



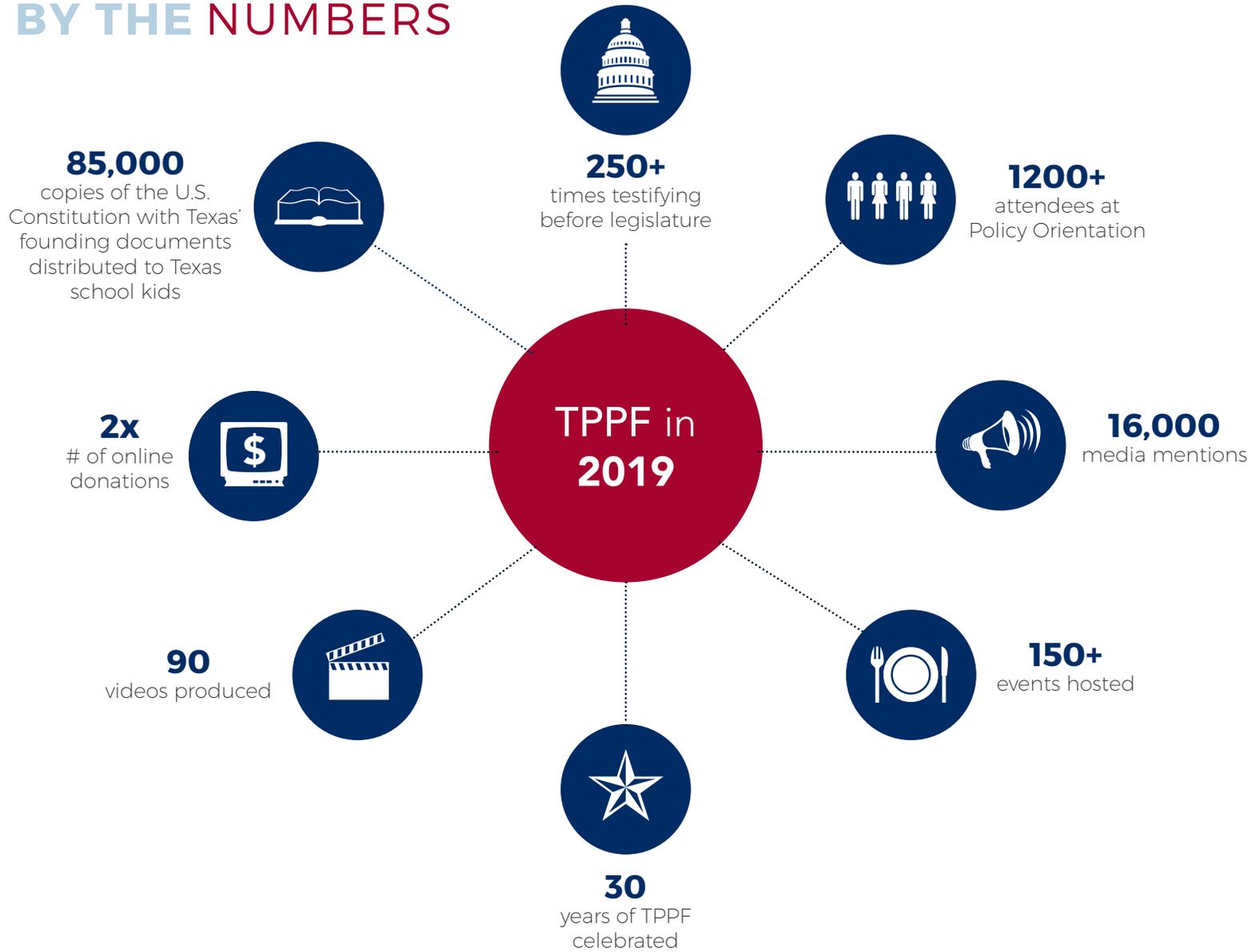
**Texas Public Policy
Foundation**

CELEBRATING 30 YEARS

2019ANNUALREPORT

2019

BY THE NUMBERS



CELEBRATING 30 YEARS OF LIBERTY

SAM HOUSTON SUMMED IT UP NICELY: “Texas is the finest portion of the globe that has ever blessed my vision.” Our mission at the Texas Public Policy Foundation is to ensure it remains so—the most free and the most prosperous state in the nation, where families enjoy both liberty and opportunity.

We can sum up that mission concisely—let’s keep Texas Texas. That means guarding against federal overreach at the national level, and the importation of policies that have failed elsewhere at the local level. It means spreading the message about the Texas Model to other states and showing them they can enjoy the same prosperity—if they’re willing to cede power to their people.

TPPF has just completed its 30th year of work in the Lone Star State, but has now reached far beyond it, with a substantial policy presence in Washington D.C. and many other states.

Our work would, of course, be impossible without the support of patriots in Texas and throughout the nation. Thank you to all who make our work possible! We cherish your trust and are honored to nurture and advance those principles which constitute the foundation of American greatness.

In this year’s report, you will find just a few examples of the success we have met with in our mission to promote liberty at every level. Enjoy this brief celebration of 2019—and preview of what’s ahead in 2020.

Sincerely yours,



Kevin Roberts

Kevin D. Roberts, Ph.D.
Executive Director

WELCOME NEW CHAIRMAN OF THE BOARD

IN OCTOBER, we were delighted to announce the appointment of Thomas “Tim” Lyles, Jr. as chairman of the board. He succeeds long-time chairman Dr. Wendy Lee Gramm to whom we are very grateful for her leadership.

Tim has been a part of the Foundation’s success from the beginning. He advised and assisted our founding team during our formative years and has continued to serve throughout the years.

Tim is both a lawyer and CPA and formerly a briefing attorney for the Chief Justice of the Supreme Court of Texas. Tim is a manager with MedCare Holdings GP, LLC, a general partner of Medcare Holdings, Ltd., and has more than 20 years of experience establishing health care companies. He is a graduate of Texas A&M and the SMU School of Law.

Tim and wife Laura are the proud parents of nine and grandparents to five. Beyond family, he can best be described as a “builder”—of people, of companies, and of freedom. He is a man of faith who tries to always remain focused on the priorities of God and others.

He is similarly passionate about building companies and mentoring others to do the same. And, appropriately for his new role with the Foundation, Tim has a passion for identifying public policy that promotes common sense, liberty-focused solutions to the real-life issues that affect our livelihoods, our families, and our children.

“Without TPPF, the state of Texas—perhaps even America—would be a different place.”

“Without TPPF, the state of Texas—perhaps even America—would be a different place,” he observes, “and I look forward to working with my fellow board members to advance the Foundation’s mission of promoting liberty, personal responsibility, and opportunity for people throughout our state and nation.”



TIM LYLES, JR.
CHAIRMAN
OF THE BOARD

POLICY ORIENTATION

IN 2019, WE SAW OUR LARGEST Policy Orientation ever with more than 1200 guests gathered to hear from Texas' most influential leaders and gain insight going into the legislative session.





SESSION SUMMARY

FROM THE BEGINNING, the Foundation has focused on the work of the Texas Legislature, and 2019 was no different, even as we expanded our related work on the federal level. Like any session, the results were not perfect, but we are proud to be leaders on some of the biggest wins for Texans this year.

PROPERTY TAXES – RELIEF AND REFORM

There is no better example of taking the good with the bad than the central fight of the session, property taxes.

Cumulatively, taxpayers will see \$5 billion in actual property tax relief, a goal that has eluded legislative leaders for more than a decade. While we would like to see more substantial relief from increasingly crippling property taxes, this real relief is coupled with limitations on the taxing structures that drive property taxes. The law now limits the growth of revenue from school district maintenance and operations taxes, usually the largest part of your property tax bill, to 2.5 percent a year unless there is voter approval. And most of the other local tax jurisdictions will now require an election to increase property tax revenue by more than 3.5 percent.

While the ultimate solution for a fair system of property taxes has not yet been achieved, Texas can take heart that some real relief is coming their way and that the runaway growth of local taxation has been reined in.

TPPF played a significant role in accomplishing this progress by continuing our long-standing calls for revenue limits, paid advertising, promoting our research showing the real dangers of out-of-control property taxes, and delivering polling research showing Texans are demanding real relief now.

As a state, we are on the way to ending the economically crippling nature of property taxes but it is still a major burden on home and business owners. At TPPF we are continuing to look at alternative funding structures and even more importantly, ways to keep overall spending low to reduce the overall tax burden.

BUDGET

The last two sessions, lawmakers passed a Conservative Texas Budget, which limits spending growth to no more than population growth and inflation. These parameters aren't arbitrary but are standards to make sure taxes, driven by spending, don't increase more than an average Texan's ability to pay.

This session, a Conservative Texas Budget would have increased spending no more than 8 percent. Unfortunately, lawmakers ultimately approved a budget that grew spending by 8.58 percent, even when you exclude dollars dedicated to Hurricane Harvey aid and property tax relief.

While legislators did much to limit the rapid growth of local governments, they failed to show as much restraint in the state budget. They did stay under the budget cap constitutionally set by the Comptroller, but long-term such increased spending, even in prosperous years, is problematic. Spending increases today drive long-term spending obligations tomorrow, and all government spending is done at the cost to taxpayers.

TPPF and the coalition 17 other of taxpayer-focused groups calling for a Conservative Texas Budget were able to help push for less spending overall, but budget writers still missed the mark. At TPPF we will continue our work for spending cuts and keep the effects on taxpayers as a central part of future budget debates. We will hold the line on what it means to have a Conservative Texas Budget.

TAXPAYER-FUNDED LOBBYING

One of the great ironies of Texas government is that lobbying efforts funded through taxpayer dollars for cities, counties and other taxing entities are so often at odds with taxpayer interests while taxpayer-focused groups like TPPF don't use a single cent of taxpayer money. While local governments are completely entitled to represent their community interests before the Legislature, the use of hired-gun lobbyists to push for more spending and less budget reform on taxpayers' dime is a travesty.

If you ever wonder how government leaders can all seemingly support a reform or spending restraint and yet it does not pass, ask yourself if taxpayer funded lobbyist had a vested interest in stopping the measure. It's a little-known dynamic that 9 out 10 of Texans oppose when polled but has operated with limited attention for so long that most Texans don't think about it.



This session, we made more progress on ending this travesty than ever before. Through the leadership of members like Rep. Mayes Middleton and Senators Paul Bettencourt and Donna Campbell, not only did this issue receive attention but also a vote. By educating Texans on this issue and pushing for both incremental and major progress, we will put an end to this practice.

While SB 29 ultimately failed to pass, we were able to encourage the Republican Party of Texas to officially support the concept and to make it one of their top five priorities. As issues of property taxes and local liberty continue to beat at the heart of legislative debates, addressing the problems of taxpayer funded lobbying will only become more essential.



Members of the Foundation's Liberty Leadership Council learn about the legislative process and get the opportunity to participate in activities like Legislative Day during the session.

EDUCATING TEXAS ON EDUCATION

Making up more than half of the state's budget, combined spending for K-12 and higher education cannot be ignored nor can the needs of Texas' students. While some call for more money to be spent in the name of education, TPPF instead pushed for greater accountability for how these dollars are spent and how students are actually learning.

Through policies now requiring school boards to set reading and math goals for districts, conduct efficiency audits, and utilize merit pay programs, we can improve the effectiveness of school funding. Additionally, transparency and accountability are the essential next steps in making education more student-centric and responsive to families and taxpayers. With one out of every 10 students in America learning right here in Texas, there is simply too much at stake to passively let a bureaucratic education system crush what should be the real goals of education.

ANOTHER CHAPTER FOR CHARTERS

While the Texas Legislature missed an opportunity to expand education choice this session, TPPF was at the front lines to shut down more than 40 pieces of legislation seeking to further limit charter schools. As charter schools continue to succeed and the demand for education opportunity grows, the long-term prospects for innovation in Texas education choice will only increase. Preserving charter school opportunities is essential for real education freedom in our state and is a mission we at TPPF will not abandon. As a part of that, efficiency requirements coupled with accountability measures supported by TPPF are a path to empowering families and returning the education system to one focused on the child.

KEEPING IT CIVIL

Additionally, TPPF was able to support an additional emphasis on traditional civics education in schools. One of the greatest charges of schools is to prepare students to participate as active citizens in our republic. By emphasizing civics education as a part of school curriculum, we can promote a brighter future for our state with citizens ready to appreciate and engage in the democratic process.

In a related issue, TPPF supported Senate Bill 18 which helps to protect free speech rights on public college campuses so that a full spectrum of views may be presented, not just those of the academic establishment.

HIGHER EDUCATION

Also in higher education, we were able to push for greater transparency by requiring reporting on marketability of programs so students will better understand their investment before pursuing a degree, often times incurring debt along the way. This is helpful as TPPF joins with other partners in our new Right on Work initiative which helps bridge the gap between Texans in need of promising work and employers looking for qualified hires.

In Texas, our greatest asset is our people, and at TPPF we are working with policy makers to create a system responsive enough to adjust to the needs of a 21st Century workforce.

FOSTERING MORE REFORM

With a foster care system in crisis, legislators sought major reforms in 2017, including the implementation of community-based care. In 2019, TPPF worked to protect those advancements and expand the reform.

Rather than operating foster care services through a single, centralized bureaucracy in Austin, community-based care creates regions of services that can be more responsive to children, their families and the community as a whole. Not only does it provide better outcomes, but it does it more efficiently rather than trying to ineffectually juggle the needs of a state as large as Texas. By being more closely associated with the communities they serve, commu-

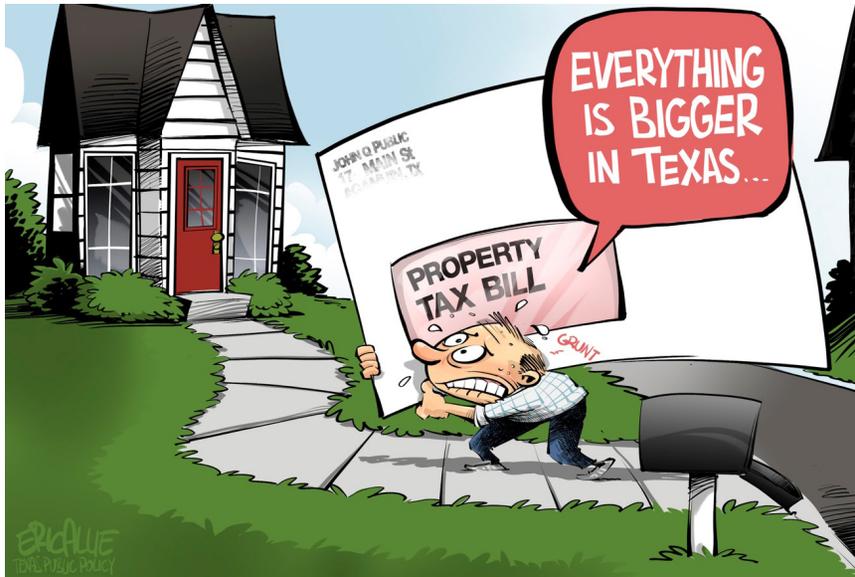


Dr. Tom Lindsay (left) interviews Richard Vedder about his book, *Restoring the Promise: Higher Education in America*.

nity-based foster care is actually able to integrate services from local private and non-profit organizations.

CRONYISM

The 86th Texas Legislature made some progress in reining in government-backed preferences for specific business interests, but still has a long way to go to fully eliminate subsidies, preferential tax treatments, and regulatory favoritism.



The Texas Alcoholic Beverage Commission sunset bill is an example of progress and setbacks. The streamlining of the licensing system and the label application process, the end of the archaic distinction between beer and ale, increased transparency and accountability in the protest process will allow businesses to work more efficiently and will benefit consumers. However, the bill also grants unnecessary authority to the agency, risking perpetuating past abuses of regulatory power. It's a good reminder that even when government agencies are responsive for a time, we must guard against an expansion of power that sets a precedent of intervention for future, less responsible leadership.

Also on the Sunset Bill was a bi-partisan amendment that had been blocked as a stand-alone bill. Because of this amendment, Texans will soon be able enjoy the seemingly simple act of taking home

beer from their local brewery the same way they already can with wine from wineries or distilled spirits from distilleries. While this is major progress on what should be a simple consumer and supplier exchange, limitations on the amount of product purchased are still prohibitive to real economic freedom and the Legislature should look to build on these advances in future exchanges.

There was also mixed news on the subsidy front. Several programs that subsidize or give preferential tax treatments to some businesses over others have been expanded. The Texas Moving Image Industry Incentive Program received an appropriation of \$50 million in the budget, more than twice what it received the last biennium. The Legislature authorized several cities and counties to levy or expand their use of the hotel occupancy tax (the revenues from the local tax are meant to support and promote the hotel and convention center

industry). The major events reimbursement program saw its list of eligible events expanded.

However, one good piece of news for Texas taxpayers is that they were protected from having to subsidize yet another industry when advocates failed to pass a bill that would have created a new program to transfer some tax revenues to a limited number of music venues and festival promoters in Texas.

FORCING AN END TO FORCED ANNEXATION

In the category of things so un-Texan you can't believe it is true, until last session municipalities had the authority to annex lands into their jurisdiction without a vote of the landowners. In 2017 the Legislature limited the practice in some counties but thankfully came back and finished the job in 2019. While forced annexation should have never been a reality in a state that values property rights the way we do in Texas, annexation reform is a perfect example of revolutionary reform through incremental progress. TPPF is proud of our long-standing support of this and other private property right protections.

MAKING PUBLIC INFORMATION PUBLIC

As leaders of the Texas Sunshine Coalition, TPPF joined groups from across the political spectrum highlighting significant loopholes in the Public Information Act that undermined its spirit of transparency and accountability. In a bi-partisan effort, the Legislature limited some of the most common practices governments employed to keep taxpayers in the dark such as undemonstrated needs to protect trade secrets and entertainment event exemptions.



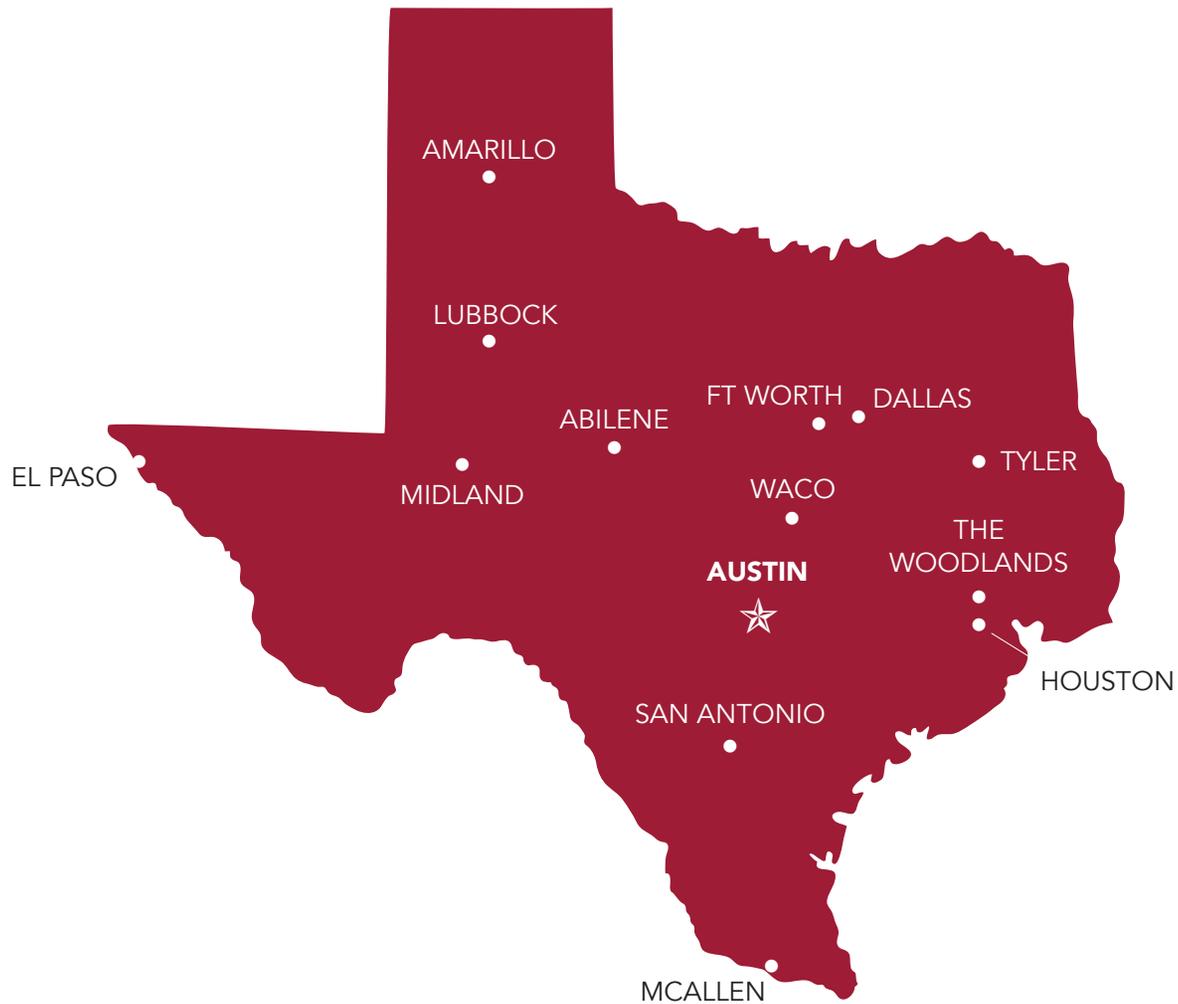
James Quintero (left) who leads the Foundation's Center for Local Governance celebrates the end of forced annexation with Jason Isaac (right) who leads the Life:Powered initiative.

While TPPF scored a major victory in 2017 by eliminating forced annexation for many Texans, the law did not go far enough and only applied in some counties. In 2019, we were able to extend the protection to the whole state.

STATE OF THE TAXPAYER TOUR

FOLLOWING A LEGISLATIVE SESSION focused on the Capitol, we were excited to hit the road with some of our top experts to update you on how policy changes will affect you and even more importantly, hear your questions and concerns.

As always, it was important to get out of the Austin bubble and connect with people across the state. If you missed our roadshow, don't worry. We have many more events planned for 2020.





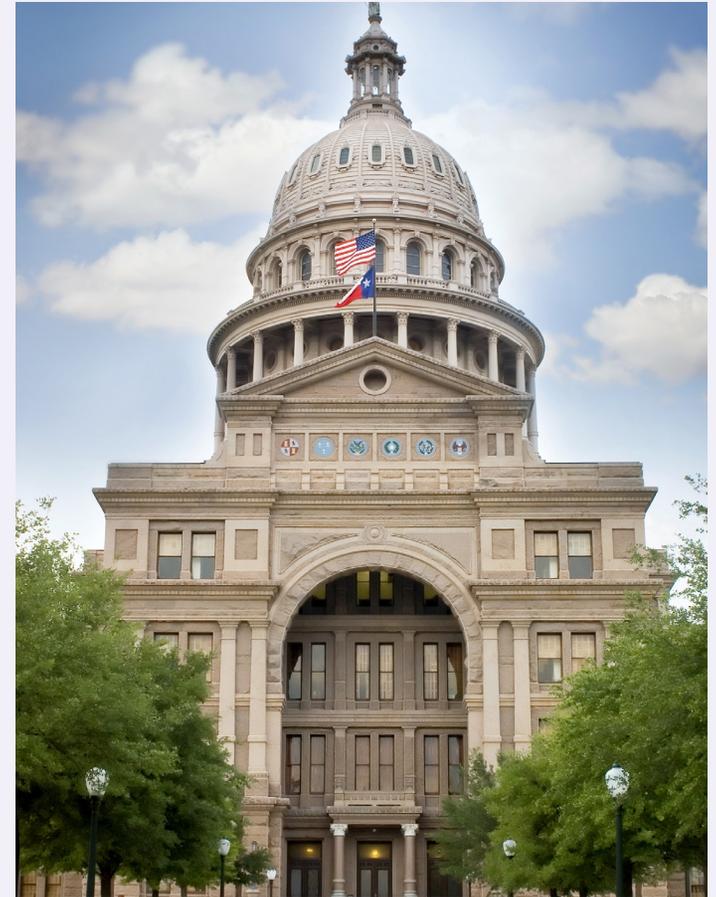
30 YEARS OF HISTORY HIGHLIGHTS

1989

FOUNDED IN 1989: It is no coincidence that the Texas Public Policy Foundation was founded 30 years ago, a landmark time for democracy. In a year when the Berlin Wall fell and the end of the Cold War changed the geopolitical landscape forever, there was a need to cultivate the ideals of liberty and self-reliance for coming generations. Knowing that the future of Texas was at stake, and that where Texas leads the world would follow, a “Heritage Foundation for Texas” was founded. Despite the ambitious vision of the small group of founders, even they could not anticipate the dramatic way the Foundation would shape not only the state but also the United States.

2003

POLICY ORIENTATION: At the beginning of every year, policymakers across the state focus on Austin, Texas and what happens at our Policy Orientation. For almost two decades, Policy Orientation has helped define the conservative agenda and set change into action by bringing together our most influential leaders and educating individuals across the political spectrum. It’s no wonder this conference continues to grow and sell out every year as those in the know understand what happens at Policy Orientation can set the agenda for the rest of the legislative session or interim.



2003

TORT REFORM: A founding objective of the Texas Public Policy Foundation was addressing the “judicial hellhole” the state had become for excessive litigation costs, especially in the medical field. By 2003, the state was in crisis. One out of four doctors had a malpractice claim filed against them each year. Malpractice insurance premiums skyrocketed, and Texans paid the costs in increased medical bills and a shortage of medical providers. As a central figure in tort reform, the Foundation helped turn the state around. Within a decade, Texas was clearly the leading example of what real reform could achieve. By 2013, Texas had nearly 60,000 doctors to care for its citizens, almost twice as many as it had in 2003. Additionally, a reformed tort system became a huge attraction for businesses and job growth in the state.

2007

CRIMINAL JUSTICE REFORM: Established in 2007, the Right on Crime initiative began the process of re-imagining criminal justice in a way that upholds conservative values. Since that time, reforms championed by the Foundation and supported by Texas leaders like then-Gov. Rick Perry revolutionized the state’s criminal justice system. Texas strengthened alternatives to incarceration, which resulted in significant reductions in crime while avoiding billions in taxpayer costs.

Texas is now a model of criminal justice reform. In 38 states, we’ve helped legislators pass comprehensive juvenile justice reform, overhaul civil asset forfeiture, and establish oversight committees to ensure results and properly manage taxpayers’ money. In a perfect example of how states can lead the way, Congress last year passed the First Step Act, echoing many of the state reforms in the federal prison system.



2010

FOUNDING OF 10TH AMENDMENT ACTION CENTER: In 2010, the Texas Public Policy Foundation founded the Center for Tenth Amendment Action with a young conservative leader named Ted Cruz. In the years since, both the Center and now-Sen. Cruz have risen in profile. Now called States Trust, this initiative is tackling some of the biggest issues from immigration to workforce development. States Trust is restoring the states' voice in federal policymaking, all under the framework of the Tenth Amendment.



2011

2011 BUDGET FIGHT: During the 82nd Legislative Session, budget writers sought to raid the Rainy Day Fund not for the one-time emergency expenses it was designed for but to shore up an overextended budget and create both a precedent and expectation for future spending. Despite the fact that budget writers had already come to a tentative agreement to dip into the Rainy Day Fund, the Texas Public Policy Foundation made the case directly to Texans through a statewide television advertising campaign. By the end of the session, the Rainy Day Fund spending was eliminated and the chairman of the Senate Finance Committee pointed to the Foundation's work as the very reason why.

CONSERVATIVE TEXAS BUDGET

COALITION: A strong Texas economy has at times provided legislators with greater spending opportunities than what was actually needed to continue state operations and services. The temptation to spend more than needed has grown the size of government and expanded the obligations of future budget writers. Starting in 2015, the Texas Public Policy Foundation has led a coalition calling for a Conservative Texas Budget, one that does not exceed population growth plus inflation, and reflects the actual needs of Texans and their ability to pay. Though the Legislature has sometimes failed to pass such a budget, by setting the standard and we are holding lawmakers accountable for what they spend and how it affects Texas.



2015

NEW HEADQUARTERS: It was at the 20th Anniversary Gala that a campaign for a new headquarters was announced, and on San Jacinto Day in 2015, liberty's new address officially opened. Surrounded by offices for special interest groups looking out for bureaucracy, unions and taxing entities, the Foundation's Austin office represents an undeniable reminder that we are here to represent taxpayers and help develop policies that will help all Texans prosper.

CENTER FOR THE AMERICAN FUTURE: Throughout its history, the Foundation always influenced policy, but in 2015 it stepped into a new sphere of influence by creating a litigation center to work for liberty through the judicial system. The Center for the American Future enhances our core mission by challenging government overreach and representing clients whose lives and liberties are threatened by unconstitutional action.



2017

LIFE:POWERED: Telling the real story of fossil fuels and how they provide safe, reliable and affordable energy has long been a central focus of the Texas Public Policy Foundation. In particular, we never backed down in our fight against the so-called Clean Power Plan, an Obama-era program that not only threatened the American economy but opened the door to excessive regulation and government overreach. Our Fueling Freedom initiative, which recently rebranded to a national project called Life:Powered, not only led the way in opposing the Clean Power Plan but also provided a path forward once President Trump announced the plan's repeal in 2017. Life:Powered's current focus is "raising America's energy IQ," educating policymakers and the public about the benefits of energy through targeted marketing and education initiatives to prevent similarly poor policies in the future, including attempts from local governments to enact their own version of the Green New Deal.

OPENING OF A DC OFFICE: The Foundation's work and influence was never limited to just what was happening in Austin, but in 2017, our work became so influential and so needed that a DC office was established. While the heart and soul of our work will always be in the Lone Star State, the opportunity to promote liberty and proven state reforms in the nation's capital could not be denied and is evidence of the Foundation's rise to prominence in the last 30 years.

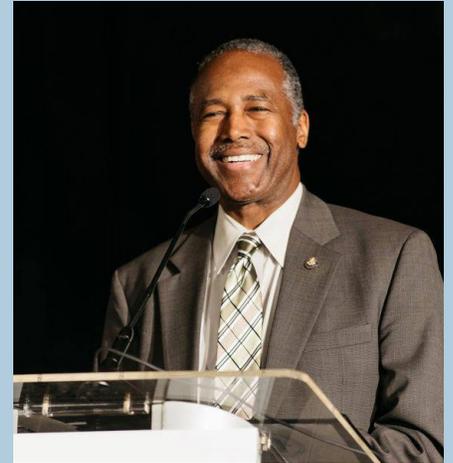


Life:Powered (top photo) hosts a community forum in Georgetown, Texas where promises to go "100 percent renewable" not only weren't true but also created a bad deal for residents.

David Balat, director of the Foundation's Right on Healthcare initiative, testifies before the U.S. House Committee on Oversight and Reform about healthcare solutions.

30TH ANNIVERSARY GALA

IT WAS A CELEBRATION three decades in the making. With a capacity crowd at the Bob Bullock Texas History Museum, we celebrated how the Texas Public Policy Foundation has helped keep Texas, Texas and led the way in the nation for 30 years.





Celebrating 30 Years



2019 FINANCIALS

2019 BALANCE SHEET

Assets

Cash & Receivables	\$8,983,329
Prepaid Expenses	\$127,834
Property & Equipment	\$18,046,168
Other Assets	\$6,120,515
Total Assets	\$33,277,846

Liabilities

Current Liabilities	\$191,580
Deferred Revenue	\$120,985
Long-term Liabilities	\$7,842,562
Total Liabilities	\$8,155,127

Net Assets

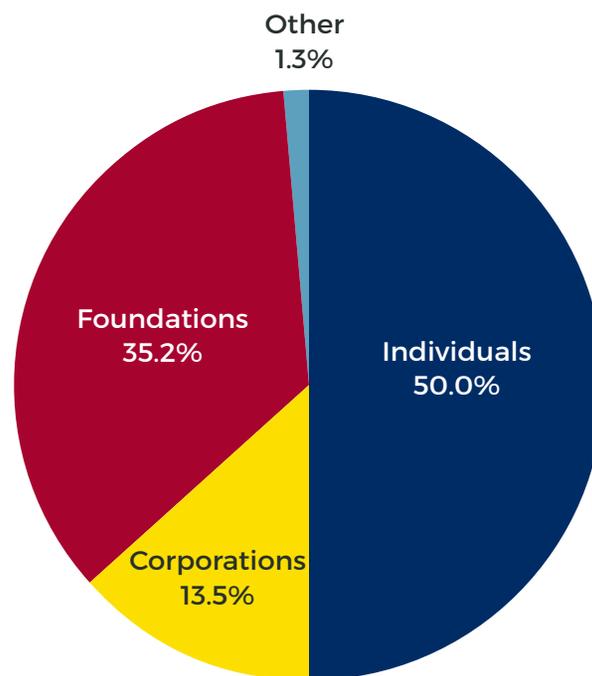
Equity - Prior Years	\$24,414,904
Equity 2019	\$707,815
Total Net Assets	\$25,122,719

Total Net Assets & Liabilities

\$33,277,846

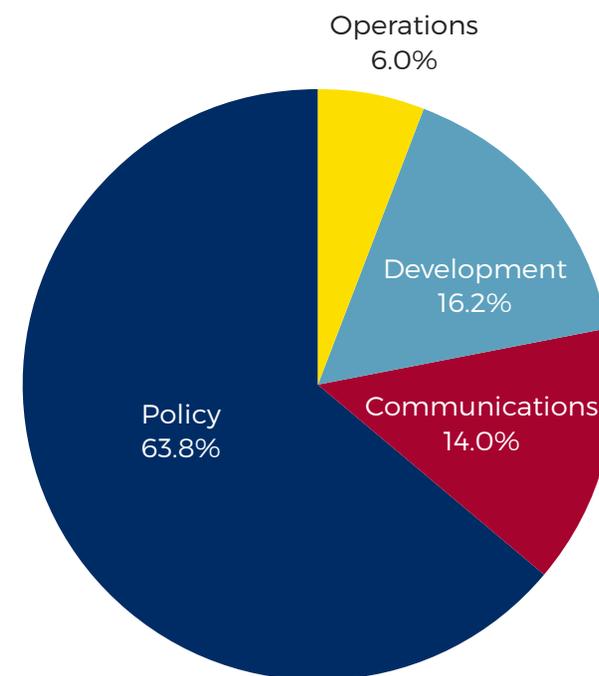
OPERATING REVENUE

\$17,007,854



EXPENSES

\$16,300,039



—All financial data subject to review by independent audit.

MISSION STATEMENT

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.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.