

# Veritas

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION



**INSIDE THIS ISSUE:  
TEXAS V. CALIFORNIA,  
HOMEOWNERS' INSURANCE AND  
CHARTER SCHOOL SUCCESSES**

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# Veritas

Issue 4 ★ 2008

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IN MEMORIAM  
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Veritas is a quarterly publication of the Texas Public Policy Foundation, a 501(c)3 non-profit, non-partisan research institute guided by the core principles of individual liberty, personal responsibility, private property rights, free markets, and limited government.



Dear friends,

## FROM THE PRESIDENT

In this special season of thanks and hope, I am grateful—and humbled—for the many blessings in my life. I am honored to be a part of the work of the Texas Public Policy Foundation and the role that it plays in creating a freer, more prosperous place for my children to live, learn, and grow. I am grateful for time together with family and friends to rejoice, reflect, and recognize the gifts, amid challenges, this year has brought. And, I am truly blessed to live and work in the greatest state in the nation—the greatest nation in the world.



Brooke Rollins

Now, listening to the news lately, you might be wondering what there is to be so thankful for. Economic crisis. Global terrorism. Rising unemployment... and the list goes on. And, if you are a true believer in the conservative movement, the outcome of the latest elections may have you feeling more gloomy than grateful. But, if we take a look back in history, there is a silver lining.

In Barry Goldwater's book *The Conscience of a Conservative*, there is an interesting piece in the introduction. It notes that, in retrospect (after a detailing of the country's history with presidential elections), the GOP's defeat in 1976 was among "the most fortunate of events in the history of conservatism. With Mr. Carter's capture of the White House, with liberals, from 1977 to 1981, holding all seats of power, from Congress to the courts, from the bureaucracy to the media, the stage was set for the ideological showdown of 1980. Perfect casting came, with the GOP's decision to nominate the man who had succeeded Senator Goldwater as 'Mr. Conservative.'"

I am sure every reader will have a different take and opinion on that piece of history, but I find it compelling and particularly relevant today. Now, more than ever, we must remain committed to the conservative principles that Ronald Reagan believed in as he turned our country back into one of freedom and prosperity. In Texas, I am grateful that we have not lost sight of sound conservative principles. Today, Texas stands as one of the few shining beacons of economic success across the nation.

Our lower taxes and spending have catapulted the state to the number one job grower in all the country—in fact, in the last year we have had more job growth than almost all other states combined. We have led the country on cutting taxes, limiting spending, deregulation, tort reform, and reforming our approach to criminal justice. We are home to more Fortune 500 companies than any other state, and have more money in the bank than all others.

Yet we have plenty of work left to do in Texas, and we must redouble our efforts as we tirelessly dedicate ourselves to the advancement of liberty and freedom—and motivate others to do the same. I remain thankful and optimistic that these ideals will rise once again to the forefront of America's consciousness. Thank you for your continued, unwavering support.

Sincerely,

A handwritten signature in black ink that reads "Brooke Rollins".

Brooke Rollins  
President

# Texas v. California: Economic Heavy Weights Go Head-to-Head

by Nancy Druart

Internationally renowned economist Dr. Arthur Laffer declared Texas the knockout winner of its economic rivalry with California and predicted a bright future for the Lone Star State due to its commitment to low taxes and limited government.

"The result of a head-to-head competition between Texas and California is an economic blowout. Texas' economic prospects are bright and the Texas economy will significantly outperform California's."

"The result of a head-to-head competition between Texas and California is an economic blowout," Laffer said. "The economic environment in Texas has significant advantages over California. The implications of this competitive advantage are clear; Texas'



Internationally renowned economist Dr. Arthur Laffer discusses the competitive advantage of Texas' economic landscape over that of California with Texas Governor Rick Perry.

economic prospects are bright and the Texas economy will significantly outperform California's."

Laffer made his announcement at a sold-out luncheon at the Four Seasons Hotel in Austin. The event was sponsored by the Texas Public Policy Foundation, the Texas Association of

Business, and the Texas Conservative Coalition Research Institute.

"Working with the legislature, we laid the foundation for today's economic success by creating a reasonable regulatory climate ... and one of the lowest tax burdens in the country," said Texas Gov. Rick Perry, who accepted the accolades and spoke at the luncheon. "Today we are reaping the benefits of these policies and are able to cut taxes while other states are cutting budgets."



Foundation president, Brooke Rollins, shares a laugh with Dr. Arthur Laffer and Gov. Rick Perry before the start of the event at the Four Seasons Hotel in Austin.

The Foundation also released a paper authored by Dr. Laffer, "Competitive States: Texas v. California—Economic Growth Prospects for the 21st Century," available online at [www.TexasPolicy.com](http://www.TexasPolicy.com).





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## TEXAS V. CALIFORNIA continued

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The report contrasted Texas and California on six broad categories that have been proven to affect a state's economic competitiveness. The results? The dramatically different economic approaches of these two economic heavy weights has caused businesses to flock to Texas and flee California.

While Texas has a higher property tax burden, California has a higher state sales tax rate. The Golden State also assesses a corporate income tax and taxes on capital gains, dividends, and personal income that the Lone Star State does not.

Government spending also matters to businesses. Higher government spending not only correlates to a higher tax burden but a greater likelihood that those tax dollars will be spent on bureaucracies. California's per-capita government spending is 30 percent higher than Texas', and that gap continues to widen.

In the last year, Texas has added almost 250,000 new jobs—more than half of the national total. California has shed 200,000 jobs just in the last four months and boasts one of the highest unemployment rates in the country.

"Texas' current prosperity and California's struggles are not a coincidence," said Foundation president Brooke Rollins. "Businesses want to locate and people want to live where government doesn't get in their way with excessive taxes and regulation. As long as these states continue on their current paths, businesses and people will continue to flee California for places like Texas."

**"Businesses want to locate and people want to live where government doesn't get in their way with excessive taxes and regulation."**

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As employers move, so do workers. Four of America's 10 fastest-growing metropolitan areas are in Texas. As employers and workers move, so do their tax dollars. In January, the Texas Legislature will return to Austin with a likely surplus of \$10 billion.

The Foundation looks forward to working with Gov. Perry and the Legislature to maintain a competitive edge in the difficult times ahead. As champions of disciplined fiscal policy, Texas and the Texas Public Policy Foundation are leading the way to a brighter future—now and for generations to follow. ★

Nancy Druart is the Publications & Marketing Manager at the Texas Public Policy Foundation. She can be reached at [ndruart@texaspolicy.com](mailto:ndruart@texaspolicy.com).



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FROM TOP: Texas Governor Rick Perry; Texas Comptroller Susan Combs makes a point to Dr. Arthur Laffer; Dr. Arthur Laffer emphasizes what Texas is doing right; Texas Representative Carl Isett listens on; Texas Public Policy Foundation chairman Dr. Wendy Lee Gramm introduces the speakers.

# Donor's Corner

## Meet Mr. Bill Minick and Dr. Melissa Tonn

by Sarah French, Grants and Proposals Manager

History has proven that when government regulation becomes too expensive, inefficient, and inconvenient, pioneering individuals will step forward to answer the need for efficiency with innovative, free market alternatives. Two such individuals are Bill Minick and Dr. Melissa Tonn.

Bill Minick, President and Founder of PartnerSource, Inc., and Dr. Melissa Tonn, President and Chief Medical Officer of OccMD Group P.A., are a visionary couple employing free market principles for the benefit of Texas employees.

Mr. Minick and Dr. Tonn became involved with the Texas Public Policy Foundation after reading a paper from the Foundation's Center for Economic Freedom supporting the free market alternative of nonsubscription in providing workers' compensation. They quickly realized that the Foundation is actively working for free market principles in a wide range of issues and have become dedicated supporters of the Foundation's efforts.

Most importantly, in Mr. Minick's view, "[the] Texas Public Policy Foundation provides a vital role in maintaining our awareness that freedom isn't free and should never become a thing of the past. Melissa and I strongly believe that most people, in a free society, will 'do the right thing' for their neighborhood, city, and the state of Texas. We need TPPF to help maintain our freedom to do so, while standing against those who believe people will only do the right thing as the result of government regulation."



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Foundation supporters Bill Minick and Dr. Melissa Tonn strongly believe in the free market as an answer to the outcry for privatization of the inefficient and outdated workers' compensation system.

Mr. Minick, who earned finance and law degrees from Abilene Christian University, Pepperdine University, and Southern Methodist University, founded PartnerSource in answer to an outcry for privatization of workers' compensation. The state government's program began to deteriorate in 1989 after large numbers of insurance carriers withdrew, or "nonsubscribe," from the state program due to uncontrolled medical and legal costs, leaving an under-capitalized "fund-of-last-resort" to absorb the risk of on-the-job injuries for most Texas companies. This inadequate fund caused worker's compensation premium rates to skyrocket even higher. Nonsubscription indicates that an employer is foregoing their option to participate in the state-provided workers' compensation programs and seek private alternatives to meet the needs of their injured workers.

Not surprisingly, the advent of a free market alternative in the form of nonsubscription to the state program has introduced a higher level of competitiveness, quality, and efficiency to workers' compensation. The success of private providers has caused the free market alternative to flourish. As Mr. Minick explains, "nonsubscribing employers now deliver to over one million Texas workers a high level of injury benefits and achieve higher employee satisfaction than has ever been recorded in the workers' compensation system. ... Thousands of professionals across Texas are managing tens of thousands of injury claims annually in a sophisticated industry led by reputable regional and national service firms focused on continually improving medical care and return-to-work for injured workers, as well as litigation avoidance for all parties."

Mr. Minick shares many common clients with his wife, Dr. Melissa Tonn, through her medical consulting practice. Dr. Tonn is a Board Certified Occupational Medicine Physician with three degrees from Rice University, including an MBA, and an MD and MPH from the University of Texas. Dr. Tonn holds academic appointments at the UTHSC Houston School of Public Health and with UTHSC Tyler in Occupational Medicine. She maintains a clinical practice in Dallas, and also sees patients in Ft. Worth and Houston. She employs her wealth of knowledge and experience to provide medical management services to employers through OccMD, P.A.

As part of the free market workers' compensation system, OccMD provides occupational health consultation services to large employers to help them effectively protect their workers from injury and provide for those employees who do become injured, while at the same time controlling their costs. Dr. Tonn is actively working to improve the effectiveness of the Texas workers' compensation system, and her extensive involvement in the field led her to be recently appointed by Governor Rick Perry to the Texas Medical Board District Review Committee.

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*"We wake up every day excited about the opportunity to find better ways to take care of injured Texas workers, while eliminating unnecessary expense, which maintains and creates new Texas jobs."*

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Above all, Dr. Tonn and Mr. Minick are dedicated to meeting the needs of Texas employees and their employers. "We wake up every day excited about the opportunity to find better ways to take care of injured Texas workers, while eliminating unnecessary expense, which maintains and creates new Texas jobs," Mr. Minick says.

They have found the most effective way to accomplish this goal is through the use of the same principles championed by the Texas Public Policy Foundation. As Mr. Minick explains, "Individual liberty, employee accountability, employer responsibility, free markets, and limited government are the founding principles and keys to success of the nonsubscriber option." ★

*Sarah French is the Proposals and Grants Manager with the Texas Public Policy Foundation. She can be reached at [sfrench@texaspolicy.com](mailto:sfrench@texaspolicy.com).*

## TPPF Experts in the News

Texas school vouchers "a worthy experiment"

- *The Economist*

Editorial: TPPF report shows "how expensive the pursuit of alternative energy can be"

- *Investor's Business Daily*

Private insurers crowded out of market by state windstorm insurance regulations, says Bill Peacock

- *Houston Chronicle*

Kathleen Hartnett White on the United Nations' "Green New Deal"

- *National Review Online*

Energy from wind anything but free, writes Drew Thornley

- *San Angelo Standard-Times*

Time to rewrite Texas graffiti laws, writes Marc Levin

- *San Antonio Express-News*

Extending Medicaid eligibility period subsidizes health care for people who don't meet program requirements, Kalese Hammonds says

- *Austin American-Statesman*

TPPF report: State's push for wind energy costing Texans billions of dollars

- *Reuters*

WSJ editorial cites TPPF charter school waiting list research

- *The Wall Street Journal*

Incentive pay for teachers works, writes Brooke Terry

- *San Angelo Standard-Times*

Marc Levin: Erasing graffiti demands cleanup of our laws, too

- *Houston Chronicle*



# Carl Isett and Company: Fighting for Texas Consumers

by Bill Peacock

“The great virtue of free enterprise is that it forces existing businesses to meet the test of the market continuously, to produce products that meet consumer demands at lowest cost, or else be driven from the market.”

Milton Friedman’s words should be heeded by today’s political leaders, who increasingly find it politically expedient to pin the blame for high costs and other less-than-optimal outcomes on markets and businesses, while giving government regulation a free pass.

Texas has the highest homeowners’ insurance rates in the nation? Blame the insurance companies! The subprime crisis and Wall Street meltdown? Aha! Free markets don’t work. Such rhetoric may be fodder for sound bites and may provide political cover for incumbents facing populist-pandering challengers, but the arguments are fundamentally flawed.

The free market cannot be the reason for Texas’ high homeowners’ insurance rates. Why not? Because Texas’ homeowner’s insurance market is not free! In fact, over the last 20 years, it has been one of the most heavily regulated state insurance markets in the country.

The Texas Department of Insurance (TDI) already has the authority to reject “excessive” rates and to place insurers that routinely file excessive rates under prior approval. Given this, it would be much more appropriate for those concerned about high rates to blame TDI for its failure to push these excessive rates down.

It would be appropriate except for the fact it is our poorly designed regulatory system—along with arguably the nation’s most severe and varied weather risks—that is to blame for Texas’ high homeowners’ insurance rates.



Thus the irony: When legislators and “consumer advocates” cry foul over Texas’ high rates and call for more regulatory control over rate-setting, they are calling for solutions that are, in fact, largely to blame for the problem they lament.

There is simply no one-size-fits-all solution for insurance prices, and attempts to impose one wreak more havoc on consumers than the supposed problem. For example, TDI may reject “excessive” rates, defined by law as rates that are “likely to produce a long-term profit that is unreasonably high in relation to the insurance coverage provided.” But what is excessive for one person is not necessarily excessive for another. And how can a government agency possibly discern what is an “unreasonably high” profit?

A focus on blocking excessive rates risks has resulted in absurd situations where TDI has approved a rate for one company while rejecting the lower rate of another company as excessive. It also ignores the simple fact that if a company offers “excessive” rates to consumers, those consumers are free to go elsewhere for more affordable coverage.

A second problem with the focus on excessive rates is that it puts TDI in a position where it may not be able to ensure adequate rates. The excessive rate that TDI rejects because it might produce an



The surge before the storm swamps Galveston Island, Texas, and a fire destroys homes along the beach as Hurricane Ike approaches Friday, Sept. 12, 2008. (AP Photo/David J. Phillip)



## Fighting for Texas Consumers continued

unreasonably high profit might actually be the rate that ensured a company remained solvent. Insolvency is a situation where consumers have no choice—they lose their coverage and must dole out more money to get reinsured.

The current funding crisis of the Texas Windstorm Insurance Association (TWIA), the state's provider of windstorm insurance, is a perfect example of the danger of being focused on excessive rates rather than solvency. Below-market rates and a failure to enforce TWIA's status as the state's provider of last resort for windstorm insurance have led to an explosion in the number of TWIA policies in force and in its overall exposure. As of August 31, 2008, there were 224,468 TWIA policies in force—up from 68,756 in 2001—and TWIA's total exposure was \$66.6 billion. Yet TWIA could cover less than \$2.1 billion in losses. If Hurricane Ike's losses eclipse \$2.1 billion, then taxpayers will be forced to bail out the state for losses that should have been covered by TWIA were reasonable policies in place.

Fortunately, the Texas Sunset Advisory Commission recently took several steps in the right direction for Texas consumers. Representative Carl Isett, the Commission's chairman, called the Commission's decision to recommend less restrictive insurance regulation an "affirmative stance to continue down the road we started a few years ago toward a more competitive free-market approach."

The Commission approved reforms that, if enacted by the Legislature, will increase competition and reduce costs for both consumers and taxpayers. Chief among these is a recommendation to strengthen the transition from a dual system—where rates can be regulated before and after being used in the marketplace—to a system of only post-market-entry rate regulation. Exercising both systems creates an erratic regulatory climate where insurers are hesi-

tant to sell policies. Though the Commission's report keeps prior approval under certain circumstances, it requires TDI to limit and provide clear definitions for its use. Consumers will be the winners in a clearer system that is more welcoming to insurers.

Chairman Isett has shown a thorough understanding of this fact. He has also shown an understanding of why these reforms may be hard to enact.

"There is a cost to regulation, and consumers ultimately bear that cost," said Isett, but there are "times where there are fundamental differences in the role of government intervening in the marketplace ... the equilibrium pricing model is a long-term model, and there will be fluctuations and distortion and volatility until you reach equilibrium. But legislators get elected on 2-year terms." Thus, there is "institutional resistance to reform."

Senator Glenn Hegar, the Commission's vice chairman, also understands that consumers benefit from a competitive marketplace:

"Since the Legislature moved to a less restrictive regulatory system in 2003, twenty-nine new insurance companies have entered the Texas market," Hegar said. "This increase in the number of new companies means there has also been an increase in competition amongst insurers. Increased competition generally results in lower rates and more choices for consumers. Therefore, when there is greater competition in our state, the average Texas consumer wins. It seems to me that future policy decisions about rate regulation in Texas ought to be made with these facts in mind."

Commission member and State Representative Linda Harper-Brown also



Texas State Representative Carl Isett, chairman of the Texas Sunset Advisory Commission.

knows that the path to lower rates over the long term is a vibrant, competitive marketplace, where consumers have an array of insurance options from which to choose. "The citizens of Texas deserve to have consumer choice and lower insurance rates," says Representative Harper-Brown.

The Commission also took important steps to address the major causes of TWIA's funding shortfalls: inadequate rates and overexposure. TWIA relies exclusively on Texas storm data from the last 30 years—during which time Texas saw only one major storm—but modern hurricane loss models are much more reliable tools for setting windstorm insurance rates. Fortunately, the Commission recommended that TWIA be allowed to join the rest of the world in using such models. And to slow TWIA's dramatic growth, the Commission recommended that applicants for TWIA coverage be required to provide written proof of two rejections from windstorm insurers writing policies in Texas. Because of Hurricane Ike, we can no longer wait for the reforms to TWIA that consumers deserve. Chairman Isett acknowledges the urgency in

*continued >> page 10*

addressing the shortcomings of TWIA's current funding system: "We must fix TWIA and the way we fund it. We have to. TWIA is maybe the greatest single impediment to new insurance companies coming into the market."

The Foundation is highly encouraged by the leadership shown by the members of the Commission who supported these recommendations. In addition to those already mentioned, they are Rep. Dan Flynn, Charles McMahan (public member appointed by Lt. Gov. David Dewhurst), and Ike Sugg (public member appointed by Speaker Tom Craddick).

## The roots of Texas' homeowners' insurance woes are right in front of us. So are the solutions, and they are there for the taking.

The roots of Texas' homeowners' insurance woes are right in front of us. So are the solutions, and they are there for the taking. Advocating for free markets is hard work. Standing in the way are panicky governmental short-term fixes,

misguided populist appeals and, as Representative Isett points out, entrenched resistance to change within our legislative halls. But the free-market message is a winning one and can prevail if enough legislators will follow the leadership of legislators like Isett, Hegar, and Harper-Brown. If other policymakers will keep their eyes on what is best for Texas in the long run, then insurance-rate relief is on its way. ★

*Bill Peacock is Vice President of Administration and the Director of the Center for Economic Freedom at the Texas Public Policy Foundation. He can be reached at [bpeacock@texaspolicy.com](mailto:bpeacock@texaspolicy.com).*



## Log on TODAY... [www.TexasBudgetSource.com!](http://www.TexasBudgetSource.com)

Called the "Brightest Idea of the Week" by the *Washington Examiner* and recommended by *National Review Online* which said, "every state should have a project like this," [www.TexasBudgetSource.com](http://www.TexasBudgetSource.com) is a one-stop shop for important information on government budgets and spending, as well as easy-to-understand unique content and analysis produced by the Texas Public Policy Foundation's fiscal policy team.



In addition to this analysis, the Foundation provides links to contact information and local budgets and check registers of Texas' 254 counties, the 25 largest cities in the state, and every school district.

Visitors to [www.TexasBudgetSource.com](http://www.TexasBudgetSource.com) may search for budget and spending information according to county, with expanding options to contact their local leaders to request more transparency as appropriate.

Our goal is to increase the amount of information available to the public, and we will rely on Texans to share information we might have missed, as well as contact their leaders to request support to make local and school district budgets and spending more transparent to the public.

If you haven't yet visited [www.TexasBudgetSource.com](http://www.TexasBudgetSource.com), we invite you to look at the site and give us your feedback today! More importantly, share it with a friend and help the Foundation emphasize the importance of limiting government growth for the sake of greater freedom and liberty.





# State Policy Network Honors Foundation President with Roe Award for Leadership



On September 11, Texas Public Policy Foundation President Brooke Rollins received the 2008 Thomas Roe Award, the top honor for free-market think tank leadership, at a banquet during the State Policy Network's (SPN) annual meeting in Scottsdale, Arizona.

"Brooke Rollins' ability and passion for conservative principles are evident to anyone who has been in her presence," said Gov. Rick Perry, for whom Rollins served as deputy general counsel and policy director before moving over to the Foundation. "It's been a privilege to watch Brooke develop from an FFA officer at Glen Rose High School into one of Texas' most outstanding leaders."

**"Brooke Rollins' ability and passion for conservative principles are evident to anyone who has been in her presence."**

**-Gov. Rick Perry**

The Roe Award was established in 1992 and fittingly named after the late Thomas A. Roe, Jr., founder of SPN. Mr. Roe was a loyal supporter of the state-based think tanks, providing support through his South Carolina-based Roe Foundation.

The annual Roe Award pays tribute to one individual in the state public policy movement whose achievements have greatly advanced the free market philosophy. It recognizes leadership, innovation and accomplishment in public policy. The award is an eagle, a symbol of liberty and the courage and conviction necessary for its preservation.

"In the six years since Brooke Rollins took the reins, TPPF has become a dominant force in Texas and a role model for other states wanting economic growth and prosperity for their citizens," said Dr. Wendy Gramm, the Foundation's chairman. "I congratulate Brooke on this honor and am thrilled that her outstanding work in support of limited government and individual liberty has been acknowledged in this way." ★



**Top photo:** Brooke Rollins, President of the Texas Public Policy Foundation accepts the 2008 Thomas Roe Award at the State Policy Network's annual meeting in Scottsdale, Arizona.

Dr. James Leininger, Chairman Emeritus of the Texas Public Policy Foundation, along with wife Cecelia, traveled to Scottsdale to present Rollins with the award.

# Texas Charter School Waiting List Approaches 17,000

*Each student has their own story*

by Brooke Dollens Terry

**F**OR TOO LONG, children in poor neighborhoods have been assigned to failing schools and have missed the education opportunities offered to wealthier children. Public charter schools offer students and parents a chance to choose a different public school in their area. Unfortunately, education policies at the state level are prohibiting many Texas students from attending public charter schools. Last year nearly 17,000 students were on a waiting list to attend a public charter school.

area charter school last year was turned away because there were not enough seats.

## EACH STUDENT ATTENDING A CHARTER SCHOOL HAS THEIR OWN STORY.

Danisha Porche is a junior at KIPP (Knowledge is Power Program) Houston high school, which is a public charter school. She evacuated with her family from New Orleans to Houston due to hurricane Katrina. Danisha says,

“KIPP has changed my life, because where I come from college is not an option, dream or reality. Since I started school at KIPP, after hurricane Katrina, I have had the privilege to visit many colleges and I now know that I will go to college and become a pediatrician. Being in the KIPP family is a blessing.”

Irene Foster is a KIPP parent with a remarkable success story. Her eldest daughter was born in Mexico and they both immigrated here when her daughter was five years old. Irene’s el-

This large waiting list demonstrates a tremendous parental and student demand for educational options besides their government-assigned public school. Houston’s regional waiting list was the largest, with 7,415 students waiting to get into a charter school last year. One out of every four students who wanted to enroll in a Houston-



Danisha Porche, a junior at KIPP high school, came to KIPP after evacuating with her family from New Orleans to Houston due to hurricane Katrina.

### CHARTER SCHOOL ENROLLMENT BREAKDOWN FOR 2007-2008 SCHOOL YEAR

Type of Charter	Enrollment
Open Enrollment	89,156
District	23,275
University	1,329
Home-Rule	0
<b>Total</b>	<b>113,760</b>

Source: Texas Education Agency



dest daughter attended KIPP Academy Middle School in Houston several years ago and went on to graduate from college and is now teaching school at a KIPP charter school in New York City. Irene explains, “KIPP has helped me educate my daughters not only in the academics, but in behavior. My oldest daughter, Yazmin, grew up without a father, and I was always afraid she would misbehave out of rage to me, but KIPP helped our family stay together and reinforce family values. She has now graduated from college, joined Teach For America, and is teaching at KIPP Academy New York. I am very proud of her desire to give back.”

**THE STORIES OF PARENTS AND STUDENTS ON WAITING LISTS SHOW WHY CHARTER SCHOOLS ARE IN SUCH HIGH DEMAND.**

Kymerly Boshee’s kindergartener Kyle is ahead for her age, so Kymerly researched several public schools in the Austin area and even interviewed three charter school principals to ensure she found the school most likely to challenge her daughter. Ms. Boshee picked both the Harmony Science Academy and NYOS charter school in Austin for Kyle, but both schools were full, so she had to put her daughter on their waiting lists. Ms. Boshee found that “charter schools really cater to the child and not to the system.” As demonstrated in this example, an abundance of public charter schools in an area gives parents the opportunity to shop around and pick which public school best meets their child’s needs.

**Only 20 percent of Americans can correctly identify a charter school as a public school.**

Surprisingly, most Americans are unfamiliar with charter schools. In fact, only 20 percent of Americans can correctly identify a charter school as a public school, according to a Center for Education Reform national poll. Charter schools are public schools

*continued >> page 14*

**CHARTER SCHOOL REGIONAL ENROLLMENT DATA FOR 2007-2008 SCHOOL YEAR**

Area	Total Regional Public Enrollment	Charter Enrollment	Waiting List
Austin	345,154	4,789	623
Corpus Christi	105,512	1,310	159
Dallas/Fort Worth	1,220,797	30,123	5,896
El Paso	173,735	2,434	53
Houston	1,031,462	24,591	7,415
Rio Grande Valley	383,460	6,126	2,110
<b>Statewide Total</b>			<b>16,810</b>

Source: Author’s Calculations and Texas Education Agency Regional Enrollment Report



Photo: Lupita Montes, Kipp, Houston



Photo: Lupita Montes, Kipp, Houston



Photo: Lupita Montes, Kipp, Houston

Top: Kipp Shine Prep in Houston; Middle: Kipp Academy Middle School in Houston; Bottom: NYOS Magnolia McCullough Elementary in Austin.

## Texas Charter Schools: Waiting List *continued*

funded with public funds that are subject to less government regulation and have the freedom to innovate. Charter schools cannot charge tuition, teach religion, discriminate, or cherry pick students.

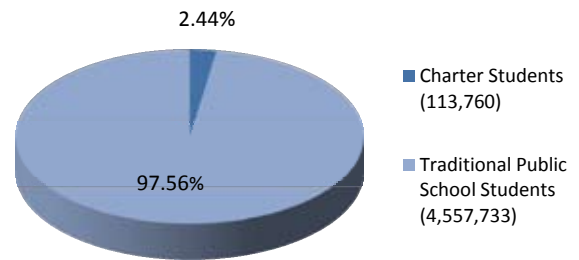
Nationwide, charter schools tend to serve students who are academically behind their peers, with many focusing on hard-to-serve students and students at risk of dropping out. As a result, charter schools serve a higher percentage of minority and low-income students than traditional public schools. In Texas, 81 percent of students in charter schools are minorities, compared to 60 percent in traditional public schools.

Demand is growing in Texas to attend a charter school, as demonstrated by the nearly 17,000 students on a waiting list. Unfortunately, the Texas Legislature has capped the number of open-enrollment charters at 215 and the State Board of Education just issued the remaining charters at their November 2008 meeting.

Hopefully, Texas lawmakers and policymakers will come to their senses and lift the legislative cap on open-enrollment charter schools and remove barriers that prevent successful charters from expanding in the Lone Star State. ★

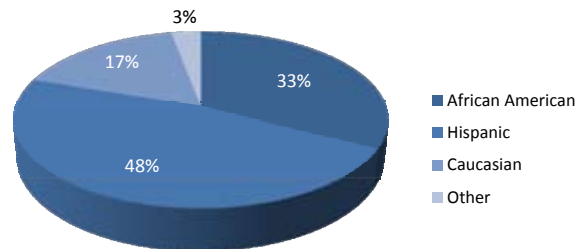
*Brooke Dollens Terry is an education policy analyst with the Texas Public Policy Foundation. She can be reached at [bterry@texaspolicy.com](mailto:bterry@texaspolicy.com).*

## Charter Schools Have a Two Percent Market Share in Texas



Source: Texas Education Agency

## More Than 80 Percent of Texas Charter School Students Are Minorities



Source: Texas Education Agency

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Stay up-to-date with important research and recommendations on higher education reform in Texas by visiting [www.TexasHigherEd.com](http://www.TexasHigherEd.com).

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# Monopolies or Markets? Electric Competition in Texas

by Bill Peacock



Rep. Phil King, chairman of the Texas House Committee on Regulated Industries, with an event attendee, and the Foundation's Bill Peacock.

Heading into the 80th Texas Legislature two years ago, frenzied and inaccurate media coverage had created an atmosphere that did not foster reasoned debate over the pros and cons of the newly competitive Texas electricity market. High prices driven by greedy corporations meant re-regulation of the market was the only possible course of action. Period. And in fact that would have been the result, had the Legislature not run out of time before it could act.

Today the debate is very different. Even during the price spikes of this summer it was hard to see the opponents of competitive markets were making any headway. Why the difference? Facts.

As Ronald Reagan once said, "Facts are a stubborn thing." And for two years now, the Foundation has been talking about the fact that Texas has the most competitive electricity market in the U.S., if not the world.

Yes, prices are high, but not nearly as high as the critics say. And while there are a lot of reasons for the relatively high price

of electricity in Texas today, none of them have to do with the lack of regulations on the market.

These stubborn facts have prevailed, which explains the improved tone in the debate today. To further highlight the facts surrounding Texas' successful transition to a competitive electricity market, the Founda-

tion was honored to host a November policy primer with Rep. Phil King, chairman of the Texas House Committee on Regulated Industries, along with Wisconsin Rep. Phil Montgomery and Professor Robert Michaels of Cal-State Fullerton.

When it comes to meeting the growing need for electricity, Texas has shown that competitive markets are a viable alternative to the government-created monopolies of the past. The panelists provided a national prospective on Texas' move to electric competition. Rep. Montgomery stressed the powerful and positive effects of a free market system and how Texas is best suited to achieve such a system, because of the size of our market and the lack of federal oversight. Dr. Michaels, who produced three studies on electric competition for the Foundation in 2006 and 2007, said the Texas system succeeded where others failed because policymakers here didn't design a market, they just set parameters and let competition determine what the market itself would look like.

During his luncheon keynote address, Chairman King emphasized the success of Texas' deregulated electricity market



and discussed what should be done to keep Texas down the path toward energy independence. He concluded that allowing investors to compete for business would ensure that Texas not only builds more power plants to meet our growing energy demand, but the right kinds of power plants to meet consumer preferences. A free market approach places the financial risk on investors instead of consumers, and provides better price options, improved service, and greater innovation.

Promoting this free market approach in all areas, be it energy, health care, education, or the environment, is what the Foundation has been doing for close to 20 years. With the support of policymakers like Chairman King, we are slowly—but surely—making free markets a reality here in Texas. ★

Bill Peacock is Vice President of Administration and Director of the Center for Economic Freedom. He may be reached at [bpeacock@texaspolicy.com](mailto:bpeacock@texaspolicy.com).



Bill Peacock, director of the Center for Economic Freedom, moderates the panel discussion with guest panelists Robert Michaels and Wisconsin Rep. Phil Montgomery.

# An Interview with Barry Goldwater Jr.

by David Guenther, Director of Media and Government Relations



*The late Senator Barry Goldwater is one of the iconic figures in the conservative movement. A new book, "Pure Goldwater," looks at the senator's life, career, and beliefs through a new prism—that of his own writings. Barry Goldwater, Jr., the senator's son and himself a former seven-term congressman from California, worked with John Dean to organize the senator's journals and letters into a compelling personal portrait.*

*The following is an excerpt from a Texas PolicyCast interview by David Guenther, Director of Media and Government Relations, with Barry Goldwater Jr., recorded shortly before his keynote remarks at the Americans for Prosperity/Right Online "Defending the American Dream Summit" in Austin. The full audio of this interview, along with a complete archive of all Texas PolicyCast recordings, is available on the Foundation's website at [www.TexasPolicy.com](http://www.TexasPolicy.com).*

**DG:** What did you hope to accomplish in writing this book?

**BGJ:** Senator Barry Goldwater was an iconic figure in American politics dating back to the 1950s, all the way through the current political time. There were many biographies written about Sen. Goldwater, who was a senator from Arizona, but "Pure Goldwater" was a book *he* wrote. I happened to find his journals that he kept all his life. Now, how many people keep journals today? Nobody. But, Sen. Goldwater kept a diary of all his experiences under seven different presidents, all the elections, and the

presidential election he ran in against Lyndon Johnson in 1964. It's an exciting version—even if in his own hand—of politics and the history of this country.

**DG:** In researching this book, you discovered two things about your father's career that he had never mentioned before. What did you learn?

**BGJ:** First of all, I didn't know he wrote this biography, this journal. Actually, second of all, I didn't really realize how much he was in love with his wife—my mother. He was never home. He was either fighting in the war—the 2nd World War—or he was back in the United States Senate, or flitting around the country supporting Republicans and conservative causes, and they very seldom got together. And he missed her all the time. But he never said too much... you never saw this. All you saw was my mother at home crying because she was in love and missed her husband. In this book, he talks a great deal about it.

**DG:** The relationship between your father and President Nixon was a big part of the book. Can you talk about the trajectory of that relationship?

**BGJ:** Well, it started when he first came to the U.S. Senate in 1952. Richard Nixon was then the Vice President under Eisenhower and they became friends and political allies... colleagues. And my father supported him throughout his

political career. They were somewhat intimate friends during the Nixon presidency and he [Nixon] called my father for advice all the time. But, this friendship abruptly terminated in 1972 when my father finally realized that Nixon was out for Nixon—that Nixon had been lying to my father, to his wife, Pat Nixon, his family, and the nation. That loyalty was severed right there. That affair was severed. He said honesty is all you have—if you can't be honest, I don't want to have anything to do with you.

**DG:** Another theme of your father's writings was concern for the condition of the Republican party. What do you think he would make of the current landscape, not just of the Republican party but of the conservative movement?

**BGJ:** I think he would look with dismay at the condition of the Republican party that seems to be in disarray, splintered—no leadership, no common goal. Back in the 70s, when conservatives decided that the way to win elections was to basically out-do the Democrats and start spending money... and then they brought in the evangelicals, and all of a sudden the Republican party today doesn't have a steering wheel. He'd be greatly concerned. But, I think he would believe that we are all conservatives, regardless of whether you're in this Christian group—or another group. I think we all have a basic fundamental belief that our country was founded on



liberty—that God gave us this liberty and we as a people created government to protect this liberty. That is the conservative cause, to elect people that will limit the power of government and resist those that think they know better how to spend your money and run your life. So, the conservative cause is still alive and well. It needs some band-aids and to go to the hospital to get fixed up.

**DG:** Lastly, what is your general message to the audience?

**BGJ:** Well, you never want to give up. Our future is bright and as a philosophy we have to believe in it. The only way we win is by getting out and working hard as foot soldiers... holding accountable not only state legislators, but city council and supervisors. ... That kind of direction is going to save the day for conservatives. ★

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Join the Texas Public Policy Foundation at the exclusive *Visionaries Meeting*, January 23-24, 2009 at the Four Seasons Hotel in Austin, and hear from Barry Goldwater Jr. in person as he keynotes the VIP dinner.

See page 18 for details or contact Shari Hanrahan at (512) 472-2700 or [shanrahan@texaspolicy.com](mailto:shanrahan@texaspolicy.com).

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## Foundation News

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### The Foundation welcomes new faces, new talent

#### **Sarah French, Grants & Proposals Manager**

Sarah Bradbury French joined the Texas Public Policy Foundation team as Grants and Proposals Manager in September of 2008.

Prior to joining the Foundation, Sarah earned her Master of Science degree in Agricultural Economics from Texas A&M University. Sarah was a Regent's Fellow Scholarship recipient whose research focus was international trade of agricultural products.

Sarah hails from Huntsville, Texas, where she grew up raising and showing Beefmaster cattle. She studied for her Bachelor of Science at Trinity University in San Antonio, Texas, and completed a double major in Marketing and Economics with a minor in Spanish.

Sarah's academic career and varied work experiences with the United States Department of Agriculture, the North American Development Bank, and Texas Agrilife Extension Service led her to pursue work in the field of policy as a means of improving the quality of life for Texans. ★



#### **Andrea Whitman, Program Coordinator**

Andrea Whitman joined the Texas Public Policy Foundation as the Program Coordinator in October 2008.

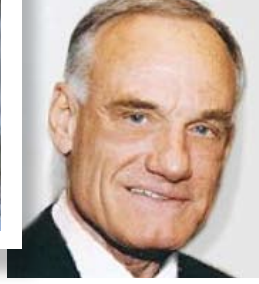
Prior to joining the Foundation, Andrea worked as a Junior Communications Specialist at global consulting firm ICF International where she executed a variety of successful social awareness and media campaigns. Additionally, Andrea planned and executed large events, meetings and ceremonies on behalf of a variety of governmental organizations.

Originally from Dallas, Texas, Andrea graduated from American University in Washington, DC with dual degrees in Public Communication and International Relations. Andrea is fluent in Spanish and has traveled extensively through South America. ★



# THE TEXAS PUBLIC POLICY FOUNDATION'S

## *Visionaries Meeting ~ January 23-24, 2009*



**T**he Texas Public Policy Foundation would like to welcome you to our first-ever *Visionaries Meeting* for our most generous supporters. Those who give \$1,000 or more to the Foundation are given a special opportunity to meet and interact with the Foundation's leaders and analysts, and learn more about the Foundation's vision for the future.

Following immediately on the heels of our 7th Annual Policy Orientation for the Texas Legislature, *Visionaries Meeting* attendees will enjoy the opportunity to meet like-minded philanthropists who understand the importance of our work on the future of Texas—all of this while enjoying the five-star accommodations of the superior Four Seasons Hotel, just steps away from the Colorado river.

There are five *Visionaries Meeting* activities to choose from, and it is our hope that you take part in them all. It is a rare chance to hear from the greatest policy minds in the nation, and those which are leading our

country in the principles intended by our nation's founding fathers.

### **Friday, January 23 | Bob Bullock Museum 1:30 p.m.**

Whisk away with us to enjoy the "Story of Texas" at the Bob Bullock Texas State History Museum. Our VIP shuttle will depart the Four Seasons Hotel and take us to enjoy three floors of interactive exhibits. Welcomed by a 35-foot-tall bronze Lone Star sculpture, visitors will find the museum a fun and interesting way to enjoy Texas' rich history.

### **Policy Conversations | Four Seasons Hotel 3:30-5:00 p.m.**

Join the TPPF experts in discussions including: *Mobilizing Freedom's Message* (3:30) with Justin Keener, VP of Policy & Communications and David Guenther, Director of Media & Government Relations; *Attacks on Liberty: Defending Freedom, from Eminent Domain Abuse to Overcriminalization* (4:00) with Bill Peacock, Director, Center for Economic Freedom and Marc Levin, Director, Cen-

ter for Effective Justice; *Modeling Liberty for Washington* (4:30) with Kathleen Hartnett White, Director, Center for Natural Resources and former Chair of the Texas Commission on Environmental Quality and Talmadge Heflin, Director, Center for Fiscal Policy and former House Appropriations Chair.

### **Private Reception | Pease Mansion 5:30 p.m.**

Take the rare opportunity to board our VIP shuttle for an exclusive visit to the privately-owned Pease Mansion. Enjoy a private reception with TPPF board members and special guest Attorney General Greg Abbott at this historic home. This Texas treasure was built in 1853 by the same architect who built the existing Governor's Mansion—Abner Cook. In light of the recent fire which severely damaged much of the historic Greek Revival structure of the Governor's Mansion, the Pease Mansion is even more important to Texas' history.



# Join our visionaries to celebrate the past while preparing for the future...

Hear from Attorney General Abbott; Wendy Gramm, TPPF Chair and nationally-acclaimed economist; and Brooke Rollins, TPPF President and recent recipient of the Roe Award for leadership in the free market movement, as they share the Foundation's mission and vision for the future.

**Dinner with Barry Goldwater Jr. | Four Seasons Hotel 7:30 p.m.**

Join us for a *Visionaries Meeting* dinner with opening remarks by TPPF board member, nationally recognized entrepreneur, and co-founder of the Acton School of Business, Jeff Sanderfer, with a keynote address by Barry Goldwater Jr. Hear from a member of one of the greatest families of our time as he discusses how freedom will be affected by the political landscape in Washington.

**Saturday, January 24 | VIP Breakfast | Four Seasons Hotel 8:00 a.m.**

Complete your *Visionaries Meeting* with our delicious breakfast at the

Four Seasons Hotel with remarks by Dr. James Leininger, TPPF Chairman Emeritus, Foundation founder, and entrepreneur, with invited guest Ken Blackwell Jr. A visiting research fellow, former Ohio Secretary of State, and regular contributor to The New York Sun, Blackwell joins us for a discussion of the importance of impacting policy on a state level and the particular importance Texas brings to the movement.

As one who loves liberty, please consider joining us as a Leadership Council or 1876 Society member, and help us plan for the future at the Texas Public Policy Foundation's *Visionaries Meeting*. We look forward to hearing from you today!

☞ Shari Hanrahan, Vice President of Outreach

**THURSDAY-FRIDAY, JANUARY 22-23**  
7th Annual Policy Orientation for the Texas Legislature

**FRIDAY, JANUARY 23 AT 1:30 P.M.**  
Trip to the Bob Bullock Texas State History Museum

**FRIDAY, JANUARY 23 AT 3:30 P.M.**  
Policy conversations at the Four Seasons Hotel with TPPF analysts

**FRIDAY, JANUARY 23 AT 5:30 P.M.**  
Reception at Pease Mansion with TPPF Board Members & Attorney General Greg Abbott

**FRIDAY, JANUARY 23 AT 7:30 P.M.**  
Dinner at the Four Seasons Hotel with Barry Goldwater Jr.

**SATURDAY, JANUARY 24 AT 8:00 A.M.**  
Closing breakfast and policy discussion with Ken Blackwell Jr.

For more details or to register for this exclusive opportunity to attend the *Visionaries Meeting*, call or email Shari Hanrahan at (512) 472-2700 or [shanrahan@texaspolicy.com](mailto:shanrahan@texaspolicy.com).

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*register today!*

# 7th Annual Policy Orientation for the Texas Legislature



The 7th Annual Policy Orientation for the Texas Legislature brings together lawmakers, policy experts and interested citizens from across the political spectrum to discuss the most critical issues facing the state. The event always draws a sellout crowd, with more than 700 registered in 2008.

The 2009 Policy Orientation will include a discussion on eminent domain with Susette Kelo; an immigration debate featuring economist Dr. Arthur Laffer; and keynote addresses by Gov. Rick Perry and Lt. Gov. Dewhurst, and more!

January 22-23, 2009



Four Seasons Hotel  
Austin, Texas

Register online at: [www.TexasPolicy.com](http://www.TexasPolicy.com)  
or call (512) 472-2700.

To share *Veritas* with a friend, send their name and address to [veritas@texaspolicy.com](mailto:veritas@texaspolicy.com).



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