dr. Wendy Gramm with long-time Foundation supporter Merrie Spaeth. | Foundation president Brooke Rollins introduces special guests (from left): The Honorable Dick Arney, former House Majority Leader and chairman of Freedomworks; U.S. Congressman Jeb Hensarling (TX); and U.S. Senator Cornyn to share stories of their friend and colleague. | The Honorable Phil Gramm discusses the current policy landscape with U.S. Congressman Hensarling. | Bunnie Pounds, Robin and Scott Turner, and Representative Van Taylor enjoy the special night.



*A Special Night, Honoring a Special Man...
The Honorable Phil Gramm*

Finances

Balance Sheet

ASSETS

Cash & Receivables	\$2,727,153
Property & Equipment	\$1,794,652
Prepaid Expenses	\$ 49,498
Total Assets	\$4,571,303

LIABILITIES

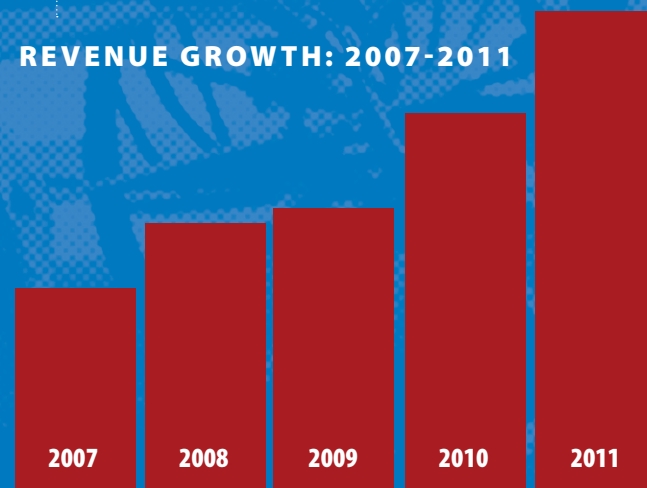
Current Liabilities	\$ 136,647
Deferred Revenue	\$ 160,353
Total Liabilities	\$ 297,000

NET ASSETS

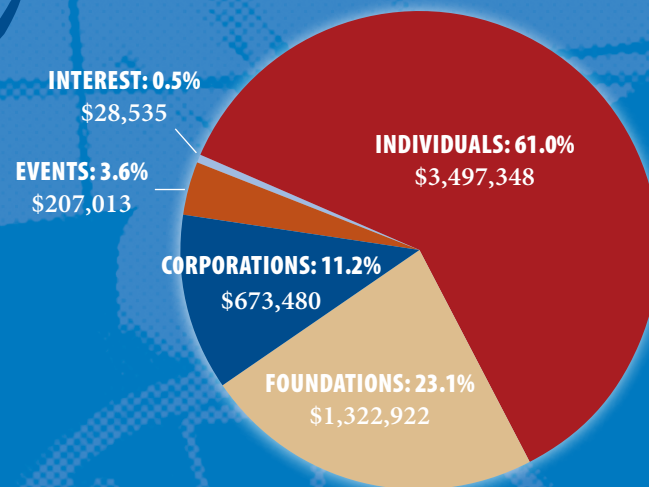
Equity Prior Years	\$3,428,111
Equity 2011	\$ 846,192
Total Net Assets	\$4,274,303

Total Net Assets & Liabilities \$4,571,303

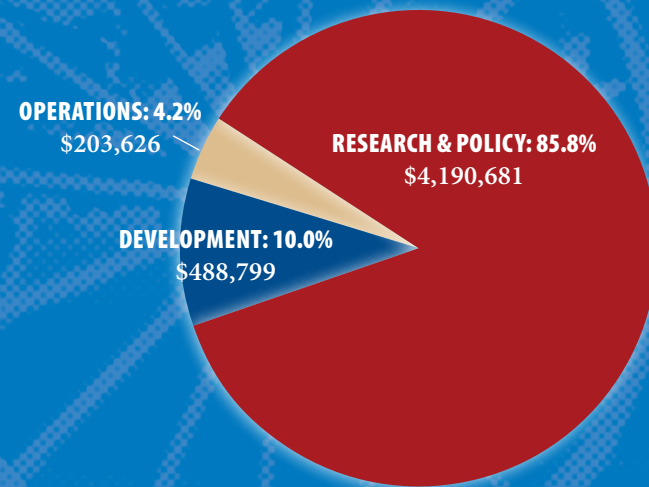
REVENUE GROWTH: 2007-2011



2011 INCOME: \$5,729,298



2011 EXPENSES: \$4,883,106



All financial data subject to review by independent audit.

Staff

BROOKE L. ROLLINS President & CEO

THE HONORABLE ARLENE WOHLGEMUTH Executive Director;
Director, Center for Health Care Policy

SHARI HANRAHAN Vice President of Outreach

JOSHUA TREVIÑO Vice President of Communications

BILL PEACOCK Vice President of Research;
Director, Center for Economic Freedom

JORDAN BROWNWOOD Communications Manager

THE HONORABLE CHUCK DEVORE Visiting Senior Fellow for Fiscal Policy

NANCY DRUART Publications Manager

CINDY FLOYD Donor Relations Manager

SARAH FRENCH Director of Development

JAMES GOLSAN Education Policy Analyst

DAVID QUENTHNER Senior Communications Director

SPENCER HARRIS Health Care Policy Analyst

THE HONORABLE TALMADGE HEFLIN Director, Center for Fiscal Policy

KRISTEN INDRIAGO Deputy Communications Director

MICHAEL JOYCE Events Director

JEREMY KEE Office Administrator

MARC LEVIN Director, Center for Effective Justice

TOM LINDSAY, PH.D. Director, Center for Higher Education Policy

MARIO LOYOLA Director, Center for Tenth Amendment Studies;
Energy & Environment Policy Analyst

JEANETTE MOLL Juvenile Justice Policy Analyst

CURT OLSON Investigative Reporter, Texas Budget Source

JOSIAH NEELEY Energy & Environment Policy Analyst;
Tenth Amendment Studies Policy Analyst

JAMES QUINTERO Senior Fiscal Policy Analyst

VIKRANT REDDY Effective Justice Policy Analyst

RIKKI RISINGER Accounting & Operations Manager

NINA SIDORYANSKAYA Capital Campaign Manager

GREG SINDELAR Director of Operations

MARY KATHERINE STOUT Executive Director, Laffer Center for Supply-Side Economics

THE HONORABLE KATHLEEN HARTNETT WHITE Director and Distinguished Fellow,
Armstrong Center for Energy & the Environment

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WENDY LEE GRAMM, PH.D. Chairman
Helotes, TX

BROOKE L. ROLLINS President & CEO
Austin/Fort Worth, TX

TIM DUNN Vice Chairman
Midland, TX

THOMAS LYLES Secretary
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JEFF SANDEFER
Austin, TX

GEORGE SEAY
Dallas, TX

KYLE STALLINGS
Midland, TX

GEORGE W. STRAKE JR.
Houston, TX

