

# Illuminating Ideas



Free Markets  
Limited Government  
Private Property Rights  
Individual Liberty & Responsibility



2003 Annual Report



# Texas Public Policy Foundation 2003 Annual Report

## Our Mission

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute established in 1989 to improve Texas by generating academically sound information about state problems and recommending efficient, effective solutions.

Our mission is to provide opinion leaders, policymakers, the media, and general public with the “intellectual ammunition” for constructing a better tomorrow for all Texans.

## Our Core Principles

Free Markets  
Limited Government  
Private Property Rights  
Individual Liberty and Responsibility

**“...dubbed the ‘official think tank of Texas’ by friends and foes...”**

*The Dallas Morning News  
January 30, 2003*



2003 Annual Report

# Message from the President

Fifteen years ago, a small group of civic-minded Texans created the Texas Public Policy Foundation to bring independent, market-based thinking to tackle problems facing state government. Through the years, the Foundation has championed solutions and won support for market-based policies that have made Texas a better place to live and work. While the Foundation has grown increasingly effective with each passing year, 2003 was remarkable. The 2003 Annual Report describes how the Foundation scaled new heights of productivity and effectiveness while facing immense challenges.

We opened the year with the ground-breaking Policy Orientation for the Texas Legislature. The Orientation was unprecedented in size and scope and helped shape the course of the 78<sup>th</sup> Texas Legislature. During the legislative session, we stood by policy leaders as crises threatened the state budget, health care, civil justice, and insurance. We produced data-driven research, proposed practical solutions, brought in technical experts, and popularized market-based reforms on talk radio, with newspaper commentaries and presentations.

As the 78<sup>th</sup> Session concluded, legislators directed their attention to school finance, anticipating a special session in early 2004. We shifted gears and focused our resources on education funding and state taxes. Throughout the remainder of the year, we worked side by side with experts and legislators to improve the performance of public schools and the vitality of our state's economy.

While championing solutions for urgent state problems, we also solved challenges inside the Foundation. Financial reserves, depleted during 2002, were restored by prudent spending, restructuring, and consolidation. We found new ways to accomplish more with less and strengthened our stewardship over the contributions entrusted to us. We closed the San Antonio office in July and concentrated our activities at the Capitol. In Austin, we created two new positions – a chief economist to expand our technical know-how and a research director to align all activities with our primary mission. Michael Quinn Sullivan, director of media and government relations, was transitioned into the vice presidency to provide leadership for the Foundation and the state policy community.

At the close of my first year as president, I would like to express appreciation for the warm welcome given to me and to thank all of you who expressed confidence in the Foundation by funding our work. Together, we achieved many successes in 2003. I expect 2004 to be another banner year. Please continue to stand with us because today, as in 1989, the Foundation is still Texas' only free market think tank and there is much work to do.

For Texas,



Brooke Leslie Rollins  
President of the Texas Public Policy Foundation





# Policy Orientation for the 78<sup>th</sup> State Legislature

The Foundation crossed the political aisle to bring most state legislators, their staff, agency leaders and individuals who work with state government together in a Policy Orientation to open the Texas 78<sup>th</sup> Legislative Session. More than 600 individuals attended the Orientation at the Four Seasons Hotel in Austin on January 28-29 and February 3-4, 2003, and an even larger audience tuned in to a live videocast over the Internet.

The hottest problems facing Texas were examined: school finance, taxes, insurance, civil justice, school choice, transportation, health care, water, higher education, and border issues. Over 60 legislative leaders were paired with state and national policy experts on panels that debated opposing points of view. Top state leaders stepped to the podium throughout the four days. The Governor, Lieutenant Governor, House Speaker, Attorney General, Railroad Commissioner, Agriculture Commissioner, Secretary of State, and Chief Justice of the Texas Supreme Court identified policy priorities and hailed the 78<sup>th</sup> Session as an unprecedented opportunity to improve Texas with market-based reforms.

The Orientation was acclaimed as a success by policy leaders for prioritizing key state issues, offering an array of practical solutions and identifying technical resources. Widely covered by state news media, the conference accorded the Foundation recognition as the “official think tank of Texas by friends and foes alike,” according to *The Dallas Morning News*.

This success pushed the Foundation to the forefront of policy debates throughout the 78<sup>th</sup> Texas Legislature, and helped outline our goals for research in 2003.

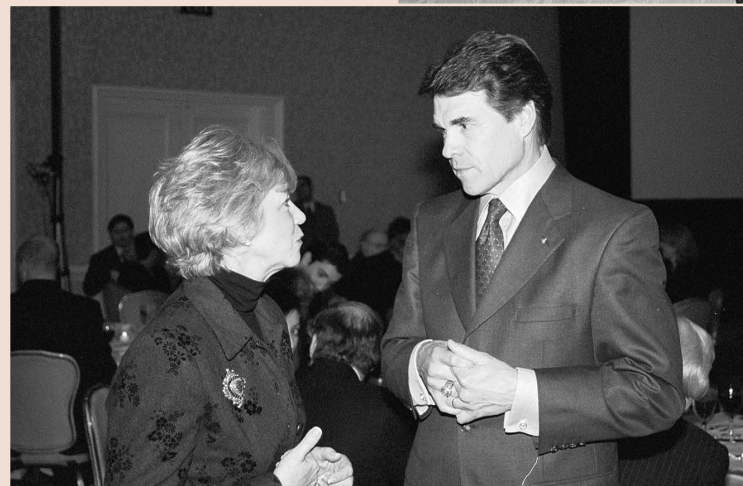
**“The Texas Public Policy Foundation  
provides critical insights to the  
issues facing our state.”**

*The Honorable Greg Abbott  
Attorney General of Texas*



Texas Railroad Commission Chairman Michael Williams (above) took his comments on school choice to the floor of the audience as he spoke at the Policy Orientation for the 78<sup>th</sup> Legislature.

**78<sup>th</sup> Legislat**  
**Presented by the**



Governor Rick Perry and Senator Florence Shapiro (R-Plano) visit prior to his dinner remarks at the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

# Conservative group draws friends, foes to Austin event

Conference aims for broad look at issues, but some see GOP slant

By PETE SLOVER  
Austin Bureau

AUSTIN — After quickly wrapping up the ceremonial stuff Wednesday at the Statchouse, many Texas lawmakers headed to a fancy hotel down the street for a heavier public policy meal.

About half of the 181 legislators indicated that they would attend a four-day issue-fest hosted by the Texas Public Policy Foundation — a conservative group dubbed the “official think tank of Texas” by friends and foes after being endorsed by the state’s top Republican officials.

“It’s a group that has been marginalized to some degree, and now has a potential to have undue influence over Republican leaders,” said Sen. Royce West (D-Dallas).



ERIC SCHILLEGEL/Staff Photographer

Harvard professor Caroline Hoxby speaks on a school choice panel at the Texas Public Policy Foundation’s conference.

## CAPITOL JOURNAL

The conference covered the top issues facing the state in the legislative session: school finance,

The foundation would not disclose the identity or the size of contributions from donors, except to confirm that the top sponsors named on signs at the event were listed in descending order, topped by renamed Southwest Energy Services Company. Sponsors included Henkel Commercial Real Estate, Vins & Associates, a health insurance firm, a health insurance group and the Texas Affordable Insurance Association, an insurance industry group.

The foundation’s research includes social studies teaching in public schools, and the history of racial discrimination in the state’s content that history textbooks play a role in the lives of African American and European Americans. Rep. ... some ... ble

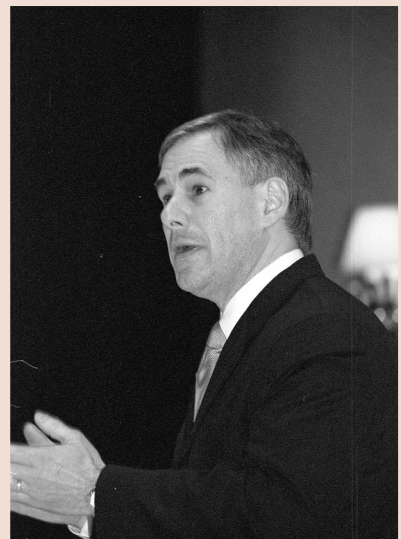
# Policy Orientation Texas Public Policy Foundation



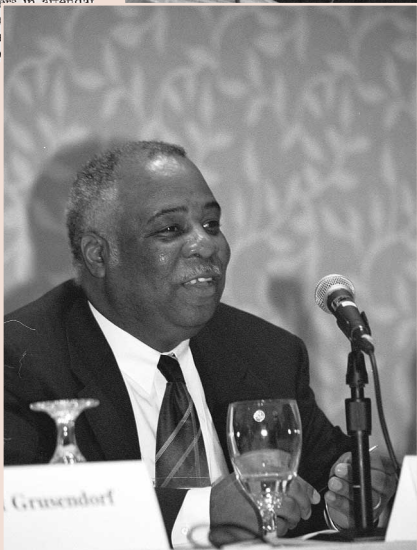
Lieutenant Governor David Dewhurst addresses the Policy Orientation for the 78<sup>th</sup> Texas Legislature.



Former U.S. Secretary of Education Bill Bennett was a featured Policy Orientation speaker and panelist. Here he joins Foundation board member Jeff Sandefer, Senator Royce West (D-Dallas) and Representative Geanie Morrison (R-Victoria) on a panel discussing higher education issues.



Newly elected House Speaker Tom Craddick (R-Midland, above left) offers his thoughts on the Session to attendees at the Policy Orientation for the 78<sup>th</sup> Texas Legislature. Texas Attorney General Greg Abbott (above right) addresses the Orientation.



Representative Glenn Lewis (D-Fort Worth) answers questions during a panel discussion on education at the Orientation.

We commissioned state and national experts to examine the problems and produce reports that: examined facts with intellectual honesty, attended to accuracy, respected the laws of economics, and furnished practical, data-driven solutions. Hard copies of our reports were hand-delivered to legislative and elected offices and provided to leading state policy groups and news media. Unabridged reports were made available to the public on our website.

## First Goal for 2003

### Improve Economic Vitality By Cutting State Spending and Heading Off Tax Hikes

A fiscal crisis awaited the 78<sup>th</sup> Texas Legislature. After several decades of increased spending, a flagging economy and diminished tax revenues produced a nearly \$10 billion deficit in the state budget. Some legislators called for new taxes and massive tax increases to expand the state's largest functions – health and education.

Our research provided data to refute the need for bigger government and identified unnecessary expendi-

tures. We identified practical, cost-saving solutions to improve the quality of government services and give Texans greater control over their lives. Commissioning a poll of voting Texans, we substantiated strong opposition of both Democrats and Republicans to an income tax. **The following research was published to help shape the debate and identify free market solutions.**

**Converting Challenges to Opportunities** by the Honorable Maurice P. McTigue, Q.S.O. (Distinguished Visiting Scholar and Director of the Government Accountability Program at the Mercatus Center, George Mason University and former Cabinet Minister of New Zealand). This four-page policy perspective describes how New Zealand eliminated a 23-year deficit, reduced taxes, and increased revenue by results-based spending. Published - February 2003.

**Defined Contribution Health Care Plans: Benefits for Consumers, Employers, Physicians and Insurance Companies** by Haavi Morreim (Heritage Foundation Fellow and Professor, College of Medicine, University of Tennessee). This two-page policy perspective identifies benefits of replacing traditional health insurance with consumer-based plans in which the individual determines the price and type of covered services. Defined contribution health insurance and flexible savings accounts provide the opportunity for individuals to tailor insurance to specific needs, multiply benefit options, improve health services, and control cost. Published - April 2003.

**Securing the Safety Net for Texas Children: Cutting the Budget and Strengthening the Children's Health Insurance Program** by Chris



Governor Rick Perry held a press conference announcing he would oppose any budget that increased taxes on Texans. Invited to attend were the heads of numerous conservative organizations, including Foundation President Brooke Rollins.

# Who are the uninsured?

By CHRIS PATTERSON

Another horrifying announcement from our newspapers a few weeks ago — millions of Americans are uninsured.

# Holding back Texas spending puts state on right path

BY BROOKE LESLIE ROLLINS

Contrary to popular belief, the budget problems facing the Lone Star State were not created by the poor economy or low taxes. While many in Austin are busy hiding behind a sluggish stock market, the \$9.9 billion shortfall is the result of irresponsible free-spending lawmakers and

COMMENT



Even over the last decade, spending has jumped 125 percent. That kind of spending

ment that was supposed to limit spending growth. Unfortunately, legislators still had lots of wiggle room, and the limitations are all but meaningless. Now the good news. Our governor and the legislature

Patterson (Texas Public Policy Foundation) and Devon M. Herrick (Research Manager, National Center for Policy Analysis). This 13-page report provides practical ways to control costs of the several hundred million dollar program partially responsible for unbalancing the state budget: focusing health services on the neediest children, enforcing statutory parameters, eliminating services beyond federal requirements, and increasing co-payments. It proposes a larger role for private sector insurance. Channeling state subsidized care through employer health insurance plans and eliminating state restrictions on benefit plans will increase the variety and affordability of health insurance for all Texans. Published - May 2003.

**Public School Employee Health Insurance: Bane or Boon to Balancing the State Budget?** by Dwight McNeill, Ph.D. (Visiting Scholar, Brandeis University). This 16-page report examines the most fiscally vulnerable state program, created by the last legislature and funded for just one year, and identifies how state costs can be reduced by one-third. Introducing cost-sharing provisions, health savings accounts, and giving employees the flexibility to determine the amount of compensation allocated for health insurance will improve the quality of health care while controlling costs. Published - May 2003.

**The Business of Government? Competition Between Texas Governments & the Private Sector** by Wendell Cox (Principal, Wendell Cox Consultancy and Visiting Professor, Conservatoire National des Artes et Metiers in Paris). This 27-page report identifies commercial enterprises performed by state and local governments in Texas, at an estimated annual cost of \$20 billion. These government activities are generally subsidized by taxpayers, expand the size of government, diminish economic efficiency, and suppress economic growth. It outlines how Texas can improve the state's economy and personal

incomes by minimizing government competition in consumer markets. Published - September 2003.

## Second Goal for 2003

### Ensure Texans Can Buy and Own Homes By Shrinking State Regulation of Insurance

The 78<sup>th</sup> Texas Legislature was also faced with a crisis in homeowners' insurance. Between 2000 and 2001, the cost of insurance premiums for homes had increased up to 200 percent and Texans were paying the highest premiums in the nation. At the same time, a growing number of Texans were unable to purchase homeowners' insurance at any price because companies were limiting or stopping sales entirely in the state. To ensure Texans could continue to buy and sell homes, the Department of Insurance created a program of last resort for homeowners who were denied insurance. As the situation worsened, some legislators called for increasing regulation of insurance companies – fixing prices and forcing companies to reduce the cost of premiums.

Our research provided data to refute the need for increased state regulation and furnished evidence that these “solutions” would result in higher insurance rates and make homeowners' insurance even harder to procure. We identified how other states solved this crisis by allowing supply and demand to replace state regulations. **The following research was published to help shape the debate and identify free market solutions.**

**Shopping for a Solution: Effective Consumer Protection through Competitive Regulation of Insurance Rates** by Nathaniel Shapo (former Director of the Illinois Department of Insurance and Partner, Sonnenschien Nath & Rosenthal). This 21-page report identifies how government regulation and price fixing have interfered with the economic law of supply and demand in Texas and other states,

depressing availability and affordability of homeowners' insurance. It describes the success of reforms in Illinois and South Carolina that expand the insurance market and control costs. It proposes that government focus resources on company solvency, market conduct and consumer complaints, and replace mandated forms and rate regulation with reliance on federal anti-trust laws and competition. Published - April 2003.

## Third Goal for 2003

### Increase Availability of Health Care for Texans By Halting Lawsuit Abuse

Interim committees of both the Texas House and Senate identified the growing physician shortage as a crisis that had to be solved by the 78<sup>th</sup> Texas Legislature. In 2002, only 64 primary care physicians treated every 100,000 Texans while up to 80 physicians treated a similar number in other states. Throughout the state, Texans faced routine delays in care, sometimes life-threatening delays when forced to seek care in distant cities. The skyrocketing cost of medical malpractice insurance, primarily the result of frivolous lawsuits and exorbitant payouts, had forced physicians and medical facilities to limit care or close. Some legislators called for the state to fix the price of medical malpractice insurance rates while others called for greater regulation of physician conduct and tougher penalties for negligent physicians.

Our research provided evidence to refute the need for increased state regulation and instead identified the civil justice reforms effectively employed by other states to attract and keep health care providers, and to improve health care outcomes. **The following research was published to help shape the debate and identify free market solutions.**

**Critical Condition: How Lawsuit Abuse Is Hurting Health Care & What Texans Can Do About It** by Chris Patterson (Texas Public Policy

Foundation), Colleen Whalen (Attorney and Counselor at Law and Adjunct Professor of Medical-Legal Issues, State University of New York) and John Pisciotta (Associate Professor of Economics, Baylor University). This 23-page report examines the ineffectiveness of litigation in identifying medical negligence and gives evidence of the impact of frivolous lawsuits in Texas. Describing how lawsuit abuse diminishes the quality and availability of medical care and civil justice reforms introduced by other states, it proposes that Texas cap non-economic damages to increase the supply of medical providers and improve the quality of care. Published - April 2003.

## Fourth Goal for 2003

### Efficient and Effective Funding for Texas Schools By Responsible Taxation and Spending

Before the gavel sounded on the 78<sup>th</sup> Legislature, state leaders pledged to fix or replace the state system of funding public schools, widely known as "Robin Hood." To signal this intent, the House Education Chair filed a bill to terminate the school finance system. The system had been widely criticized by the press and groups across the political spectrum. Homeowners and businesses demanded relief from high and climbing property taxes; since 1980, property taxes had increased 367 percent, a rate comparable to 8.5 percent compounded annually.

New, additional monies above and beyond current levels of funding were needed, claimed educational associations, to meet new state and federal requirements for higher levels of student achievement. Three "property-wealthy" school districts brought charges against the constitutionality of the state school finance system in a suit that many see as the most serious legal challenge to the system ever faced.

Many legislators called for increasing the state's share of education funding and increasing the current level of funding for public schools. Some legislators called for



## New Book Explores School Finance Options

AUSTIN, Texas — A new book published by the Texas Public Policy Foundation explores the issue of public school finance reform from the perspective of twelve ideologically and politically diverse authors. *Putting the Sides Together* is a 222-page work introduced and edited by the Foundation's director of research, Chris Patterson. The book is available for \$10.

of options available for solving it. The importance of school finance reform — for public education, taxation, and the state economy — dictates that Texans engage in a measured and thoughtful debate in which all voices are heard." In her introduction, Patterson notes that despite the vastly different ide-

## Education issues aired

Think tank's conference talks vouchers, equity

By Lucy Hood  
EXPRESS-NEWS STAFF WRITER

AUSTIN — Two hot-button education issues — school finance and private school vouchers — kicked off a Texas Public Policy Foundation conference as the think tank and its pet initiatives moved from the fringes to the forefront of the debate.

that is interested in solutions to public policy issues," Perry said.

Other participants included Senate Education Committee Chairwoman Florence Shapiro, R-Plano, and Rep. Kent Grusen-

Lt. Gov David Dewhurst and House Speaker Tom Craddick, to take part in the conference, which will address health care, transportation and insurance in the next three days. "Look at the leaders

ing to compete."

Grusen-dorf moderated a voucher panel consisting of Le-wis; two academics; a school board member from Milwau-kee, which has the nation's oldest and largest publicly funded voucher program; and one voucher critic, Richard Kouri, spokesman for the Texas State Teachers Association.

Kouri praised the public school system, saying its gradu-ates have made the United States what the United

the pros and cons of a new school finance trend known as adequacy, which has replaced equity as the guiding force in school funding in some states.

Supported by Shapiro, who chaired the school finance panel, it would require a study to establish the desired amount for per-pupil spending. Then the funding system would be adjusted to meet that goal. Dick Law-

increasing current taxes to provide additional state revenue for public schools. Others called for fundamental tax reform, claiming the current tax system suffers from a "structural deficit" that prevents the state from generating sufficient revenues for all state services, and called for the creation of a personal income tax.

Our research alerted state leaders about the importance of viewing educational funding as a component of the broader system of state finance, and the delicate relationship between taxes and economic health. We revealed state spending, not revenue, as the greater problem facing Texas and showed our current tax system generates sufficient revenue to keep pace with expenses attributable to enrollment growth and inflation in public schools. We produced evidence from other states to show the disastrous consequences of imposing a personal income tax.

Our research found no evidence to support claims that public schools need more money but instead found evidence that more effective allocation of money could improve student performance. We commissioned a poll of Texans to assess voters' opinions of school spending and discovered the majority of Texas voters believe public schools do not make efficient use of current funding. **The following research was published to help shape the debate and identify free market solutions.**

### Guiding Principles for Reforming Texas School Finance.

This single page policy perspective identifies standards for tax and education spending that will shape the Foundation's research and can serve as a resource for changing the state system of public school funding and state taxation. The standards are based on research, economic principles and factual evidence, and argue for: increased fiscal efficiency, stronger accountability for public dollars and educational results, replacing state mandates with local control, the introduction of competition, and effective resource allocation to obviate need for increased dollars to public schools. Published - September 2003.

**Follow the Money: A 50-State Survey of Public Education Dollars** by Chris Patterson, Chad Blevins and Andrew Brown (Texas Public Policy Foundation). This 78-page report identifies how public education dollars fit into the overall financial structure of each of the 50 states and examines the relationship between state spending, revenues, and personal income as a measure of each states' ability to sustain public education funding. For Texas, this report indicates education spending compares favorably to other states but that government continues to grow, state government spends more than annual revenue, and increased taxation will jeopardize the state's economic health. Published - November 2003.

**Texas School Choice: Separate and Unequal** by Kyev Tatum (President, College Preparatory School of San Marcos). This two-page policy perspective describes why a new system of funding public schools should incorporate school choice to improve educational outcomes, particularly of under-served children, and introduce fiscal efficiencies. Published - August 2003.

**Putting the Sides Together: Twelve Perspectives on Texas Public School Finance** edited by Chris Patterson. This 222-page report identifies key voices and ideas on school finance reform in Texas. It provides a market-based framework for the debate: citing research to refute claims that schools require more funding to improve student performance, showing how levels of funding are less important than how money is allocated, describing the evidence that competition improves the fiscal efficiency and academic effectiveness of public schools, and demonstrating the adequacy of our current state tax system to generate sufficient revenues for public schools. Published - December 2003.



# Winning Support for Market-Based Policies

The Foundation has made a significant impact on the lives of Texans by championing market-based solutions to our state's most pressing problems. During 2003, we aggressively marketed our research by engaging policy leaders, working with the news media, and communicating with community groups throughout the state. We articulated the issues, provided the information to support market-based policy and popularized ideas to strengthen public support for market-based reforms.

**News Media:** In 2003, the Foundation was featured in more than 600 newspaper articles and radio interviews around the state. The media publicized our activities and reports as breaking news, and sought us to provide insights on key policy issues. We were asked to provide background information when reporters delved deeply into issues. During the year we issued two press releases each month, on the average, and published commentaries at least once a month in newspapers throughout the state.

**The Internet:** To better serve legislators, donors and the public, the Foundation completely redesigned its website in 2003, and moved to a new domain, [www.TexasPolicy.com](http://www.TexasPolicy.com). The new site is easy to navigate and is used by more than 10,000 visitors a month.

**Presentations:** Almost 100 community, political, and academic organizations across Texas invited us to share information about state policy problems and market-based solutions throughout the year.

**Resource Center:** The Foundation served as a primary resource for state policy in 2003. Legislative offices, both Republican and Democratic, contacted the Foundation to request in-depth information on a broad range of issues. We were invited to address graduate public policy programs in universities throughout the state, and our extensive body of research was frequently cited in academic publications. Our groundbreaking research was disseminated to free market public policy

groups throughout the nation and frequently distributed to legislative bodies in other states.

**Recognizing Leadership:** At the end of the 78<sup>th</sup> Legislative Session, the Texas Public Policy Foundation recognized elected officials who held the line on taxes and promoted free market ideas on important issues.

For commitment to the principles of liberty, good government and sound policy through their leadership during the 78<sup>th</sup> Legislature, the Foundation presented the Lone Star Leadership Award to Governor Rick Perry, Lt. Governor David Dewhurst, House Speaker Tom Craddick, state senators Ken Armbrister, Jane Nelson, and Florence Shapiro, and state representatives Dennis Bonnen, Dianne White Delisi, Kent Grusendorf, Talmadge Heflin, Mike Krusee, Kenny Marchant, Joe Nixon, and Arlene Wohlgemuth.

For actively promoting sound public policy during the 78<sup>th</sup> Legislature, the Foundation presented the Texas Hero Award to state representatives Carl Isett, Bill Keffer, Glenn Lewis, Larry Taylor, and Ron Wilson.

**Policy Experts:** We were pleased to provide Texas policy leaders with the free market expertise of leading national authorities on a wide range of issues.

**William J. Bennett**

(Distinguished Fellow, Heritage Foundation and Chairman, K12) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

**Wendell Cox**

(Wendell Cox Consultancy and Visiting Professor, Conservatoire National des arts et Metiers) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *The Business of Government?*

**John Gardner**

(Elected Member, Milwaukee School Board) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

**Eric Hanushek**

(Professor of Economics, Hoover Institution, Stanford University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *Thinking about School Finance in Texas in Putting the Sides Together*. Dr. Hanushek was invited to provide testimony to the House Select Subcommittee on Public School Finance and testified in August 2003.

**Caroline Minter Hoxby**

(Professor of Economics, Harvard University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *A New School Finance Plan for Texas* in *Putting the Sides Together*.

**Maurice P. McTigue, Q.S.O.**

(Distinguished Visiting Scholar and Director of the Government Accountability Program, Mercatus Center, George Mason University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *Converting Challenges to Opportunities*.

**Haavi Morreim**

(Professor of Health Services & Policy Research, University of Tennessee and Heritage Foundation Fellow) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *Defined Contribution Health Care Plans: Benefits for Consumers, Employers, Physicians and Insurance Companies*. Dr. Morreim was invited to provide testimony to the Select Committee on State Health Care Expenditures and testified in April 2003.

**Dwight McNeill**

(Visiting Scholar at Brandeis University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *Public School Health Insurance: Bane or Boon to Balancing the State Budget*. Dr. McNeill was invited to provide testimony to the House Health Care Task Force of the Texas Legislature and testified in February 2003.

**Nina Owcharenko**

(Policy Analyst, Heritage Foundation) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

**Alan Pisarski**

(Chair, Committee on Transportation Statistics, National Academy of Science) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

**Nathaniel Shapo**

(Former Director of the Illinois Department of Insurance) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *Shopping for a Solution: Effective Consumer Protection through Competitive Regulation of Insurance Rates*. Dr. Shapo was invited to provide testimony to the House Committee on Insurance and testified in March 2003.

**Fred Smith**

(President, Competitive Enterprise Institute) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature.

**Richard Vedder**

(Professor of Economics, Ohio University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature and author of our report *School Finance for Texans* in *Putting the Sides Together*. Dr. Vedder was invited to provide testimony to the House Committee on State Affairs, and the House Select Committee on Public School Finance and testified in April and August 2003.

**Patrick Wolf**

(Assistant Professor of Public Policy, Georgetown University) - expert panelist for the Policy Orientation for the 78<sup>th</sup> Texas Legislature. Dr. Wolf was invited to provide testimony to the House Select Subcommittee on Public School Finance and testified in August 2003.

**Session was a victory for will of Texas majority**  
By MICHAEL QUINN SULLIVAN  
STATE legislators should be welcomed home as heroes; they did the will of the people and ignored the naysayers. While not perfect, the budget priorities established this legislative session clearly reflect the will of Texans as expressed at the ballot box: tightly controlled and an strict responsibility over funds and an abandonment of the spend-and-tax mentality of the political left. After all, two-thirds of Texans voted for gubernatorial and legislative candidates pledging to hold the line on taxes. We categorically reject such discredited ideas as higher taxes. Whenever possible, let those who use the solution, the Texas to our budget malaise without raising old taxes or imposing new ones. As the budget battle, Texans remained resolute in their commitment. The House passed a bill that found 72 percent of the burden fell to the Legislature. The burden fell to the Legislature. The burden fell to the Legislature. For more than a decade, the state's newspapers have been reporting on higher taxes, higher taxes, higher taxes. But, research shows that the right of political center, is now mainstream, according to Gov. Rick Perry. "I think the mainstream of the Legislature is reflective of the people that go out and vote." Perry said after addressing the legislative conference.

**STATE GOVERNMENT AND POLITICS**  
**Perry places foundation at center of support of school vouchers, limited government and other notions once marked it as somewhat fringe**  
The Texas Public Policy Foundation, and other notions once marked it as somewhat fringe, is now mainstream, according to Gov. Rick Perry. "I think the mainstream of the Legislature is reflective of the people that go out and vote," Perry said after addressing the legislative conference.

**and we're going to make the government side of available revenue**  
Perry said "I talked about that we're going to Austin, Texas, whoever wins, we're going to make the government side of available revenue."

**Texas Public Policy Foundation**  
Providing the intellectual ammunition for a better Texas!  
TPFF HOME | RESEARCH & REPORTS | VERBIAS | NEWSROOM | ABOUT TPFF | SUPPORT TPFF  
December 31, 2003

**Research & Reports**  
Annual Property Tax Justice Reform  
Education: Assessment & Performance  
Charter Schools  
Curriculum & Instruction  
Education Links  
Elected Boards  
Higher Education  
Parents  
School Choice  
School Finance  
Teachers  
Textbooks  
Social Studies Review 2002  
Composite reviews  
Publisher Responses  
Policy Reports  
Transportation  
Governmental Policy  
Government Efficiency  
Health Care Policy  
Insurance  
Legislative Guides  
2000-2004  
Philosophy of Government  
Tax and Spending Policy  
Texas Public Policy News  
Transportation

**Research & Reports**  
The Foundation is first and foremost a research institution. We ask to be judged by the quality of our research and the soundness of the policy ideas we put forward.  
But the impact of the research generated by the Foundation extends beyond the state's borders. As Texas impacts the rest of the nation, and the nation the world, the need for creative, free-market-based solutions to the day's pressing problems is readily apparent.  
You will find at left many of our research papers and policy briefings, covering a wide range of issues important to Texas.  
For more issue perspectives and commentaries, visit our [Insights](#) page.

**Newsroom**  
TexasPublicPolicy.com  
Texas Public Policy Foundation  
411 Brazos St., Suite 99  
Austin, TX 78701  
Phone 512.472.2200  
Fax 512.472.2200  
info@TexasPublicPolicy.com

**Texas Public Policy NEWS**  
November 5, 2003  
The latest research, views and information from the Texas Public Policy Foundation.

**Highlighted Report**  
**Education: Let Principles Guide Solution**  
*Treatment of Revenue Before House Select Committee on Public School Finance*  
"Reforming the state's school finance system provides legislators with the perfect opportunity to establish and cement fiscal standards, as well as incentives, to school performance while addressing the problem of revenue. We must use education dollars to improve Texas public schools, and refine the accountability system, including assessments, school ratings/acceleration standards and..."

**A Message From...**  
**Michael Quinn Sullivan**  
Vice President  
Principles, not politics, are what motivate us at the Foundation. Limited government. Free market economics. Individual liberty. Personal responsibility. These are the pillars of our efforts.  
If we are to see the principles we share interwoven in the solutions, we must be willing to demonstrate their practical value. It is to that end the Foundation labors..."

**TPFF**  
File Edit View Tools Message Help  
Reply Reply All Forward Print Delete  
From: TPFF  
Date: Wednesday, November 5, 2003  
Subject: TPFF, November 5, 2003



# Other Publications

## Texas Public Policy News

The latest research, views, and information are published by the Foundation bi-weekly in the electronic newsletter, *Texas Public Policy News*.

## Veritas

Perspectives from leading experts around the state and nation on policy and culture are collected and published two to three times a year. *Veritas* is published as a booklet and distributed to supporters and state leaders; it is also available at [www.TexasPolicy.com](http://www.TexasPolicy.com). In 2003, two issues of *Veritas* were produced.

The first issue of *Veritas* described views on the 78<sup>th</sup> Texas Legislature by the Governor and leaders of the Texas House and Senate: House Speaker Tom Craddick, Senate Education Chair Florence Shapiro, House Education Chair Kent Grusendorf, Civil Practices Chair Joe Nixon, Select House Health Care Expenditures Chair Dianne White Delisi, and freshman legislative leader Linda Harper-Brown.

The second issue of *Veritas* identified key issues for the upcoming 79<sup>th</sup> Texas Legislature by state and national policy experts: reforming Medicaid to control costs and improve quality, crafting a new state system of school finance, results-based budgeting to avoid tax increases, deregulating the telecommunications industry to improve consumer services, introducing vouchers to help children and public schools, and eliminating government activities that the private sector does better and cheaper.

## Newspaper Commentaries

The Foundation regularly distributes commentaries on the issues of the day to Texas newspapers for their use on opinion/editorial pages.

*Taxing Issue Is a Spending Problem*, Texans cannot expect lower taxes and continue spending binge. (2/26/03).

*Doing What It TAK[e]S for Educational Success?*, Foundation had warned of problems and proposed solutions. (3/7/03).

*Keep Texas Safely Truckin'*, Truck-only lanes will reduce congestion, save lives. (3/24/03).

*Don't Let Senators Guard the Henhouse*, Market, not more government, will protect insurance customers. (3/31/03).

*Free-Spending Ways Must Be Restricted*, Texas' budget woes result from poor choices, not poor economy. (4/25/03).

*Texas' Critical Condition*, Patients, doctors face risk without strong liability reform. (5/7/03).

*Give Government a Cookie*, Infringement of rail on private property should cause public concern. (5/10/03).

*A Deal Is a Deal - This Tax Should Die*, Purpose of TIF will soon be fulfilled, let Texans keep their money. (5/20/03).

*Media Out of Fiscal Step*, Legislators ignore media's advocacy of state income tax. (6/3/03).

*Let the Texas Majority Rejoice!* State leadership held the line against new taxes. (6/9/03).

*Texans Want to Give Choice a Chance*, School choice is supported across economic, political, race and gender lines. (7/1/03).

*School Finance: Proceed with Caution*, In zeal to end Robin Hood, legislators should be cautious not to create worse. (8/27/03).

*Check with Your Doctor First!*, Setting a cap on non-economic damages can cure Texas' medical crisis. (9/3/03).

*The Business of Government?*, When Texas governments compete with the private sector, the result is increased cost and diminished quality. (9/24/03).

*Asbestos Litigation Making Us Sick*, State policies are needed to protect people against lawsuit abuse. (9/29/03).

*Murder and Rape: the Legacy of Our Schools?*, Parents and children need choice to be safe instead of more promises of increased safety. (10/3/03).

*Who Are the Uninsured?*, Problems result when legislation is driven by headlines. (10/16/03).

*Prop 12 Paying Off*, The cost of medical care is going down with Proposition 12. (10/16/03).

*Quality Must Drive Teaching Standards*, Teacher certification must promote academic achievement. (11/5/03).

*Doing More with Less*, Reorganization of health and human services operations will benefit all Texans. (11/18/03).

*Standard Is Set: No New Taxes*, Legislature must restructure education system without increasing tax burden. (12/23/03).



# Finances

The Foundation is funded entirely by voluntary contributions from individuals, corporations, and foundations. We do not solicit and have never accepted government money or assistance in any form. To underwrite operational costs, we conduct formal fundraising activities and submit grant applications to state and national foundations. Seventy-three percent of the funding we received was invested in research and activities to disseminate the research; the remainder was invested in personnel and fundraising.

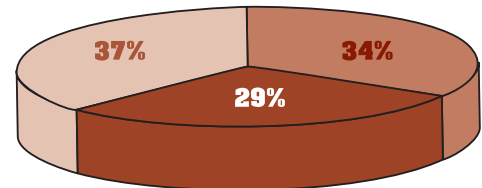
In 2003, hundreds of individuals, foundations and corporations expressed their confidence in the Foundation with their generous contributions.

**“Any investment in the Texas Public Policy Foundation is a smart one... their impact on state policy is significant.”**

*The Honorable Rob Eissler  
State Representative*

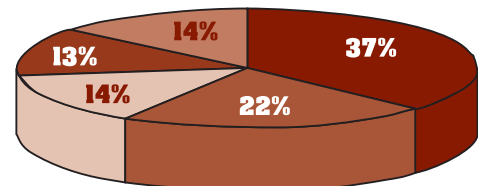
## Total Giving: \$ 1,010,243.39

Foundation	\$ 370,295.00
Corporate	\$ 345,116.39
Individual	\$ 294,832.00



## Total Expenses: \$861,085.07

Research	\$ 312,311.87
Communications	\$ 193,061.65
Policy Events	\$ 122,475.79
Management	\$ 119,890.65
Fundraising	\$ 113,345.11





# Board of Directors

The Foundation is governed by a Board of Directors who are charged with the primary responsibility of ensuring the Foundation maintains fiscal integrity and sustains a strong commitment to its mission. The Board of Directors recruits new members and provides general direction to the Foundation's work. Fourteen individuals, generous with their time and devoted to state policy, served on the Board of Directors during 2003.

**Phil D. Adams** (Bryan)  
Owner, Phil Adams Company  
Regent, Texas A&M University  
Director, First American Bank, Bryan

**Ernest Angelo** (Midland)  
Managing Partner, Discovery Exploration  
Former Mayor, Midland  
Former Vice Chair, Republican National Committee

**Tim Dunn** (Midland)  
*Board Treasurer & Executive Committee Member*  
C.E.O., CrownQuest Operating, L.L.C.  
Director, Free Market Foundation

**Ramiro Galindo** (Bryan)  
Founder & C.E.O., R.A. Galindo, Inc.  
Director, Brazos River Authority

**Wendy Lee Gramm, Ph.D.** (Helotes)  
*Chairman & Executive Committee Member*  
Former Chair of Federal Trade Commission  
Director, Regulatory Studies at Mercatus Center

**Will Jarrett** (Dallas)  
Founder & Former Owner, Westward Communications  
Former Editor, *Dallas Times Herald*

**James R. Leininger, M.D.** (San Antonio)  
*Executive Committee Member*  
Founder & Former C.E.O., Kinetic Concepts, Inc.  
Board of Directors, San Antonio Spurs

**Thomas Lyles** (San Antonio)  
*Board Secretary & Executive Committee Member*  
President & General Counsel, Mission City Management  
President, MedCare Investment Funds

**Vance C. Miller** (Dallas)  
*Executive Committee Member*  
Chairman, President & C.E.O., Henry S. Miller Co.  
Director, Pilgrim's Pride Corporation

**Brenda Pejovich** (Dallas)  
Founder & Former C.E.O., Pejovich & Assoc. Inc.  
Director, Building and Procurement Commission

**Brooke Rollins** (Dallas/Austin)  
*Executive Committee Member*  
Texas Public Policy Foundation

**Jeff Sandefer** (Austin)  
President, Sandefer Capital Partners  
Visiting Committee, Harvard Business School  
Director, *National Review*

**Fritz Steiger** (Bentonville, Arkansas)  
Founder & Former President, TPPF  
Former President, Children First America  
President, Delttox Development Corp.

**Michael Stevens** (Houston)  
Chairman, Michael Stevens Interests, Inc.  
Chairman, Governor's Business Council Transportation Task Force  
Executive Committee, Gulf Coast Regional Mobility Partners

**“Agree with their conclusions or not, you can rest assured that research produced by the Texas Public Policy Foundation is intellectually honest and driven by a desire to improve Texas for all Texans.”**

*The Honorable Tom Craddick*  
*Speaker of the Texas House of Representatives*



# Looking Forward to 2004

There is so much for the Foundation to accomplish in 2004. In truth, we have an unprecedented opportunity to help solve the state's biggest problems because, for the first time since Reconstruction, Texas is governed by a conservative majority. Many of the market-based ideas we have championed for the last 15 years can be implemented to solve fundamental problems that have plagued Texas for decades.

For 2004, we have a comprehensive, ambitious agenda to remove critical barriers to the health, prosperity and opportunity of all Texans, enlisting state and national experts to identify solutions and provide technical know-how to policymakers.

- In late January 2004, we will conduct our second annual Policy Orientation to help state leaders prepare for the special session on school finance and opening of the 79<sup>th</sup> Texas Legislature.
- Before the special legislative session, we will have unveiled four major school finance research projects: (1) examining the economic impact of different rates of state taxation on the industries conducting business in Texas; (2) identifying the adverse economic impact of tax reforms proposed to generate additional revenue for public schools; (3) examining whether public schools

need additional revenues or instead need more efficient, effective resource allocation; and (4) providing a computer program (econometric model) that policymakers can use in their offices and legislative chambers to calculate the short and long term economic impact of specific tax reforms.

- In December 2004, we will distribute *Legislators' Guide to the Issues 2004-2005*, a policy primer that will help policymakers identify key state issues and market-based solutions.
- Throughout 2004, we will produce and distribute 12 major research reports that will help policymakers rein in government regulation, reduce state spending, improve student outcomes in K-12 education, improve health insurance coverage for all Texans, deregulate the telecommunications industry to improve price and quality, head off the impending water crisis, and enhance the state's economic vitality by rejecting calls for new and higher taxes.

**We ask for your support and look forward to working with you in 2004.**

**“TPPF is a credible source upon which the legislature depends in its decision-making. Materials from TPPF are always peer-reviewed and based on empirical data. This think tank is an indispensable resource for conservative, prudent politics.”**

*The Honorable Dianne White Delisi  
State Representative*



# How to Become a Supporter

**Yes!** I want to help Texas policy leaders by funding the development of comprehensive research that addresses the state's most pressing issues. I am joining at the following annual level:

## Chairman's Council

**\$5,000 or more**

- Invitations to teleconference discussions on upcoming research
- Invitations to private, intimate gatherings with scholars and policymakers
- Invitations to conferences, workshops, special events, and policy briefings
  - Personal invitations to dinners with VIPs and board members
- Priority communication with the President and Chairman of the Board
  - Receive all Foundation publications. Plus, all Patron Benefits

## President's Council

**\$2,500 - \$4,999**

- Invitations to private, intimate gatherings with scholars and policymakers
- Invitations to conferences, workshops, special events, and policy briefings
  - Receive all Foundation publications. Plus, all Patron Benefits

## Leadership Council

**\$1,000 - \$2,499**

- Invitations to conferences, workshops, special events, and policy briefings
  - Receive all Foundation publications. Plus, all Patron Benefits

## Sponsor

**\$500 - \$999**

- Invitations to conferences, workshops, special events, and policy briefings. Plus, all Patron Benefits

## Patron

**\$100 - \$499**

- Receive *Veritas* policy journal
- Receive summaries of Foundation research reports
  - Receive bi-weekly Texas Public Policy News

To maximize the impact of your contribution, please identify areas of personal interest:

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Children & Families | <input type="checkbox"/> Regulatory Policy  | <input type="checkbox"/> Taxes                  |
| <input type="checkbox"/> Environment & Water | <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Transit & Urban Sprawl |
| <input type="checkbox"/> Education           | <input type="checkbox"/> Health Care        |   |

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_ Fax: \_\_\_\_\_ Please accept my:  Personal check  Corporate check

Please bill my:  MC  Visa  Amex Card #: \_\_\_\_\_ Exp.: \_\_\_\_\_

Signature: \_\_\_\_\_

The Texas Public Policy Foundation is a non-profit, non-partisan research institute that accepts no government funds, relying solely on voluntary support from individuals, foundations, and businesses. Contributions are tax-deductible under Section 501(c)3 of the Internal Revenue Code. Remember, your greatest benefit of supporting the Foundation will be a better Texas. For more information call (512) 472-2700 or visit [www.TexasPolicy.com](http://www.TexasPolicy.com).





# Texas Public Policy Foundation in Action

A Texas Public Policy Foundation Publication  
April 2003  
**CRITICAL CONDITION**

*How Lawsuit Abuse Is Hurting Health Care & What Texans Can Do About It*

by  
**Chris Patterson**  
Director of Research, Texas Public Policy Foundation  
and  
**Colleen Whalen**  
Attorney and Counselor at Law, and  
Medical Legal Issues, State University of New York  
and  
**John Pisciotta, Ph.D.**  
Professor of Economics, Baylor University, and  
Senior Fellow, Texas Public Policy Foundation



411 Brazos St., Ste. 99  
Austin, TX 78701  
(512) 472-2700  
(512) 472-2728  
www.texaspolicy.com

Permission to reprint in whole or in part is hereby granted, provided the Texas Public Policy Foundation and the author are properly cited. Texas Public Policy Foundation materials are published for educational purposes only. The views of the authors are their own and do not necessarily reflect the views of the Foundation.



*Conducting Research  
Presenting Facts  
Telling the Story  
Impacting Policy  
Making a Difference*



ANNUAL REPORT

A Texas Public Policy Foundation Publication  
April 2003  
**Defined Contribution Health Care Plans:  
Benefits for Consumers, Employers,  
Physicians and Insurance Companies**

by  
**Haavi Morreim, Ph.D.**  
Professor, College of Medicine, University of Tennessee  
and  
Senior Fellow, Texas Public Policy Foundation



411 Brazos St., Ste. 99  
Austin, TX 78701  
(512) 472-2700  
Fax (512) 472-2728  
www.texaspolicy.com

Permission to reprint in whole or in part is hereby granted, provided the Texas Public Policy Foundation and the author are properly cited. Texas Public Policy Foundation materials are published for educational purposes only. The views of the authors are their own and do not necessarily reflect the views of the Foundation.

A Texas Public Policy Foundation Publication  
May 2003  
**Securing the Safety Net for Texas Children**  
*Cutting the Budget and Strengthening the Children's Health  
Insurance Program*

by  
**Chris Patterson**  
Director of Research, Texas Public Policy Foundation  
and  
**Devon M. Herrick**  
Research Manager, National Center for Policy Analysis



411 Brazos St., Ste. 99  
Austin, TX 78701  
(512) 472-2700  
Fax (512) 472-2728  
www.texaspolicy.com

Permission to reprint in whole or in part is hereby granted, provided the Texas Public Policy Foundation and the author are properly cited. Texas Public Policy Foundation materials are published for educational purposes only. The views of the authors are their own and do not necessarily reflect the views of the Foundation.

A Texas Public Policy Foundation Publication  
May 2003

**Public School Employee Health Insurance**  
*Bane or Boon to Balancing the State Budget?*

by  
**Dwight McNeill, Ph.D.**  
Visiting Scholar, Brandeis University



411 Brazos St., Ste. 99  
Austin, TX 78701  
(512) 472-2700  
Fax (512) 472-2728  
www.texaspolicy.com

Permission to reprint in whole or in part is hereby granted, provided the Texas Public Policy Foundation and the author are properly cited. Texas Public Policy Foundation materials are published for educational purposes only. The views of the authors are their own and do not necessarily reflect the views of the Foundation.

A Texas Public Policy Foundation Publication  
April 2003

**Shopping for a Solution**  
*Effective consumer protection  
through competitive regulation of insurance rates*

by  
**Nathaniel S. Shapo**  
Former Director of the Illinois Department of Insurance  
Partner, Sonnenschein Nath & Rosenthal  
and  
Senior Fellow, Texas Public Policy Foundation



411 Brazos St., Ste. 99  
Austin, TX 78701  
(512) 472-2700  
Fax (512) 472-2728  
www.texaspolicy.com

Permission to reprint in whole or in part is hereby granted, provided the Texas Public Policy Foundation and the author are properly cited. Texas Public Policy Foundation materials are published for educational purposes only. The views of the authors are their own and do not necessarily reflect the views of the Foundation.



# Texas Public Policy Foundation in Action

“The Texas Public Policy Foundation offers real solutions for real Texans. Its top-quality, independent research provides the intellectual ammunition for fighting for a better Texas.”

*The Honorable Rick Perry  
Governor of Texas*

\*\*\*\*\*  
**Perspectives**  
ON TEXAS PUBLIC POLICY  
October 22, 2003

**Thinking about School Finance in Texas**  
Testimony to the Subcommittee on Cost Adjustment of the Select House Committee on Public School Finance

By Eric A. Hanushek  
Stanford University and Uta

School finance in the United States has been contributing if not causing this turmoil. First, it participates in the design of school finance policy, a particularly well-equipped to do. Second, court tendency to centralize school decision making at its largely divorced from considerations of the perform outcomes have been disappointing both in terms of terms of measures of equity across schools. The Se problems, and I believe it is a very good sign that it to address the issues.

The topic of how best to finance the schools facets. I cannot hope to discuss all of them here too larger issues, and I am prepared to address in more with.

By way of background, I have been involve for over three decades. I am trained as an economi economics of education at the U.S. Air Force A Rochester, and most recently Stanford University, on K-12 Education of the Hoover Institution, a gre about how to improve our schools. Over this time I finance of education and on student performance in over the past six years I have worked at the Univer student performance in Texas.

**Perspectives on Finance**

A variety of perspectives are relevant for th must essentially consider them all. First, the vie finance discussions is that of educational policy, an performance. Second, school finance can be view efficiency, and politics of how funds are raise. Third, terms of pure spending opportunity and equity. I will spend most of my time on the first is tendency, particularly when the debate involve the for the efficiency and learning outcomes of scho finance including the overall levels of fundin can ultimately how much students learn. Let me start. I

\*\*\*\*\*  
**Perspectives**  
ON TEXAS PUBLIC POLICY  
September 2003

**Guiding Principles for Reforming Texas School Finance**

- The state should clearly define what constitutes a “diffusion of knowledge” or an adequate education – specifying standards for educational completion and post-secondary readiness with an explicit and required foundation curriculum.
- The state should hold all public schools accountable for meeting state educational standards and accredit only schools that meet these standards (it is unconscionable that the Legislature should accredit schools where 50% of students who take state assessments fail to pass).
- The state should substantially, but not wholly, underwrite the cost of funding the foundation curriculum – state mandated instruction – but not fund optional, supplemental local programs.
- Local communities should fund a part of the foundation curriculum to engage communities in educational success.
- Assessments should measure how well students are progressing toward the state’s goal of post-secondary readiness at every grade and accurately identify achievement gaps.
- Schools should be held accountable and accredited for meeting state education standards, not just improving student achievement.
- Local communities should be afforded the fiscal and legal opportunity to provide unrestricted supplemental, optional enrichment of instruction.
- Funding should be linked to students, not schools, districts or fractions.
- Categorical restrictions should be removed from school funding and full authority for resource allocation should be given to individual schools, provided state money is spent on state-required instruction.
- Incentives should be incorporated into the school accountability system to encourage and reward fiscal efficiencies and effective resource allocation.
- Students who fail state assessments or are enrolled in schools that fall below the state’s acceptable rating should be given state funds for unrestricted use in another public or private school.
- Public school choice should be enacted to introduce academic and fiscal competition.
- School finance reform should be revenue neutral because there is no evidence that money is linked to student achievement nor that more money is necessary for higher levels of performance; no additional funds should be provided for education other than increases to offset inflation and student enrollment.
- Tax reform should not generate more revenue than required to offset property tax reduction.
- Fiscal efficiencies and redefining resource allocation should underwrite part of the increased state revenues to public education.
- Consumption, not income, taxes should be enacted to furnish the additional revenues required to offset a decrease in local property tax contribution toward education.
- Tax reform to find alternative revenue sources for education should be fair, address inconsistencies in current tax law and promote economic vitality.

**Research Report**  
SEPTEMBER 2003

**The Business of Government?**  
*Competition Between Texas Governments & the Private Sector*

By Wendell Cox  
Senior Fellow, Texas Public Policy Foundation

A study of the policy implications, and associated financial consequences, of Texas’ governments competing with the private sector in commercial endeavors.

**Research Report**  
DECEMBER 2003

**Putting the Sides Together**  
*Twelve Perspectives on Texas Public School Finance*

Edited and Introduced by  
**Chris Patterson**  
Director of Research, Texas Public Policy Foundation

**Research Report**  
OCTOBER 2003

**Follow the Money**  
*A 50-State Survey of Public Education Dollars*

By Chris Patterson  
Director of Research, Texas Public Policy Foundation  
with  
Chad Blivins & Andrew Brown  
Fall Research Associates, Texas Public Policy Foundation

including the works of

**John Merrifield, Ph.D.**  
University of Texas at the sources

**William Peacock, M.B.A.**  
Robert Johnson

**Wayne Pierce, Ed.D.**  
Robert Center

**Lori L. Taylor, Ph.D.**  
Public School of Government and Public Service, Texas A&M University

**Richard Veldler, Ph.D.**  
Ohio University

**Elen Williams, J.D.**  
Texas Cities Center

www.TexasPolicy.com

**VERITAS**  
A JOURNAL OF PUBLIC POLICY IN TEXAS  
September 2003

**Reviewing the 78<sup>th</sup> Legislative Session**

- Welcome to Veritas  
by Brooke Leslie Rollins
- We Did What We Set Out To Do  
by the Honorable Rick Perry
- New Texas Heroes  
by the Honorable Tom Graddick
- Leaving the Safe Harbor  
by the Honorable Florence Shapiro
- Lean Budget Helps School Finance  
by the Honorable Kurt Grussendorf
- Curing Texas’ Lawsuit Headache  
by the Honorable Joe Nixon
- Rebuilding Texas Health Care  
by the Honorable Dianne White Dallas
- A Fresh(men) Perspective  
by the Honorable Linda Harper-Brown
- The Inside World of the Texas Press  
by Sherry Sylvester
- Let the Texas Majority Rejoice!  
by Michael Garret Sullivan

www.TexasPolicy.com

**VERITAS**  
A JOURNAL OF PUBLIC POLICY IN TEXAS  
December 2003

**Looking Forward To 2004**

- Welcome to Veritas  
by Brooke Leslie Rollins  
Texas Public Policy Foundation
- Medicaid Issues and Challenges  
by Isaac Eiger  
Kennedy School of Government • Harvard
- A Labor of Love  
by Pamela Berigno  
Independence Institute • Boulder, CO
- Common Sense Budgeting  
by Rob Williams  
Evergreen Freedom Foundation • Olympia, WA
- What’s Money Got To Do With It?  
by Chris Patterson  
Texas Public Policy Foundation
- Pass It On: Telecom Matters  
by Kent Lussman  
Progress & Freedom Foundation • Washington, DC
- The Business of Government?  
by Wendell Cox  
Cox Consultancy • Belleville, IL

www.TexasPolicy.com

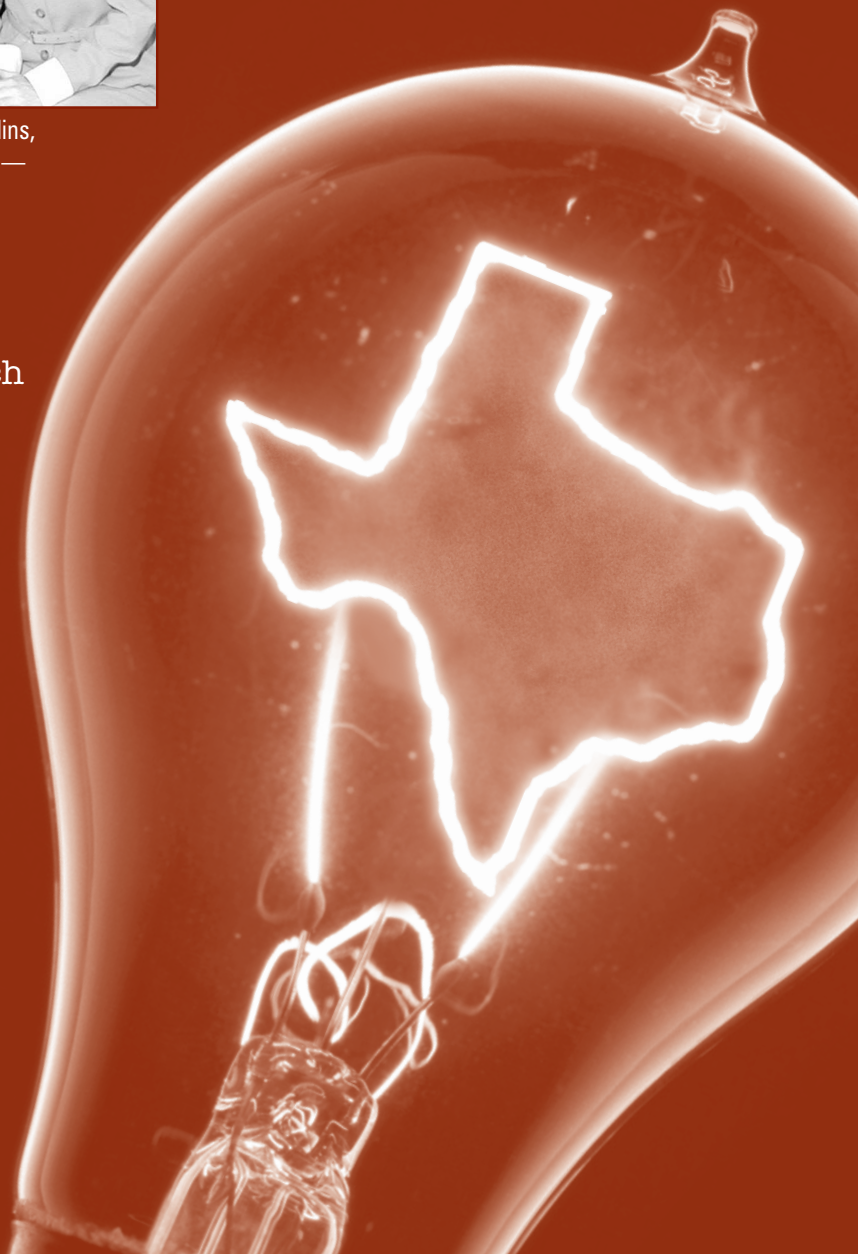
Thank you from the entire staff of the Texas Public Policy Foundation!



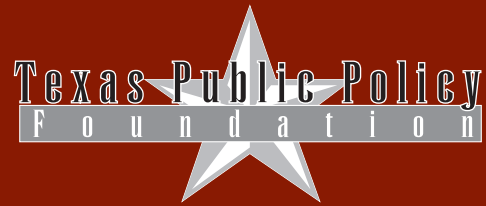
Front Row — Chris Patterson, Director of Research; Brooke Rollins, President; Shari Hanrahan, Director of Development. Back Row — Kate Doner, Director of Finance; Michael Quinn Sullivan, Vice President; Byron Schlomach, Chief Economist; Tonda Bunge, Director of Operations

Special thanks to the 2003 research associates who participated in the Foundation Fellowship Program.

Chad Blevins  
Andrew Brown  
Charles Ganske  
Jared Harrell  
Molly Moran  
Cheryl Winkler



2003 ANNUAL REPORT



411 Brazos Street, Suite 99

Austin, Texas 78701

(512) 472-2700

[www.TexasPolicy.com](http://www.TexasPolicy.com)