



# 2012 Annual Report

*Building a Foundation for Freedom*

*“You and I have a rendezvous with destiny. We will preserve for our children this, the last best hope of man on earth, or we will sentence them to take the first step into a thousand years of darkness. If we fail, at least let our children and our children’s children say of us we justified our brief moment here. We did all that could be done.”*

*~ Ronald Reagan*



## Contents

- 4 Chairman & President’s Message
- 8 Fiscal Policy
- 9 Health Care
- 10 K-12 Education
- 11 Higher Education
- 12 Energy and the Environment
- 13 Economic Freedom
- 14 Tenth Amendment
- 15 Effective Justice
- 16 Investing in Liberty
- 18 Sending a Message
- 20 In the News
- 21 Financials
- 22 Staff and Board



## Message from the Chairman & President

TO UNDERSTAND 2012, WE NEED TO LOOK BACK 154 YEARS ... TO 1858.

In 1858, Abraham Lincoln and Stephen F. Douglas waged a hard-fought and exhausting campaign for the United States Senate in county seats, towns, and villages across Illinois. The two men contended for different visions of America. Douglas advanced a theory of popular sovereignty that would sweep away the foundational premises of the American republic in favor of an unconstrained democratic will. What the people wanted, said Douglas, they ought to get, even if it meant the extension of slavery. Lincoln argued for the contrary view: that right makes might, and that our country rested on the twin pillars of the people's sovereignty and fidelity to principles of liberty. If Douglas' view swept away the latter, warned Lincoln, America would also lose the former.

Abraham Lincoln lost in Illinois and his warning proved prescient: America did nearly lose everything, and the experiment of our republic nearly did fail in the following decade's civil war. Fortunately, the spirit of liberty prevailed, in no small part because America in 1860 made a better choice than Illinois in 1858, and turned to Abraham Lincoln.

But in 1858, the blow was hard. Lincoln and the cause of liberty were defeated, and the prospects for both were dim.

That, in retrospect, was the experience of liberty-loving Americans in 2012. The stakes were high, everything was on the line, two mutually exclusive visions of America contended for victory—and we lost. On the national level, we lost twice: once when the Supreme Court upheld ObamaCare on the most preposterous grounds imaginable, and once again when the American people took a good hard look at the D.C. status quo—and returned it to power until at least January 2015.

The reasons we lost are manifold, but what matters to us are the moral reasons for our side's defeat. By "our side," I don't mean any particular political party or partisan interest—I mean any ally of the great principles that animate our own work at this Foundation: liberty, fiscal restraint, and individual responsibility.

That was the side that suffered tremendous blows in 2012, and the reason for it is simple: we lost an argument. Like Lincoln and Douglas, we too were engaged in a great debate over the future of the country and the very identity of America. Like Lincoln, we argued for a law-governed liberty. Like Douglas, they argued for an unconstrained popular will. And as Lincoln predicted, their vision meant less freedom, not more.

But we have a good argument against their vision of a constricted and managed existence. We have the empirical experience of liberty and its fruits in the example of Texas and the example of America. We have, in short, the entire accumulated experience of the Western world and its flourishing over the centuries.

While 2012 was a hard year for the cause of liberty, we at the Texas Public Policy Foundation spent it laying the foundations for victories to come—and we even sowed the seeds for one of the year's few bright spots. The Supreme Court's ObamaCare decision was indeed a terrible one, but its silver lining—the prohibition on federal coercion of the states—was, we believe, derived directly from our first-ever *amicus* brief, submitted by our Center for Tenth Amendment Studies earlier in the year. We watched as our brief's arguments were raised in the Court's oral argumentation—and we were proud when, despite the welter of bad reasoning that marred the rest of the decision, we won the day on that one point.

When you look at the present contest over the ObamaCare-driven Medicaid expansion in the states and dozens of states standing up to Washington, D.C.'s grasping ambitions, you are seeing the impact of this Foundation's work.

And there's more:

- The Foundation partnered with several other groups to release "Real Texas Budget Solutions: 2013 and Beyond," offering budget savings and reforms that will help Texas government live within its means. Governor Perry's Budget Compact mirrored several of the provisions in our proposal.
- The policy team provided in-depth policy briefings to more than 40 candidates for state legislative offices this year. Twenty of them were elected.



*In Memoriam*

**Vance C. Miller**

1933-2013

The Foundation acknowledges with great sadness the passing of one of our Foundation's family—Vance Miller. He gave 12 selfless years of service on the Foundation's Board of Directors, providing his own brand of leadership and entrepreneurial spirit to liberty's cause. Vance Miller's life was a testament to the promise of America and the vitality of Texas. He devoted himself to keeping Texas free, so future generations would have the same opportunity he did. We remember Vance Miller with gratitude: because we carry on his cause with his example to guide us.

- The Foundation had a hand in two Texas Supreme Court opinions favoring property owners: *Texas Rice Land Partners v. Denbury*, and *Severance v. Patterson*.
- Representative Jim Pitts, chairman of the House Committee on Appropriations, directed the Legislative Budget Board earlier this year to expand the budget information it puts online to include program-based data allowing citizens and legislators to see greater detail about where money is being appropriated. This is a direct result of model legislation drafted by the Foundation.
- In December, the Center for Health Care Policy published groundbreaking research on reforming Medicaid long-term care: “Assuring a Future for Long-Term Care Services and Supports in Texas,” by respected researcher James Capretta.
- The Foundation conceived and implemented an around-the-clock strategy for covering and commenting on the hearings of the Supreme Court of the United States on *Florida v. HHS*—popularly known as the ObamaCare case.
- Kathleen Hartnett White, director of the Armstrong Center for Energy and the Environment was one of five original authors of the Heritage Foundation’s publication, *Eight Principles of the American Conservation Ethic*.
- Oxford University Press published director of the Center for Higher Education Dr. Tom Lindsay’s book, *Investigating American Democracy*. The book is being employed to advance TPPF’s long-held agenda for strengthening civic-education requirements in Texas public institutions of higher learning.
- In September, the Foundation launched a new website, [SeeThruEdu.com](http://SeeThruEdu.com), serving as part resource bank and part discussion forum in the area of higher education.

And those are just a few of many examples of our work. We also held our largest-ever Policy Orientation for the Texas Legislature, which featured an important debate of Senate candidates with now-Senator Ted Cruz; we launched a revamped website at [TexasPolicy.com](http://TexasPolicy.com); and we reached nearly half of our total capital campaign goal for our new headquarters to be built at 901 Congress Avenue, just two blocks from the Texas State Capitol.

## Lone Star Rising: Capital Freedom Fund

The Texas Public Policy Foundation’s new state-of-the-art headquarters building will secure the future of freedom and liberty, not only through bricks and mortar, but also through the work within its walls.

## HISTORY

The first recorded history of 901 Congress Avenue began in 1846. The building was a livery stable in 1875 and later home of the Statesman Publishing Company, a saloon and billiard parlor, a department store, a pharmacy, and law offices. The Foundation’s new home will continue to tell the great story of Texas through its architecture, decor, and donor histories.

## FACTS

ADDRESS: 901 Congress Ave.  
 LOCATION: 352 yards from State Capitol  
 SQUARE FOOTAGE: Approx. 42,000 square feet  
 FLOORS: 6  
 MOVE IN: Prior to the 2015 legislative session  
 BUDGET: \$20 million

## KEY SPACES

- Theater
- Event Center
- Executive Board Room
- Future Leaders Suite & Fellowships
- Video & Audio Communications Studio
- Main Lobby
- Legacy Wall
- Congress Avenue Balcony
- Theater Lobby

It is essential that we are out there making the case for liberty each and every day. Though we as a movement lost the argument before the American public in 2012, we did not lose the war. We as Texans have enough experience with defeats preceding victory to know that losing heart is never called for—and that the only proper course is to fight until the very end.

We can think back to 1836 when the Texas Revolution suffered an unbroken string of crushing defeats—until Sam Houston won the very last fight at San Jacinto. And we think back to 1858, when Abraham Lincoln lost, and in the losing sowed the seeds of his great victories in 1860 and 1865.

During his epic debates with Stephen F. Douglas, Abraham Lincoln reflected on the need to do more than make good law and more than mere good policy. The essence of a liberty-oriented democracy, he reflected, was persuasion of the people toward the good:

“[P]ublic sentiment is everything. With public sentiment, nothing can fail; without it, nothing can succeed.”

At the Texas Public Policy Foundation, we never lose sight of that truth. Our mission to persuade the people, to enact good policy, and to serve the cause of Texas and liberty is reason enough to press onward.

With you by our side, liberty will win.

Yours most sincerely,



*Wendy Gramm*  
 Dr. Wendy Lee Gramm  
**CHAIRMAN**



*Brooke Rollins*  
 Brooke L. Rollins  
**PRESIDENT & CEO**



## Fiscal Policy

When it comes to prosperity in the Lone Star State, the Center for Fiscal Policy offers three words: **Keep Texas Competitive.** The Foundation is proud to have played a role in keeping Texas on the road to prosperity with sound, conservative fiscal policies that promote continued economic growth and have catapulted Texas to the top of the list of states in which people are choosing to live, work, and conduct business.

### BUDGET & SPENDING

As hard-working Texans, we know we are expected to live within our means. The Center for Fiscal Policy works tirelessly to make sure that our government also learns to operate within a budget—opting for less government, not more. The Center fights to defend Texas prosperity—and thus Texas homes and families—by keeping government spending in check. Limited government means more freedom, and that’s the core mission of this Center.

In 2012, the Center launched Texans for a Conservative Budget, a coalition of policy and grassroots organizations with the goal of helping lawmakers craft a 2014-15 budget that preserves the foundations of fiscal responsibility and limited government. In November, it issued an open letter to the Legislative Budget Board urging members to set a limit to the rate at which the budget can grow.

At Governor Perry’s personal request, Talmadge Heflin, director of the Center for Fiscal Policy, helped to launch the Texas Budget Compact and appeared in a short video highlighting the importance of the Compact that aired on the Governor’s website.

### TAXES

As our nation faces stagnantly high unemployment, now is not the time to increase the tax burden on small business—one of the greatest drivers of our economy. Therefore, the Foundation teamed with Texas Comptroller Susan Combs and House Ways and Means Committee Chairman Harvey Hilderbran to identify a plan on the best way to reform the margin tax.



Director of the Foundation’s Center for Fiscal Policy, The Honorable Talmadge Heflin, answers questions from the media after the Texas Comptroller’s release of the state’s 2014-15 biennial revenue estimate.

With help from Dr. Arthur Laffer and associates, the Center updated its popular property tax swap study which argues that Texas can replace its property tax system entirely with a reformed sales tax in a revenue neutral manner. Almost immediately, the reform, if passed, would help create jobs, boost income, and lure businesses and investment to the state.

### KEEPING TEXAS COMPETITIVE

The Texas model of low taxes, limited government, and a fair legal climate is second to none. Texas continues to be America’s economic engine, creating jobs at a faster pace than any other state in the nation, boasts an unemployment rate that has been at or below the national average for five consecutive years, and is adding close to 1,000 people per day. To help ensure that Texas remains an economic powerhouse, the Center mapped out an agenda, “Keeping Texas Competitive” as a guide to keep Texas at the forefront of prosperity, job creation, and economic growth.

## Health Care

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

### HEALTH CARE REFORM

The Center for Health Care Policy is at the forefront of a national effort to advance market-based, patient-centered reform of the health care system. The fight against ObamaCare is nothing less than the defense of the American Dream—and keeping that dream alive for ourselves and our children is this Center’s fundamental mission.

As other states fold on Medicaid expansion, Texas is holding the line thanks in part to the work of the Center. Our reforms bring market forces to bear on health care and empower the individual consumer to be a cost-conscious participant. By getting government out of health care and reducing the role of third-party insurance, we can lower health care costs and improve care for all Americans.

### MEDICAID

The Center is continually producing academic-quality research that demonstrates the negative impact of expanding Medicaid in Texas. In 1987, Medicaid cost the state \$2 billion. Today, it costs \$20 billion! Our research shows that this upward trajectory is unsustainable, and we are one of the few think tanks in the nation with an alternative plan to expansion. Our plan includes a federal block grant that will allow Texas to design a system that provides quality care to the poor without bankrupting the state.

Additionally, Center director Arlene Wohlgemuth personally briefed U.S. Senator John Cornyn on our ambitions for securing a block grant for Texas Medicaid. The fact that a sitting U.S. senator was willing to meet with us and hear out our case is again a testament to the importance of our ideas.

### OBAMACARE IN THE SUPREME COURT

In the weeks preceding the hearings of the U.S. Supreme Court on *Florida v. HHS*—popularly known as the ObamaCare case—the Texas Public Policy Foundation conceived and implemented an around-the-clock strategy for covering and disseminating the daily happenings to the public and media.

The Foundation filed our first ever *amicus* briefs at the U.S. Supreme Court. The second of three briefs carried the day, correctly arguing that the Medicaid expansion provisions of ObamaCare are unconstitutionally coercive of state governments.

This full-court press against government intrusion into our health care choices included a standalone website, commentary, real-time news, and policy analysis—garnering national attention with a cover article in *The American Interest* and a piece in *National Review*.

### SCOTUS on ObamaCare

In June, the Foundation staff worked together in response to the U.S. Supreme Court’s Patient Protection and Affordable Care Act (PPACA), or ObamaCare, hearings. Our conference room turned into a “war room” where we focused on responding to the court proceedings in real time via social media and also traditional outreach to the press via press releases and morning and evening “What to Expect Today” and “What Happened Today” memos. Our efforts garnered 127 media mentions, 8.6 million media impressions, and an appearance on Glenn Beck TV by Mario Loyola, director of the Center for Tenth Amendment Studies.





## K-12 Education

Choice and opportunity in education are the keys to student success. Therefore, the Center for Education Policy remains at the forefront of the debate on school choice, virtual learning, and other education reforms—building a better system of education that provides all Texas students with the tools they need to reach their education goals.

### EDUCATION QUALITY & CHOICE

The Texas Public Policy Foundation was founded on the idea that school choice and the competition it brings are vital to the success of the Texas education system. When parents are allowed to take charge of the education of their children, they are given power over nothing less than the future of Texas. Defending that future is the core mission of the Center for Education Policy.

Every student in Texas, regardless of socioeconomic status, deserves a high quality education. To do that, we need to make sure that every student gets an education that best fits their needs. Above all else, that means giving Texas school children and parents education options.

Long before the 83rd Texas Legislature was gavelled in, the Center was researching and educating lawmakers and the public on the need to expand Texas’ open enrollment charter school cap so that the 101,000 students waiting to attend them have that option—and with it, a greater chance at success in attaining their educational goals.

The Center worked on policy solutions that support the expansion of online and blended learning which greatly expand options for course providers and students wishing to participate. To drive home the fact that competition and local control are the keys to a more effective, efficient education system, the Center published a report on home-rule school districts, “Improving Efficiency and Local Control in Texas Education.”

In the ongoing fight to make greater educational opportunities available to *all* Texas students, the Foundation remains an outspoken proponent of school choice in the form of education tax credits and education vouchers—

providing in-depth research, commentary, testimony, and educational events on school choice issues in 2012.

### K-12 SCHOOL FINANCE

Efficiency in education means creating a school funding system in Texas that ensures taxpayers get the most for every dollar they spend. To achieve this goal, the Center published a policy brief, “Finding Real Efficiency in Texas Education.” Policy analyst James Golsan also participated in multiple radio interviews regarding Texas’ per-pupil education spending.

By the end of 2012, the Center had carried its message of market-based education reforms—choice, accountability, and transparency—over the airwaves of PBS’ “Red, White, and Blue” and in the pages of *The Dallas Morning News*, *Houston Chronicle*, and *The New York Times*.



Education policy analyst James Golsan moderates the in-house policy primer discussion on home-rule school districts and the need for greater local control, as Representative Phil King looks on.

## Higher Education

The Center for Higher Education champions a system of higher education that is academically rigorous, affordable, accessible, and transparent. With reforms in place that provide greater choice and accountability in higher education, greater opportunities and outcomes will result for the most important customers of higher education—students.

### HIGHER EDUCATION TRANSPARENCY

The year 2012 saw a dramatic turnaround in the fortunes of higher education reform. The second president of the Republic of Texas, Mirabeau Lamar, said, “The cultivated mind is the guardian genius of democracy.” The Center for Higher Education upholds that faith today and defends Texas democracy with its mission to make our colleges and universities nothing less than the world’s best.

This year, the Center mended fences, built bridges, and blazed new paths with the goal of keeping higher education accountable to the citizens who foot the bill—becoming a leading voice in the growing national movement of public higher education reform.

The transparency and affordability measures that the Center champions have been discussed and extolled in a *New York Times* piece by Arthur Brooks, and are being replicated in Florida, Oklahoma, and California. In addition, legislation proposed by the Center for this current legislative session promises to foment a “from-the-ground-up” revolution in higher education, one which will simultaneously increase education quality and decrease tuition costs and student-loan debt.

The Center’s director, Dr. Tom Lindsay, published a major research study, “Toward Strengthening Texas Public Higher Education: Ten Areas of Reform,” which was used by House Higher Education Chairman Dan Branch as the basis for four bills currently under consideration by that body.

One of the Center’s signal accomplishments was the launch of [SeeThruEdu.com](http://SeeThruEdu.com), a pathbreaking online intellectual hub which brings together some of the finest minds in higher education reform. In just months, [SeeThruEdu.com](http://SeeThruEdu.com) established itself as a force to be reckoned with and for



Jim Windham of the Texas Institute for Education Reform speaks with Center for Higher Education director Dr. Tom Lindsay following a Policy Orientation panel addressing higher education quality at the 10th Annual Policy Orientation in Austin.

years to come will prove a formidable bastion in the defense of the principles of higher education reform that the Foundation tirelessly advances.

### ACCOUNTABILITY & AFFORDABILITY

Spending taxpayer dollars without efficiency and accountability undermines the openness required of limited government. To this end, the Center reached out to policymakers and public university leaders to bring new ideas and solutions to the table of higher ed reform. Dr. Lindsay met with Gov. Perry’s staff to discuss Foundation recommendations for a greater focus on student learning outcomes.

The Center also released a notable research study, “Anatomy of a Revolution: The Rise of the \$10,000 Bachelor’s Degree,” working alongside a state representative from Oklahoma to advance the \$10,000 degree initiative beyond Texas’ borders.



## Energy and the Environment

Environmental mandates at the state and particularly at the federal level are growing at an unprecedented pace, and typically without rigorous scientific justification. This push at the federal level for new environmental and energy regulations could ultimately cost Texas millions of jobs, send energy prices through the roof, and destroy household income.

### REGULATORY OVERREACH

In 2012, the Center for Energy and the Environment, under the leadership of former chair of the Texas Commission on Environmental Quality, The Honorable Kathleen Hartnett White, directly contributed to a victory against the Environmental Protection Agency (EPA). In doing so, the Center didn't just deal a defeat to a particular bureaucracy: it took the offensive against Washington, D.C.'s ambitions to squelch Texas prosperity with its own plans and controls.

The EPA had previously rejected the Texas Flexible Permitting Program, asserting that Washington, D.C. knew better than Texas how to run Texas' affairs. White and her scholar

Josiah Neeley were at the forefront of a reasoned, deliberate, and ultimately convincing response to the EPA's overreach. In the end, when the Fifth Circuit Court of Appeals overturned the EPA's rejection, it was a direct consequence of the Center's work.

In another victorious ruling, the Washington, D.C. Circuit Court of Appeals struck down the EPA's Cross-State Air Pollution Rule. If passed, meeting this compliance would have cost the energy industry \$7 billion alone. This was a clear victory for state authority under a federalist system of government, and something the Center has been championing through in-depth research publications, educational outreach events, and far-reaching media coverage. The Center remains a vigilant sentinel against the EPA's oppressive and expansive regulatory spree.

### ENVIRONMENTAL REFORM

For decades, conservatives have been playing defense on environmental issues. Work by the Foundation's Center for Energy and the Environment aims to change this by putting forth a positive vision for a conservative approach to environmental issues, rather than simply opposing liberal measures.

In August, Kathleen Hartnett White authored a chapter in a new Heritage Foundation publication, *Environmental Conservation: Eight Principles of the American Conservation Ethic*, which sets out the foundational principles for a conservative approach to the environment and applies those principles to current environmental controversies. This chapter deals specifically with the need for Clean Air Act reform and the importance of bringing a 40-year-old statute in line with environmental improvements and technological advances of today.



Kathleen Hartnett White, director of the Armstrong Center for Energy and the Environment, emphasizes the dangerous consequences of EPA's overreaching regulations, especially on the Texas economy and Texas families, at an in-house policy primer in Austin.

## Economic Freedom

With a real understanding of the correlation between economic freedom and prosperity, the Center for Economic Freedom plays a critical role in keeping Texas competitive by embracing free market principles, supporting competition and consumer choice, and limiting government interference and regulation.

### ECONOMIC FREEDOM

The Foundation's Center for Economic Freedom is at the forefront of reminding policymakers of the importance of securing the economic liberties of all Texans. This Center's core mission is nothing less than sustaining the American Dream, with all its promise, right here in the Lone Star State.

For eight years, the Center has been focused on reducing eminent domain abuse; these efforts have led to significant legislative and judicial victories protecting property owners. Likewise, we have opposed multiple efforts to re-regulate the Texas electricity industry that would have significantly increased the cost of electricity for Texas consumers and businesses. The Center's work in opening up the telecommunications market has led to a proliferation in broadband and video service throughout Texas. Consumers have more freedom to choose how to use their property and where to spend their money because of the Center's efforts.

One of the Center's top priorities in 2012 was the drafting of model legislation for the Texas Legislature. By the end of 2012, this model legislation was already being turned into bills by Texas legislators for the 83rd Texas Legislature. The Center's model legislation covered issues such as property rights, electricity, renewable energy, homeowners insurance, and local governance.

### ELECTRICITY & ENERGY

In 2012, the Center for Economic Freedom was engaged on the issue of resource adequacy, the biggest issue the state is dealing with in the electricity area—also the greatest threat to maintaining Texas' nation-leading, free-market approach to generating electricity.



Bill Peacock (middle), vice president of research and director of the Center for Economic Freedom, discusses the success of Texas' free market energy sector with panel experts Andrew Kleit, Ph.D. (left) of Penn State University, and Robert Michaels, Ph.D. of Cal-State Fullerton.

The Center filed two sets of comments with the Public Utilities Commission (PUC) on the issue. The comments had a positive impact, helping to shift the debate back toward a more free-market approach to energy and keeping the lights on across Texas.

### PROPERTY RIGHTS

In 2012, the Center was involved in two Texas Supreme Court decisions that significantly strengthened property rights protections. One was the *Denbury* pipeline case, in which the Court ensured that property owners are able to challenge the validity of takings in court. A policy brief published by the Center was cited in the filings of the property owners in the case. The Center also filed an *amicus* brief in a recently decided case involving the state's Open Beaches Act.



## Tenth Amendment

The Center for Tenth Amendment Studies works to restore the constitutional balance between the state and the federal government and to educate the public and our leaders on the framers' vision of a federal Constitution and the liberties it guarantees.

### FEDERALISM

In 2012, the Center for Tenth Amendment Studies was fully engaged in the fight to educate the public, policy-makers, and media on our Founding Fathers' vision of a constitutional balance between the states and the federal government. At stake was nothing less than a defense of the American way of life and government—and it made a tremendous difference.

The Center's director, Mario Loyola, published a major law review article in the *Texas Journal of Law & Politics*, a 15,000 word summary of cooperative federalism and the importance of keeping state and local government separate in order to protect our liberties from a federal government that seeks to insinuate itself into every aspect of our lives.

In another groundbreaking article published in *The American Interest*, Loyola argued that "cooperative federalism," or the intermingling of state and federal finances and excessive delegations of rulemaking authority, are eroding the Constitution's separation of powers. The result is exploding federal deficits, cyclical state fiscal crises, and loss of accountable government. The solution: revive the separation of powers as granted in our nation's Constitution.

### OBAMACARE'S OVERREACH

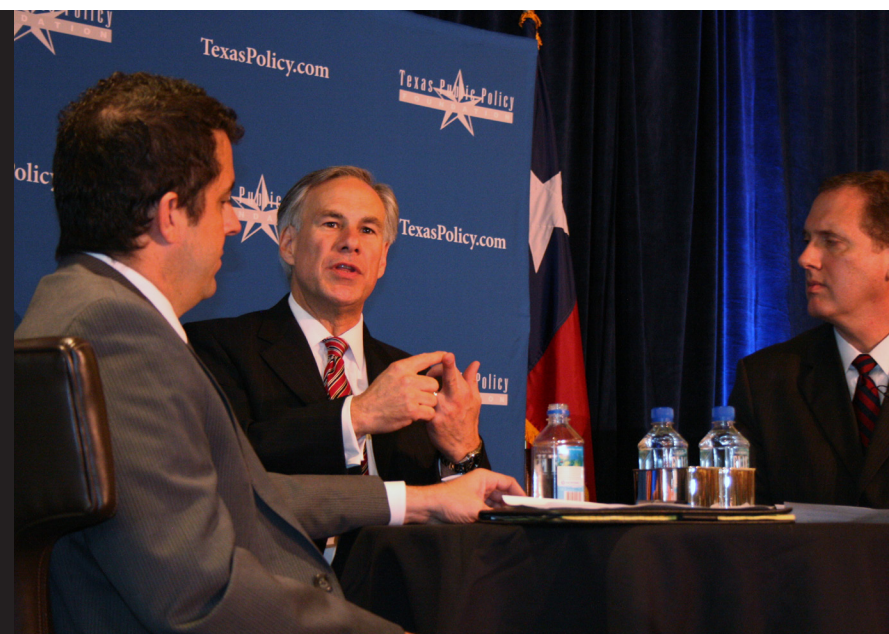
The Center authored three *amicus* briefs on behalf of Texas for the Supreme Court in the ObamaCare case (*NFIB v. Sebelius* on severability; *Florida v. HHS* on Medicaid; and *HHS v. Florida* on the individual mandate). These briefs were coauthored with renowned conservative law professor Richard Epstein, a luminary of the Chicago School of Law & Economics and an influential writer to the Court's conservative justices.

Loyola and Epstein also teamed up to write a cover story for *National Review* on the Supreme Court's ObamaCare decision—the longest piece on the topic written for *National Review*.

The Center met extensively with the offices of U.S. Senators John Cornyn, Kay Bailey Hutchison, Tom Coburn, Mike Lee, and Marco Rubio, as well as with the House Republican Study Committee, on a variety of legislative initiatives including the REINS Act and shaping future federal appropriations to avoid the impermissible conditions that are now in danger of existing under ObamaCare.

### A Constitutional Balance

In September, the Foundation hosted a sold-out Lone Star Series policy event in Austin featuring Texas Attorney General Greg Abbott. General Abbott was joined by Center for Tenth Amendment Studies director Mario Loyola (left) and the Foundation's vice president of policy Chuck DeVore as the three discussed the ObamaCare ruling, EPA's overreach, and federalism.



## Effective Justice

With solutions for reducing adult and juvenile crime and costs to taxpayers, empowering and restoring crime victims, and limiting the scope of criminal law, the Center for Effective Justice is creating a new discourse for criminal justice and corrections across the country and the world.

### LEADING A NEW DISCOURSE

The Foundation's Center for Effective Justice is the undisputed leader of the growing movement supporting conservative solutions in criminal justice policy. The reforms that Texas implemented based on the Center's recommendations have contributed to Texas in 2012 reaching its lowest crime rate since 1968, having its lowest prison population in five years, and avoiding \$2 billion in costs from not building new prisons that are no longer needed.

The Center's director Marc Levin and policy analyst Vikrant Reddy coauthored "Peach State Criminal Justice: Controlling Costs, Protecting the Public," and juvenile justice analyst Jeanette Moll authored a similar paper on juvenile justice reforms. Soon thereafter, Georgia passed one of the most sweeping criminal justice reform bills in the nation, containing many of the Center's ideas and recommendations.

The Center's outreach efforts also included the sharing of research, reforms, and recommendations with other states including Florida, Louisiana, Kentucky, Nebraska, New Mexico, Oklahoma, and Pennsylvania. This outreach will continue in 2013 with Right on Crime partnerships in Minnesota, Oregon, Missouri, Michigan, and many more.

### RIGHT ON CRIME

The Center's Right on Crime is leading a paradigm shift in the criminal justice conversation. By bringing together some of the biggest names in conservative thought to create a new approach to criminal justice, Right on Crime has rapidly emerged as the go-to source for policymakers seeking greater efficiency and outcomes in their states.

In 2012, Right on Crime received more than 305 national media hits, including mentions in *Bloomberg Business*



The Foundation hosted a panel discussion, "Criminal Law vs. Free Enterprise" at the 10th Annual Policy Orientation. Panel experts included (from left): Tim Lynch, Cato Institute; Shannon Edmonds, District and County Attorneys Association; Representative Bill Callegari; and the Center for Effective Justice's director Marc Levin.

*Week, The Wall Street Journal, The New York Times, Washington Monthly, Huffington Post, and many more.*

Right on Crime earned international attention when *The Economist* called it "Nixon-to-China" when referring to the success the program has brought to the issue of effective justice reforms.

The Center attended the 2012 Conservative Political Action Conference (CPAC) to promote and share how a conservative approach to criminal justice policy has worked in the Lone Star State.



# Investing in Liberty

“There are no easy answers, but there are simple answers. We must have the courage to do what we know is morally right.”

Ronald Reagan

**AN INVESTMENT MADE IN THE TEXAS PUBLIC POLICY FOUNDATION** is an investment made in the principles of our Founding Fathers. Our thousands of benefactors understand that the great debates of the day aren't one political party versus the other, but a contest of differing models: one managed under the guidance of the state, and the other a system of free markets and entrepreneurship.

Supporters of the Texas Public Policy Foundation are doing their part to ensure an America with a future of liberty, opportunity, and prosperity—in short, a future where entrepreneurs and students and families can find their flourishing. They are the reason for our success and the advancement of Texas as a model for the nation.

Not only have these patriots committed to support our daily work, they are now making a much longer-term commitment that will be permanently recognized in our new headquarters building.

The Lone Star Rising Capital Freedom Fund is an extension of our mission. The campaign was established to both provide the physical space needed to do our work, and to make a statement: after more than 24 years, we are here to stay and defend freedom and opportunity for all Texans. It is a remarkable undertaking, but one we feel is necessary and doable.

The Texas Public Policy Foundation is being called on to provide model policy recommendations, oversee major national outreach efforts, teach our methods to like-minded groups throughout the nation, and defend liberty in a variety of policy areas. With the support of our donors, we are eager to fill this role and will have the infrastructure needed to make it happen.

While several have already stepped forward to make their commitment, name a space within the headquarters, and tell their story within our walls to inspire others to protect and defend the American Dream, there are hundreds more who have a story to tell. And we are here to tell it.

TOP LEFT TO RIGHT: Wisconsin Governor Scott Walker interacts with Visionaries Meeting guests before a private Q&A session at the 10th Annual Policy Orientation. | U.S. Senator Ted Cruz tells Houston supporters about the important role of the Foundation in preserving Texas' limited government, free market principles. | Texas Attorney General Greg Abbott discusses the Foundation's leadership on 10th Amendment issues with a donor at a Lone Star Issues policy event. | A current donor brings a colleague to an in-house Policy Primer, met by Vice President of Outreach Shari Hanrahan. | Lieutenant Governor Dewhurst looks on as a Foundation supporter enjoys a behind the scenes tour during Visionaries Meeting. | Foundation donors enjoy dinner at the historic Chateau Bellevue with other supporters from across the state.



# Sending a Message

“... man is not free unless government is limited. There's a clear cause and effect here that is as neat and predictable as a law of physics: as government expands, liberty contracts.”  
**Ronald Reagan**

**IN 2012, THE FOUNDATION'S COMMUNICATIONS** department continued its extraordinary work taking our message of liberty to the halls of Texas government and beyond. Over the course of the non-session year—and with a presidential election taking up a great deal of the media spotlight—our media presence radiated outward from Austin to Washington, D.C., and even to Europe.

In short, this was the year that our communications efforts showed the Foundation to be more than a local institution: we possess a relevance to our movement that few institutions aspire to attain, much less achieve.

We began the year with our largest ever Policy Orientation for the Texas Legislature, attracting nearly 1,000 attendees from Texas and across the nation and attracting the attention of the international media. *The Economist* called our 2012 Policy Orientation “a snapshot of what the right is talking about.” Nowhere was this more evident than in the standing-room-only crowd and media buzz surrounding one of the event's highlights: Texas' first U.S. Senate debate co-hosted by the Foundation and Empower Texans. The Foundation partnered with Univision to broadcast the debate on all 12 of its statewide stations.

Because the Foundation carries on the spirit of liberty conferred to us by the American and the Texas founders, it was only proper and fitting that in 2012 we celebrated one of the great acts of one of the greatest champions of freedom—Ronald Reagan. In June, the Foundation was privileged to host the 25th anniversary commemoration of one of the great moments ending the Cold War: Reagan's 1987 Berlin challenge to the Soviet empire to “tear down this wall.” Peter Robinson, the man who wrote that speech, journeyed to Texas to share his memories of our 40th President.

In August, the Foundation launched a newly designed website, [www.TexasPolicy.com](http://www.TexasPolicy.com). The revamped site boasts a simple, contemporary design with an array of new tools that improve usability and aesthetics. By the end of the year, [TexasPolicy.com](http://TexasPolicy.com) was hosting an average of 8,372 unique visitors per month with total number of visits to the site up 10.6 percent from the previous year.

In 2012, we earned 275 million media impressions and 4,960 hits around the world. These are impressive numbers for a state-focused think tank, especially one that is not located in a national media epicenter, and they point to the high caliber quality of our research and the effectiveness of our communications strategy in both traditional media and new social media technologies.



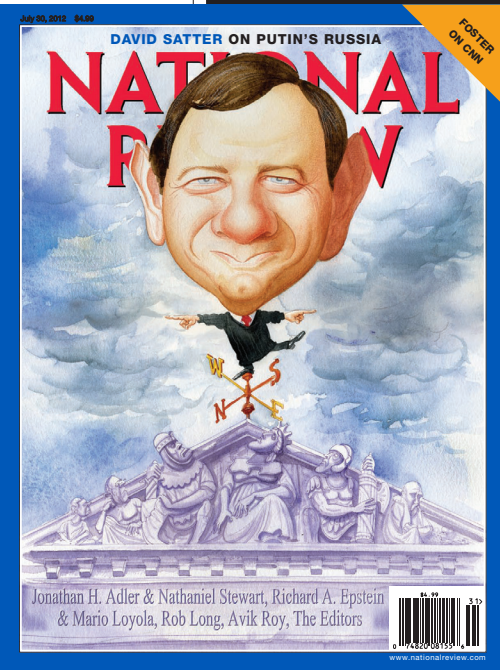
LEFT TO RIGHT: Bloggers at the 10th Annual Policy Orientation event in Austin. | Governor Scott Walker (WI) recounts the budget crisis in Wisconsin and how low taxes, pension reform, and dismantling cronyism within public unions spurred job creation in the region. | Five of Texas' Republican candidates for U.S. Senate spar in Texas' first U.S. Senate debate. | Texas State Representative Raul Torres interviews with KWEX-TV after his appearance on the panel “¿Adonde Vamos? Texas Hispanics and the Texas Future.” | A panel attendee participates in the Q&A session. | Former Chief Economist to the Vice President, Dr. Jared Bernstein, and “father of supply-side economics,” Dr. Arthur Laffer, compare Texas and the nation's economic outlook.

# In the News

## THE WALL STREET JOURNAL

OPINION | MAY 16, 2012  
**Why the Left Wants to Ban ALEC**  
 For nearly four decades, the group has been a force for good governance.

BY WENDY GRAMM AND BROOKE ROLLINS  
 Let's put the bottom line up front: We at the Texas Public Policy Foundation Exchange Council, otherwise known as ALEC, and we're proud of our record of critical criticism to isolate and destroy the group because of its limited-governance words in the council's defense.  
 ALEC is under sustained attack from organizations that fundamentalism and economic freedom. But instead of debating these issues, we're a partnership of state legislators, entrepreneurs and civil-society organizations to isolate and destroy the group because of its limited-governance words in the council's defense.  
 Though we have not worked directly with ALEC on either voter-ID or the council's position on either of these positions "extreme," as its political opponents would have it.  
 In a society where voter fraud is still a real problem, and where Americans are required to show a picture ID. In the imagination of ALEC's critics, to require an ID to determine the future of the greatest country in the world.  
 There is now even an effort to link the Martin tragedy with ALEC's "your ground" laws, to allow people to defend themselves. Despite the political hay of a young man's death, an actual linkage between that tragedy and ALEC's real crime is this: For nearly four decades, it has been an effort to isolate and destroy the group because of its limited-governance words in the council's defense.  
 Their comments may be legitimate discourse, but this ought to be called "entertainment in a free society." ALEC is for less government and more freedom. Yet what we do generates big results, and not just in our home state with ALEC has been accomplished via its Public Safety and Elections committees shut down due to pressure from left-wing groups.



CLOCKWISE FROM TOP LEFT: Wendy Gramm and Brooke Rollins in *The Wall Street Journal*; Mario Loyola in *National Review*; Chuck DeVore on Fox News; Mario Loyola on Glenn Beck; Jeannette Moll on Austin television news; Brooke Rollins guest-hosting the Mike Gallagher Show.

# Financials

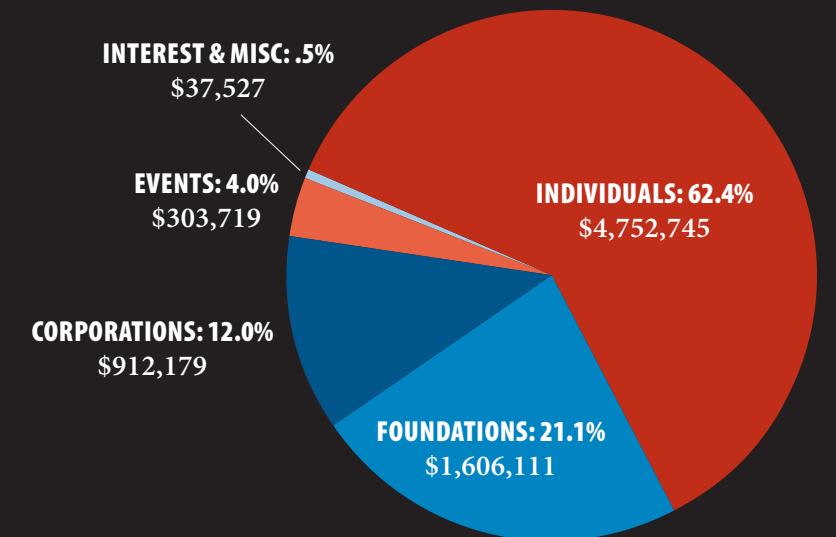
## BALANCE SHEET

Assets	
Cash & Receivables	\$ 1,636,161
Property & Equipment	\$ 6,955,361
Prepaid Expenses	\$ 54,281
<b>Total Assets</b>	<b>\$ 8,645,803</b>

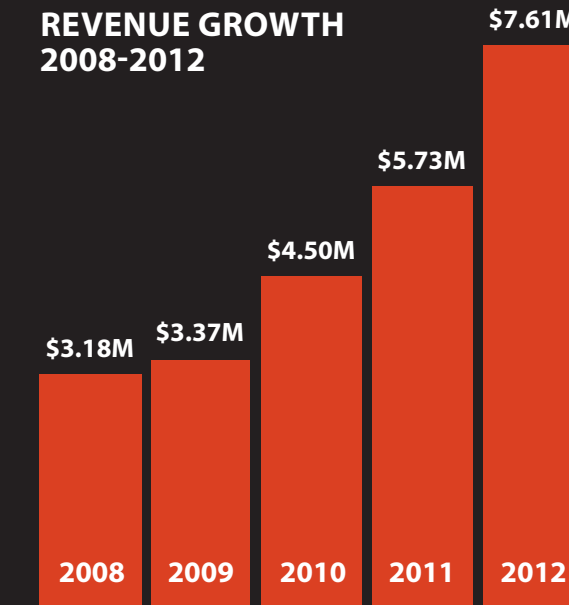
Liabilities	
Current Liabilities	\$ 153,970
Long Term Liabilities	\$ 1,075,000
Deferred Revenue	\$ 233,700
<b>Total Liabilities</b>	<b>\$ 1,462,670</b>

Net Assets	
Equity Prior Years	\$ 4,303,378
Equity 2012	\$ 2,879,755
<b>Total Net Assets</b>	<b>\$ 7,183,133</b>
<b>Total Net Assets &amp; Liabilities</b>	<b>\$ 8,645,803</b>

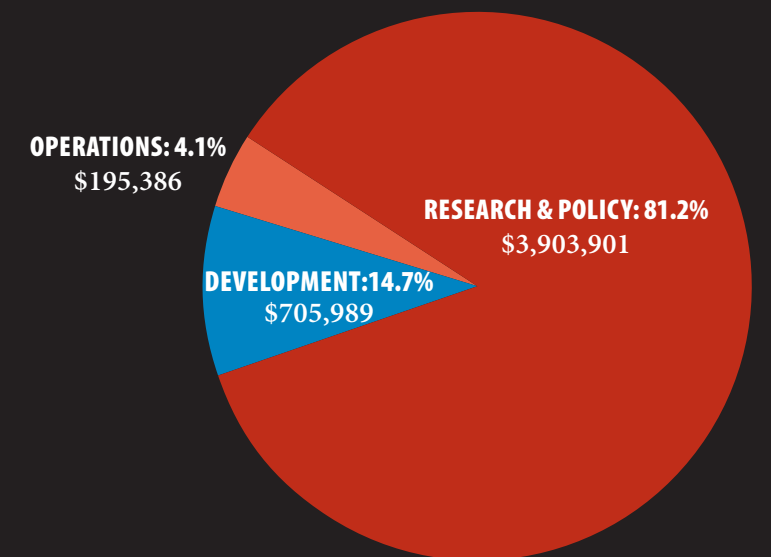
## 2012 INCOME: \$7,612,281



## REVENUE GROWTH 2008-2012



## 2012 EXPENSES: \$4,805,276



All financial data subject to review by independent audit.



*“They say the world has become too complex for simple answers. They are wrong.”  
~ Ronald Reagan*

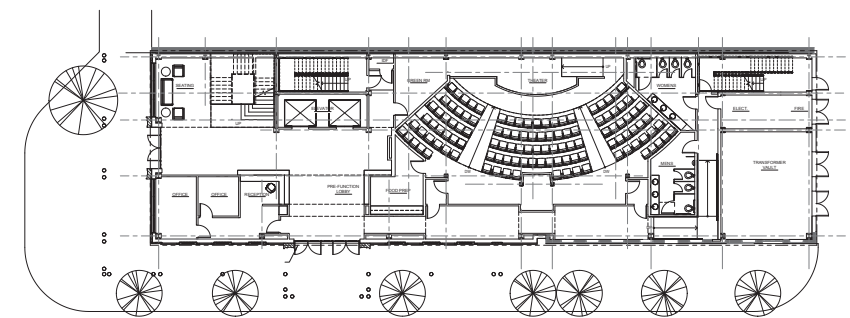
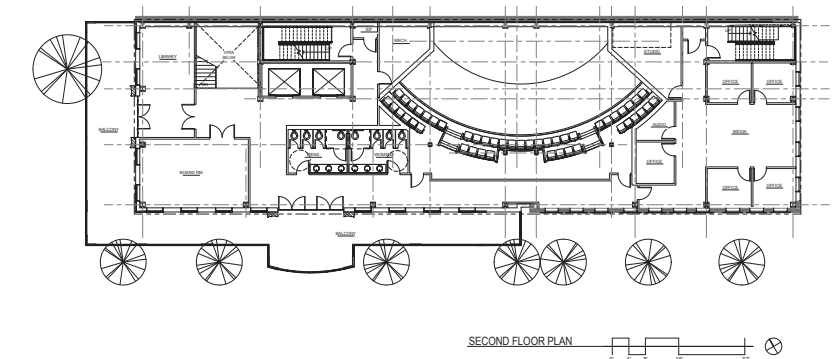
## Foundation Staff

- BROOKE L. ROLLINS** President & CEO
- THE HONORABLE ARLENE WOHLGEMUTH**  
Executive Director; Director, Center for Health Care Policy
- THE HONORABLE CHUCK DEVORE**  
Vice President of Policy
- SHARI HANRAHAN** Vice President of Outreach
- BILL PEACOCK** Vice President of Research;  
Director, Center for Economic Freedom
- JOSHUA TREVIÑO** Vice President of Communications
- JOHN DAVIDSON** Health Care Policy Analyst
- NANCY DRUART** Publications Manager
- SARAH FRENCH** Director of Development
- JAMES GOLSAN** Education Policy Analyst
- DAVID GUENTHNER** Senior Director of Public Affairs
- THE HONORABLE TALMADGE HEFLIN**  
Director, Center for Fiscal Policy
- KRISTEN INDRIAGO** Director of Communications
- MICHAEL JOYCE** Events Director
- JEREMY KEE** Office Administrator

- MARC LEVIN** Director, Center for Effective Justice
- TOM LINDSAY, PH.D.**  
Director, Center for Higher Education Policy
- MARIO LOYOLA**  
Director, Center for Tenth Amendment Studies
- JEANETTE MOLL** Juvenile Justice Policy Analyst
- JOSIAH NEELEY** Energy & Environment Policy Analyst;  
Tenth Amendment Studies Policy Analyst
- JAMES QUINTERO** Senior Fiscal Policy Analyst
- VIKRANT REDDY** Effective Justice Policy Analyst
- RIKKI RISINGER** Accounting & Operations Manager
- GREG SINDELAR** Director of Operations
- TRAVIS SPEEGLE** Communications Manager
- BRENDAN STEINHAUSER** Director of Communications  
for Right on Crime
- GEOFFREY TAHUAHUA** Donor Relations Manager
- THE HONORABLE KATHLEEN HARTNETT WHITE**  
Director and Distinguished Fellow, Armstrong Center for  
Energy & the Environment

## Board

- WENDY LEE GRAMM, PH.D.** *Chairman* Helotes, TX
- BROOKE L. ROLLINS** *President & CEO* Austin/Fort Worth, TX
- TIM DUNN** *Vice Chairman* Midland, TX
- THOMAS LYLES** *Secretary* San Antonio, TX
- ERNEST ANGELO JR.** *Treasurer* Midland, TX
- JAMES R. LEININGER, M.D.** *Chairman Emeritus* San Antonio, TX
- PHIL D. ADAMS** Bryan, TX
- VICTOR LEAL** Amarillo, TX
- KENDALL MILLER** Houston, TX
- BRENDA PEJOVICH** Dallas, TX
- JEFF SANDEFER** Austin, TX
- GEORGE SEAY** Dallas, TX
- KYLE STALLINGS** Midland, TX
- GEORGE W. STRAKE JR.** Houston, TX



*“My dream is of a place and a time where  
America will once again be seen as the last  
best hope of earth.” ~Abraham Lincoln*

