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Chairman's Update *Impacting Public Policy in a Major Way* *Fall 2011*

I want to bring you up-to-date on the activities of the Thomas Jefferson Institute, Virginia's premier independent public policy foundation, and the impact we are having on public policy. As I have said before, this public policy foundation is more accurately defined as a "solutions tank" rather than a "think tank." We seek real world alternatives to current government programs and policies -- based on a market philosophy of limited government, free enterprise and individual responsibility -- and we have been and continue to be successful.

We are proud of the respect this Institute has gained here in Virginia and the successes we have had on influencing public policy. Many of the innovations in government, public education, transportation and environmental policies have been initiated through the ideas promoted by the Thomas Jefferson Institute for Public Policy.

Leadership Recognition

Campaigns and Elections magazine, a national bi-partisan publication that reviews elections and trends throughout the country, named me in its June edition as one of the 40 "Top Influencers" in Virginia's Republican corral. Although the Institute is non-partisan the editors of *Campaigns and Elections* placed us in this category because of our working relationship with Governor McDonnell and his Administration. This was recognition of the work that many people have put into the Jefferson Institute and for the support we have gained from individuals, corporations, foundations and associations here in Virginia. Our success and reputation comes from the combination of many factors and it is an honor that we received this special recognition for our work and influence.

Center for Government Reform

My work as the Governor's Advisor to the Commission on Government Reform and Restructuring continues to take up much of my time here at the Jefferson Institute. Over 60% of the Commission's first year's set of recommendations to our Governor were suggestions that had been promoted by this foundation for years. We are proud that these ideas have been adopted by the Commission and are being implemented by the McDonnell Administration. The Reform Commission continues its work and we are having a significant impact. At the Commission's public meeting following the General Assembly Session, I recommended dozens of areas to look at and most of these have gained support from the members of this government reform effort. Each of these areas focused on the goal that taxpayers' money be used more effectively and efficiently. Many of these ideas will likely be adopted as recommendations to our Governor.

To be successful, government reform must include a more open and transparent state and local government. To that end the Jefferson Institute reprinted three very good transparency reports from the Mercatus Center at George Mason University and distributed them widely to state and local government officials, hundreds of media outlets, and business leaders throughout Virginia. These three reports outline why transparency is important and how to move in that direction without spending a great deal of taxpayers' money.

The Jefferson Institute is in the final stages of designing a new “Open Government” website that will provide an easy access format to many facts and statistics on Virginia government spending and programs. This new website will provide information in one location and in a way that interested parties, including the media and bloggers, can use for research and analysis. A great deal of information is available on state websites and other websites, but finding all this information in one location simply does not exist at this time. It will be available soon through the Thomas Jefferson Institute. This information will give reporters, researchers, elected leaders and others interested in how government works an easier way to find out what is going on with their taxes.

One of the most vexing problems facing state and local governments here in Virginia and around the country is the financial obligations tied to a retirement program that was set up decades ago and has not been modernized to reflect today’s economic realities. The Virginia Retirement System (VRS) is currently \$17 billion underfunded.

To help the discussion on reforming the VRS, the Jefferson Institute published this past summer an important analysis on restructuring the state’s retirement system. “*Pension Reform in Virginia*,” was authored by Robert Carlson, a professional in retirement planning and government retirement programs, who suggests that a ‘hybrid’ retirement system be designed that would combine elements of the current defined-benefits retirement program with those of a defined-contributions program that have proven successful in the private and non-profit sectors.

This study was released through a tele-press-conference with many newspapers and radio stations picking up the story. Three of the top newspapers in the state ran stories on this study and it was circulated nationally through the National Conference on Public Employee Retirement Systems.

Government reform is also needed on the local level which is why the Jefferson Institute publishes an annual analysis of the Fairfax County budget. And this summer the Institute published a study that created a great deal of controversy. This study, “*Subsidized Luxury in Fairfax County*” showed where government policy and programs include, in its subsidized housing program, units that the average taxpayer cannot afford. Some of these subsidized living units are townhomes in gated communities with bricked sidewalks and driveways; some with amenities such as billiards rooms, expensive stainless steel appliances, office facilities with free internet access, and computers and printers; very nice swimming pools and parking garages. Annual fees are in the thousands of dollars, paid for by the taxpayers, and in at least one case, these annual fees are over \$6,000. This goes on at the same time many other less pricey subsidized units are infested with roaches and bed bugs. Incredibly, the leaders of Fairfax County defended these high-end subsidized units.

Center for Excellence in Education

Since we were founded, the Thomas Jefferson Institute has become the most innovative source for serious school reform in our state. We promote expanding choice for parents and students through charter schools, on-line learning (virtual schools), tuition tax credits and improving access to better educational options for students who have various “special education” challenges.

Our respect in the field of education reform is because of our Vice President, Chris Braunlich, who heads the Jefferson Institute’s Center for Excellence in Education. Chris Braunlich is a former 8-year member of the Fairfax County Public School Board where he represented the most diverse area of that county. He left after fulfilling his commitment to the voters to hold the position for only two four-year terms. Chris is a nationally recognized school choice expert whose opinions are broadly respected.

That is why Governor Bob McDonnell appointed Chris this summer to serve on the Virginia Board of Education, one of the most important policy positions in our state.

Under Chris’ leadership and guidance, the Jefferson Institute developed the intellectual and policy reasons to explain why a General Assembly budget amendment would have financially gutted Virtual School funding in Virginia. Working with key administration officials and General Assembly members to explain how the budget amendment would have blocked the expansion of on-line courses to students throughout our state, and writing a broadly read guest column on the subject that was run in many newspapers throughout Virginia, the Governor vetoed the amendment

and it was sustained by the General Assembly. This again shows the impact the Jefferson Institute continues to have on key public policy issues.

To offer a clear explanation of the opportunities available through Virtual Schools, the Jefferson Institute developed, published and circulated a new brochure called, “What is a Virtual School?” that provides information about the 13 online providers in Virginia. It shows parents where to gain more information. This brochure has generated many requests for more information.

Chris Braunlich researched and wrote an analysis of the large number of School Boards in Virginia that refused to follow the lead of Governor McDonnell and President Obama in agreeing to develop a system to determine the effectiveness of public school principals and teachers in educating our children. A disturbingly large majority of School Boards are not interested in developing such a system to analyze how well our tax-financed school principals and teachers are doing. Braunlich’s paper shows which specific School Boards agreed to design such a system and which ones did not. This paper, “*Where do Virginia School Boards Stand on Improving Teacher and Principal Effectiveness Based on Performance,*” was distributed to all media outlets in the state, along with a broad range of elected official, government and business leaders.

This fall, the Institute published a new paper on the pitfalls of current funding for digital education. This new paper, “*Students without Borders: Online Education in Virginia,*” suggests a new funding mechanism to make sure these “on-line classes” become a permanent part of the current education system in our state.

Center for Environment Stewardship

The environment is one of those issues that most everyone agrees must be protected but there is a raging controversy over how to do it. One side believes in command-and-control-type federal and state policies even if these stand in the way of economic growth and job creation. The other side believes in reasonable market-oriented stewardship that would protect the environment and allow healthy economic growth with fewer government regulations. The Jefferson Institute deeply believes that realistic environmental stewardship and economic growth are not opposing forces and that both goals should be part of mutually agreed to government policy.

The Thomas Jefferson Institute has built a reputation of being a responsible voice in this battle over the environment because our Director of the Center for Environmental Stewardship, Dr. David Schnare, is a highly respected scientist, lawyer and free market environmentalist.

After serving 30 years in the federal government and having fought the extreme environmentalists from the inside, Dr. Schnare retired this fall and is now working full time on free market environmentalism. He has been the key idea person on alternative environmental policy here at the Jefferson Institute and this has gained him a national reputation. Through Dr. Schnare’s work with the Jefferson Institute, we have helped Virginia move toward sensible policies to clean up the Chesapeake Bay. This has been done through the state expanding its advocacy of no-till farming practices which was part of Virginia’s plan to the federal government for improving water quality in the Bay. Dr. Schnare has met several times with key leaders in the Department of Natural Resources and the Attorney General’s Office to discuss how Virginia can push back on the overbearing federal regulations. These meetings have been very productive.

Dr. Schnare is working with the Thomas Jefferson Institute on many environmental issues as he also works to establish a new independent “environmental stewardship law clinic” at George Mason University where law students can work on important legal cases that push back on the EPA’s constant desire to bring unnecessary and destructive regulations to our businesses and taxpayers. Dr. Schnare is a huge asset to the responsible environmentalism that most of us support.

Center for Economic Development

The Jefferson Institute has continued its efforts to promote market-oriented economic development policies and bring necessary information to the job producers in our state.

Every year, in late spring, the Institute publishes its *Virginia Economic Forecast* which is read by business leaders, government leaders and business reporters. Researched and written by Chmura Economics and Analytics of Richmond, the state's premier independent economic research firm, this *Economic Forecast* is used by many and has proven to be highly accurate over the years.

Each year a public policy issue is highlighted in this respected economic analysis. This year that issue was focused on the housing foreclosure problem and how it is still a cause for real concern to our economic recovery. The title of this year's Forecast was, "*Foreclosures Dampen the Economic Recovery.*"

Transportation is one of the most important elements to a strong and growing economy and the Thomas Jefferson Institute continues to be a key player in this very important public policy area.

Earlier this year I participated in a national panel of 30 national experts as part of the *Mobility Project* sponsored by the Institute for Analysis of Global Security. This day-long conference focused on how to build the necessary modern transportation network critical to the long-term economic health of our nation. And an economically healthy nation is a more secure nation from a strategic and military point of view.

With government resources dwindling, the approach I took at this conference was to focus on the need to make currently available dollars go further through restructuring how transportation is planned and how the network is built. My comments were aimed at the need to bring more private sector dollars to the table and for governments to be more "nimble" in the way they deal with private sector investors. A long, drawn-out decision making process by a state or local government will discourage private investors from looking again at that particular government. Private investors look at investments in government infrastructure where decisions can be made reasonably quickly and private sector values are understood and appreciated.

I also was a key speaker, along with Bob Chase of the Northern Virginia Transportation Alliance, at "*The 2011 Virginia Small Business Summit*" at George Mason University. This is the second year I have participated and the first where I was a major presenter of ideas on resolving our transportation challenges. Bob Chase outlined the challenges we face and the price tag for those challenges. I presented the case for major reform and new ideas with the caution that asking for additional tax money will be much easier if our government transportation bureaucracy were reformed and streamlined. We also need true congestion relief as a state policy. Serious restructuring of the way our transportation projects are prioritized, funded and how our roads are maintained once they are built must be the top priority in our state government. Each of these ideas was offered for discussion and refinement. The ideas outlined in my presentation will be part of a report that is going to the Governor and Secretary of Transportation Sean Connaughton this fall. They have said they will review it and seriously consider its recommendations.

Bacon's Rebellion becomes Jefferson Policy Journal

Three years ago, the Thomas Jefferson Institute took over the publication of the state's only regular electronic public policy journal called "*Bacon's Rebellion.*" It has about 2300 subscribers but Jim Bacon was heading into a new career and didn't have time to continue with this journal. The Jefferson Institute assumed publication and built it into a major public policy vehicle distributed to over 17,000 people every two weeks.

In order to better tie this public policy journal into the other work of the Thomas Jefferson Institute, and let the reader understand that it is a publication of our foundation, the decision was made to change the name from "*Bacon's Rebellion*" to the "*Jefferson Policy Journal.*" Designing new mastheads and transferring databases and archives took much longer than anticipated. However, all this is now accomplished and the *Jefferson Policy Journal* is up-and-running once again. A number of new ideas are being developed that will make this electronic journal an even more important part in the discussion of issues facing our state.

If you do not now receive the Jefferson Policy Journal, please go to its website and sign up for it. You will enjoy the policy opinions carried in it. The articles cover everything from government reform to environmental stewardship; from education reform to economic development; from agriculture to transportation. Sign up at www.jeffersonpolicyjournal.com

Final Thoughts

As you can see from this brief report on our activities, the Thomas Jefferson Institute has continued to impact public policy in many ways. Our work has been focused and our efforts continue to be successful.

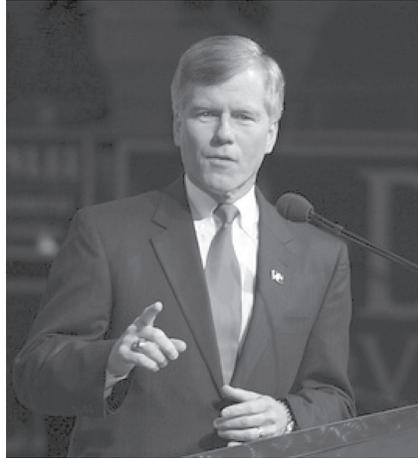
None of this is possible without the support of our Board of Directors and the hundreds of donors who have expressed their trust in us through their financial support. We are careful with these investments that our donors so generously provide. Our budget is modest and we know if we could increase it we would be able to accomplish so much more.

Thank you for your interest in the work of the Thomas Jefferson Institute. Without your support we simply could not have the impact we are having on our state. Our Board of Directors deeply appreciates your support of our work.

Chairman and President

A handwritten signature in black ink, appearing to read "Miles Thompson". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Governor Bob McDonnell
Richmond, Virginia



Dear Friend:

I want to thank you for your continued efforts to make Virginia a better place to live and work.

I have worked closely with the Jefferson Institute and its Founder and President Mike Thompson for many years. The Thomas Jefferson Institute is viewed as a leading factory of ideas to reform state government, improve public education, and strengthen environmental stewardship.

Please join me in support of my friends at the Thomas Jefferson Institute for Public Policy.

The Jefferson Institute's studies, conferences and newspaper columns provide a great blueprint for how to reform our state government and I appreciate their efforts in contributing to our review of state government functions.

The Institute helps educate our political and business leaders about innovative ideas and solutions to the problems that are faced by Virginians and I look forward to working with their team as it continues to promote good government reform here in the Commonwealth.

I need the Thomas Jefferson Institute to continue to provide the kind of influence and creativity it has for so many years.

Sincerely,

A handwritten signature in black ink that reads "Bob". The signature is written in a cursive, slightly stylized font.

Governor Bob McDonnell