

**THOMAS JEFFERSON  
INSTITUTE  
FOR PUBLIC POLICY**



*Annual Report 2004  
Expanding Activities – Building Influence*

## From the Chairman/President



This past year, 2004, was the year the Thomas Jefferson Institute moved to significantly increase its programmatic depth, becoming a major force for positive change here in Virginia.

After building a reputation for solid, credible research and workable and realistic alternatives to current government programs and activities, the Jefferson Institute took bold moves in 2004 to strengthen its programs and prepare for a future of more aggressive activities focused on improving the efficiency of state and local government, expanding educational choices and strengthening economic development.

Chris Braunlich is the Jefferson Institute's Vice President. He is a former, and highly respected, member of the Fairfax County School Board being elected twice to this non-partisan body. His 15 year background with the National Association of Manufacturers and clear expertise in education has given the Jefferson Institute a broader and deeper capability to bring responsible alternatives to government programs and policies here in Virginia. When serving on the Fairfax County School Board, Chris represented a demographically diverse community and this is most helpful to our efforts. His expertise allowed us to expand our activities last year and to concentrate more fully on the Institute's "Center for Excellence in Education." Chris is helping our Institute in many areas.

Geoffrey Segal is the Director of Privatization and Government Reform for the nationally respected Reason Foundation. He joined our team as the Jefferson Institute's Senior Fellow on Government Reform working with us as we built our "Center for Legislative Analysis and Government Reform" into a more influential part of our public policy work. This Center began working more closely with our State Delegates and State Senators in providing research on pending legislation and suggestions on what can be accomplished here in Virginia based on Geoff's experiences in working with Governors' offices in Florida, South Carolina and Indiana and with legislators in California, New York, Indiana, Oregon, Maine, South Carolina and Texas. Geoff's expertise helped us develop a closer working relationship with the General Assembly's bi-partisan Cost Cutting Caucus.

We also added three new members to our Board of Directors during 2004. These additions speak to the growing influence of the Jefferson Institute and we are proud that these significant leaders have agreed to help lead and guide us. These new Board of Directors are: Stephen Cannon, former Senior Vice President and General Counsel for Circuit City Stores and now is a partner in the Washington DC law firm of Constantine and Cannon; Eva Hardy is Senior Vice President for External Affairs and Corporate Communications at Dominion Resources Services, Inc.; and John (Jack) Rust, Jr, former Delegate and principal in the Fairfax City law firm of Rust and Rust.

These important leaders helped make 2004 an important year as can be seen in the work we accomplished last year. Thanks to our Board of Directors and our staff, the Thomas Jefferson Institute has become a credible force in the public policy arena in Virginia.

The Thomas Jefferson Institute continues to serve our state as a highly respected non-partisan and independent public policy foundation in the Commonwealth.

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**United States Senator George Allen recently said,**

**“The Jefferson Institute is the one independent organization in Virginia our state and local elected leaders can rely on for good, solid and creative ideas on how to reform government.... This feisty and creative foundation is the best organization of its type here in Virginia.”**

The Jefferson Institute continues to expand its activities and to bring creative and workable alternatives to the table of public discussion. These ideas are having a positive impact.

Of course, none of this would have been possible without the generous support of those who believe that the creative ideas brought forward by the Jefferson Institute -- based on our Mission Statement of support for free enterprise, limited government and individual responsibility – are important to the future of our state.

We thank everyone who has helped make this success possible.



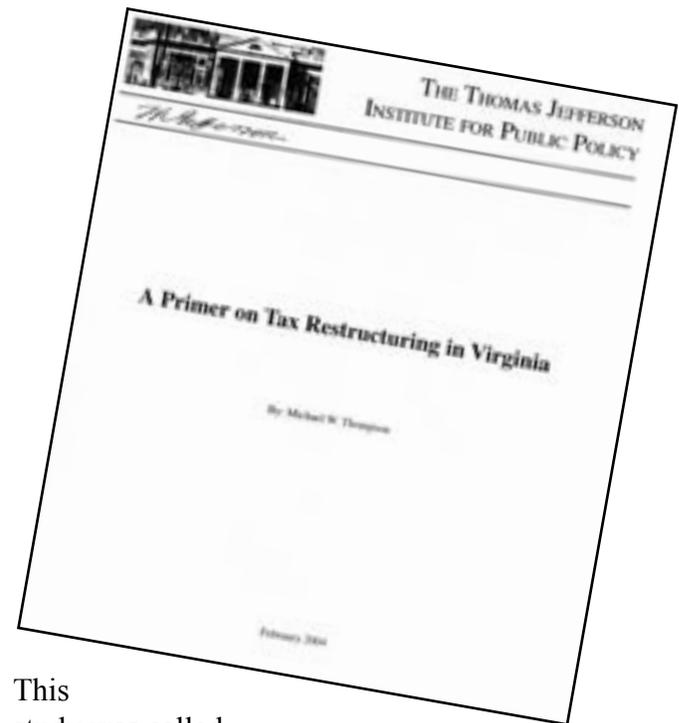
Michael W. Thompson  
Chairman and President

## Where Virginia Stands: Reaching Virginia's Business Leaders

**P**ower Point Presentation: As 2004 opened, the Jefferson Institute continued its statewide speaking tour sponsored by the Virginia Chamber of Commerce and the Virginia National Association of Independent Business (representing 10,000 small independently owned businesses). Michael Thompson, Chairman and President of the Institute, presented an in-depth power point program to business groups around the state showing where the state of Virginia stood compared to states in our competitive region and nationally in several key areas of taxes and spending.

Local and regional chambers of commerce as well as the Virginia Business Council and the Coalition for Virginia's Future were given this powerful power point presentation. More than 400 key business leaders saw this presentation and the response was very positive.

how Virginia ranks among all states and within our "competitive region" in various economic and state government spending and taxing categories. The "competitive region" that is used includes: Pennsylvania, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia and Tennessee.



This study was called, "A Primer on Tax Restructuring in Virginia," and was a printed version of the successful and highly sought after power point presentation that the Thomas Jefferson Institute gave to over a dozen business groups around the state leading up to the major tax debate that took place in the General Assembly in the winter and spring of 2004. A smaller brochure sized review of this study was printed for legislators, media and lobbyists to use during the budget discussions.

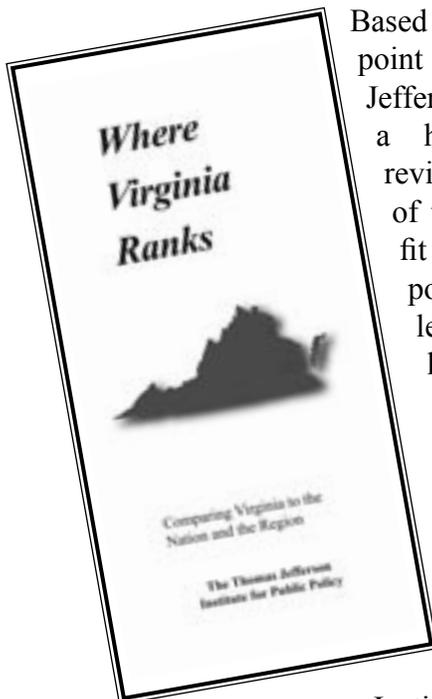
This analysis presented a balanced view of how Virginia is doing with its tax impact on our

### *Pocket Review:*

Based upon this power point presentation, the Jefferson Institute created a handy pocket size review of key elements of this presentation that fit inside the inside coat pockets and purses of legislators, business leaders, lobbyists, and reporters. It was used often.

*Annual Study:* The first of what will become an annual publication, the

Thomas Jefferson Institute demonstrated



citizens, spending on K-12 education, environmental spending, and other key areas of public spending. These categories reflect how Virginia ranked nationally as well as within our “competitive region.” These rankings are important in analyzing government programs and in attracting business to our commonwealth.

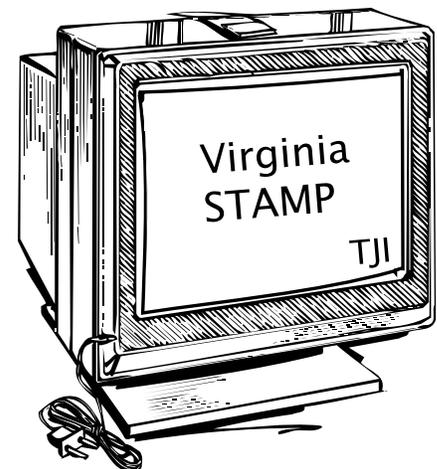
Future studies will compare Virginia in several categories and show how these rankings have changed from year to year. It is hoped that this annual publication will give our elected leaders as well as business leaders, interested media and taxpayers a better appreciation of how Virginia’s policies are impacting on our state’s competitive position vis-à-vis the nation as a whole and within our “competitive region.”

## Economic Computer Model Helps Clarify “The Great Tax Debate of 2004”

With the help of a broad group of interested Virginians, the Thomas Jefferson Institute developed the state’s only dynamic tax model (showing the economic impact of various tax proposals) available to state legislators, business leaders, the media and everyday citizens during the dramatic “tax battle” of 2004. This model “ran” the major opposing tax proposals through its system and showed the impact each would have on Virginia’s economy. It allowed citizens and analysts to go to the Thomas Jefferson Institute’s website, click onto the model, plug

in variables and see the impact of raising various taxes and changing economic assumptions.

The Jefferson Institute worked closely with a group of top economists at the Beacon Hill Institute at Suffolk University (Boston, MA), to design and create this working model that included the impact of government transportation spending and taxes. It was the only such model available during the General Assembly’s debate on taxes. This model was released along with a study outlining in detail how this model was created and the



assumptions used. Known as the Virginia State Tax Analysis Modeling Program (Virginia STAMP), it was broadly used throughout the tax debate as hundreds of people visited the Jefferson Institute’s website and worked with this model. The study that accompanied the release of this computer model, “Virginia STAMP: A Sophisticated Tax Model for Virginia,” was highly anticipated and brought a powerful tool to the table for public discussion during the long and heated 2004 budget debate.

## Cost Cutting Caucus Uses Institute Expertise

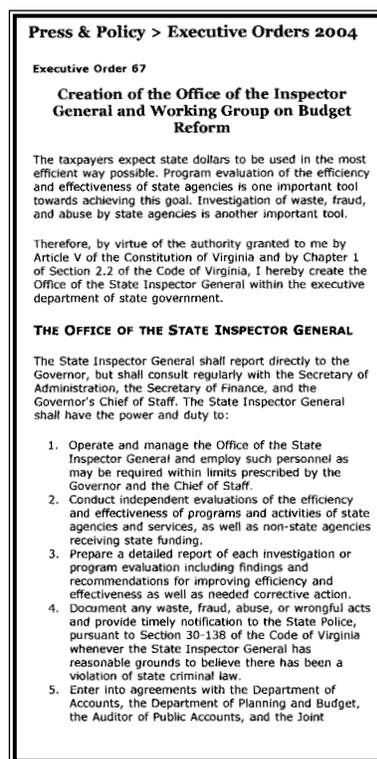
The bi-partisan Cost Cutting Caucus in the General Assembly, a group of Republican and Democratic legislators united on the need to find more cost-effective ways to run state government, turned to the Thomas Jefferson Institute's staff to help its members "get a better handle on" legislation during the 2004 legislative session. In some cases, research was used to craft legislation. In other cases, discussions were held to better understand what pending bills would do to state government. And in still other cases, talking points were crafted to help legislators craft better legislation than was introduced. This research

and background analysis by the Jefferson Institute helped members of the Cost Cutting Caucus to better understand specific legislation. At no time did the Institute lobby for or against specific legislation. It only provided background information and, in some cases, produced a "Legislative Policy Brief" on specific legislation that detailed what suggested legislation would do. These backgrounders were passed out to all legislators, capitol reporters and business leaders.

This relationship with the Cost Cutting Caucus was successful in 2004 and the Jefferson Institute expects the two organizations to work more closely in the future.

## Governor's Executive Order Reflects TJI Study

On April 20, 2004 Governor Mark Warner signed Executive Order 67 which called for a State Inspector General and for the creation of a Working Group on Budget Reform. An Inspector General had been an idea the Jefferson Institute had urged in the past and the need for a newly designed budget document was a top priority for some time. The Governor said, "A need exists to improve the transparency and accountability of the state budget.... The purpose of this working group will be to make recommendations to improve accountability of the state budget and to make it easier for citizens to understand." This Executive Order reflected a bill



introduced by Delegate Gary Reese (R-Centreville) that was "held over" by the General Assembly.

A more easily understood budget document was what the Thomas Jefferson Institute's study, "A Citizen-Friendly Budget Document for Virginia: Providing Transparency and Accountability in State Government," called for when it released the study in October 2003. The recommended "Citizens Budget" was endorsed by several legislative leaders including Speaker William Howell and Chairman of the House Appropriations Committee, Vince Callahan. This study followed a "Taxpayers Budget Bill of

Rights” bill that was unanimously passed in the 2003 General Assembly session calling for a reformatted budget document so that it could be understood by all Virginians. This bill was the result of the Jefferson Institute’s review of the Virginia budget and comparing it to those of other states. Virginia’s budget was determined to be “incomprehensible and not given to accountability.” The General Assembly agreed. And on April 20, 2004 the Governor took an important step through this Executive Order calling for a working group to re-craft the printed state budget.

At the end of 2004, a new budget document was being crafted by the Executive Branch. If this new budget document truly gives legislators, business leaders, reporters and citizens an understandable document that can be used as a management tool, it will be a huge victory for “good government” and for the Thomas Jefferson Institute’s effort to make our state government more accountable, more transparent, and more understandable.

## Congressman Davis Speaks at Private Dinner



Virginia is blessed with several national leaders in Congress. One of these is

Northern Virginia Congressman Tom Davis, Chairman of the House Government Reform Committee, and the man credited with maintaining and growing the Republican majority in the House of Representatives during his term as Chairman of the National Republican Campaign Committee (NRCC).

Congressman Davis has been a close friend of the Thomas Jefferson Institute’s since its founding.

In March of 2004, Congressman Davis spoke at one of the Jefferson Institute’s “Private Dinner Briefings” at Morton’s Steakhouse in Tysons Corner. About 30 active supporters of the Thomas Jefferson Institute attended this special dinner briefing and heard Congressman Davis give an off-the-record analysis of national, state and local political issues and the dynamics those issues have on our state.

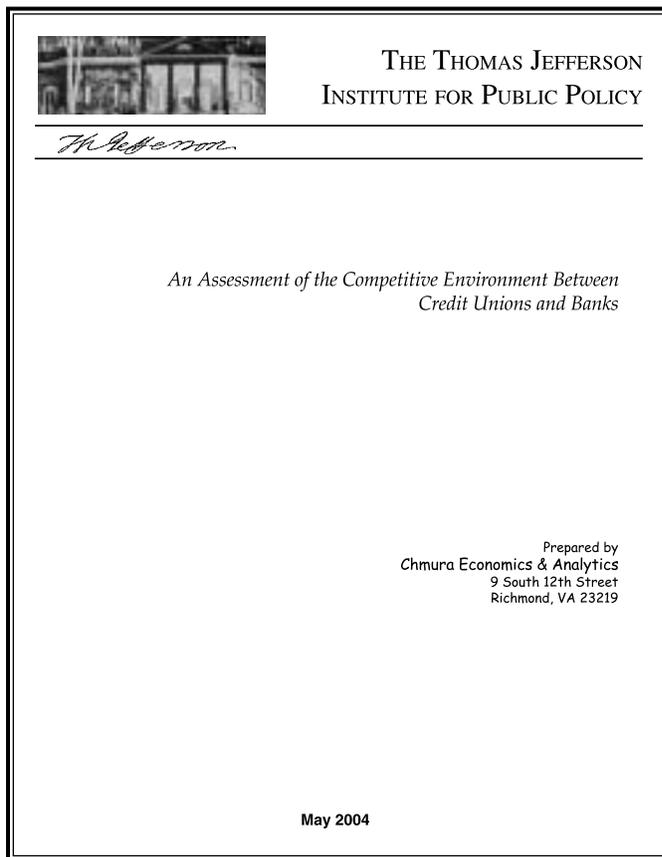
## Study Calls for Postal Service to End Competition with Private Sector

In March, the Thomas Jefferson Institute published a short but detailed review of the competitive disadvantage in which the United States Postal Service places Virginia businesses with the USPS special protections, monopoly advantages and tax-exempt status. This study shows how this federal government approved Postal Service hinders private

business as well as denying local governments needed tax revenue.

This study, “*Competing with the U.S. Postal Service: Effects on Consumers, Competitors, and Virginia State and Local Government*,” was well received by many business leaders and it generated comments from all sections of our nation.

## Study Analyzes Taxation Issues Between Banks and Credit Unions



Chmura Economics and Analytics, Virginia's premier economics research firm, completed a well-documented study for the Jefferson Institute focused on the tax differential between commercial banks and credit unions. This study detailed the long-standing controversy between banks and credit unions that the differences in taxes create an uneven playing field in the market place favoring credit unions. This is an issue that has confronted the financial system for many years and this study looked into the history and the current situation.

The study, "An Assessment of the Competitive Environment Between Credit Unions and Banks," discussed the historical reasons that these tax differences exist, efforts to change the tax code over the years, and concluded that although additional information was needed over the next few years there were

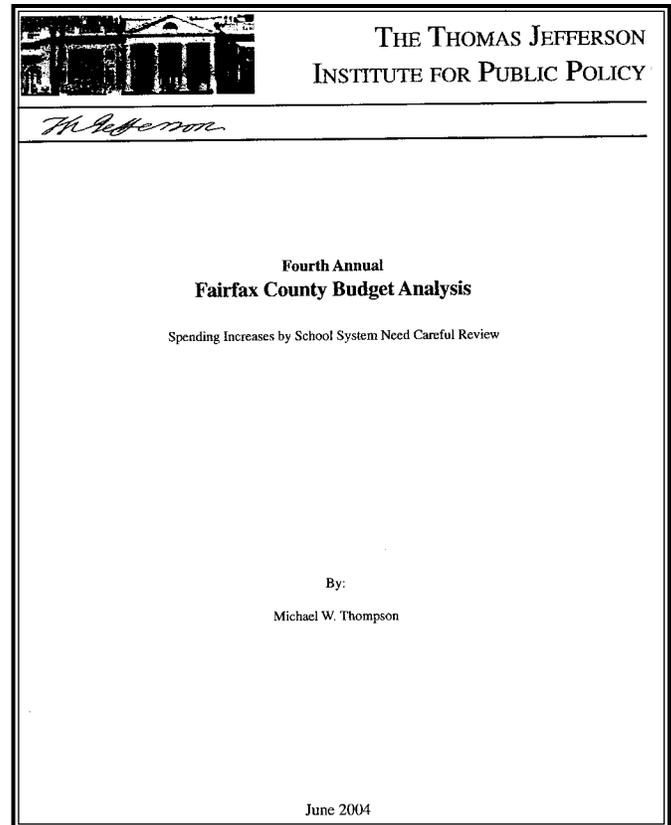
reasons to believe: 1) credit unions may not be serving the lower income community as required and more strict regulations – similar to those placed upon commercial banks – may be necessary; and 2) that a case might be made that the larger credit unions – those whose assets are very large and whose activities most resemble banks – should be taxed similar to commercial banks.

This study gained praise from the credit union and banking industries. State legislators from around the country called to thank the Jefferson Institute for this study that they felt was balanced and the best of its type. The Chairmen of the House Committee on Banking in a major western state called and said he was using this study to guide the direction of possible legislation in his state.

## Fourth Annual Fairfax County Budget Analysis

The Thomas Jefferson Institute released its fourth annual analysis of the Fairfax County budget in June. Fairfax County is the largest county in the state with property taxes rising at a significant rate even as the tax rate has been reduced.

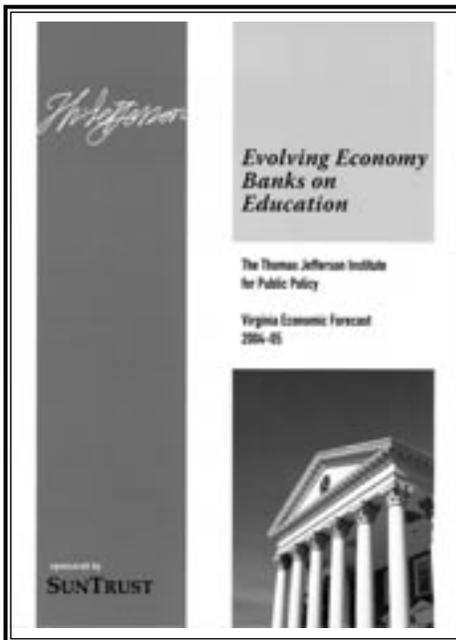
This annual study shows the growth of the current budget on both the “government side” and the “public school side” and compared this growth with what would have happened had this county’s budget only grown at the rate of inflation and population growth – thus keeping the burden of government on the taxpayer’s pocket book steady over the years. Each year’s analysis compares the “next year’s approved budget” with the actual spending over the previous five years using the fifth year as the base to show what the budget spending would have been had a spending constraint formula been put in place. The education budget analysis factors out of the equation the cost for additional teachers, additional special education spending and additional costs for English for Speakers of Other Languages. In this way, the analysis focuses on costs that could be more likely to be controlled with strong financial leadership.



## Fourth Annual Statewide Economic Forecast Published

Each year the Thomas Jefferson Institute publishes a highly sought after Economic Forecast that shows where Virginia stands through the previous twelve months and where it might be headed in the next year based on the current economic facts and figures.

This Virginia Economic Forecast was researched and written by Chmura Economics and Analytics, Virginia’s most respected economic research firm headed by Dr. Christine Chmura, the former Chief Economist for Crestar Bank. This study is made available to business leaders,



legislators and interested media thanks to the support of SunTrust which enables the Institute to do this annual report.

The Economic Forecast for 2004-05 was entitled, “Evolving Economy Banks on Education,” and showed the importance of a well-educated workforce to keep Virginia’s economy moving forward in the future. Whether white collar or blue collar jobs, the employees need to be able to read, write and critically analyze situations in order to better compete in the growing world-wide economy and in order for our future job holders to offer skills needed by employers. Over the years, this Economic Forecast has proven to be quite accurate and business leaders and elected officials look forward to receiving it each spring.

## Charter School Workshop in Richmond

In July, the Jefferson Institute hosted its third charter school workshop in Richmond at the Markel International headquarters. Nearly three dozen leading educators and charter school practitioners attended this conference chaired by Vice President Chris Braunlich. They came to learn more about how charter schools can be an additional resource in teaching our children here in Virginia. National and state experts spoke and answered questions concerning how the federal government views charter schools and the restrictions upon starting these institutions here in Virginia due to constitutional issues not faced in other states. The success of charter schools in states such as California and Arizona and in Milwaukee shows that these schools can offer added value to the public school system if they are brought into the “education mix” in an open and respected fashion.

Those speaking at this conference were: Shirley Monasta, former Executive Director of the DC Charter School Resource Center;



*Dean Kern, Director of the Charter Schools Program at the U.S. Dept. of Education spoke to the Jefferson Institute’s Charter School Conference in Richmond.*

Anna Varghese, Vice President at The Center for Education Reform; and Dean Kern, Director of the Charter Schools Program at the U.S. Department of Education.

## Bi-monthly Opinion Column Launched

In the summer of 2004, the Thomas Jefferson Institute took its “every so often” newspaper column and turned it into a regular twice-monthly opinion piece that is carried in every issue of “Bacon’s Rebellion” (the state’s premier on-line opinion newsletter going to over 3,000 key opinion leaders) and is sent to over 150 newspapers in the state. Many newspapers pick up this column and run it on a regular basis. Called the *Jefferson Journal*, reaches hundreds of thousands of Virginia citizens and has become a regular part of many local papers around the state.

These columns were written by Michael Thompson, Chairman and President of the Thomas Jefferson Institute; Chris Braunlich, Vice President; and Geoffrey Segal, Senior Fellow for Government Reform. This column discussed important policy issues facing our state. You can sign up for this column by going to Bacon’s at [www.bacon’srebellion.com](http://www.bacon’srebellion.com) and ask to be added to its distribution list. You can also view all the previous columns on our website: [http://www.thomasjeffersoninst.org/main/news.php?subcategory\\_id=22](http://www.thomasjeffersoninst.org/main/news.php?subcategory_id=22).

## Prescription Drug Policy Booklet Distributed

With the growing demands on the state budget from Medicaid and the complexity of the entire health care issue that faces our policy makers, the Jefferson Institute teamed with the American Legislative Exchange Council and the Institute for Policy Innovation to print and distribute a booklet that outlined some of the issues facing the state and made suggestions on what can be done to confront these issues.

This booklet, “*The State Legislators Desktop Reference to Prescription Drug Policy*,” was distributed widely and the comments back have been very good. This Medicaid issue is one that the Jefferson Institute recognized as a growing issue which consumes more and more of the state budget. And although Virginia’s state budget isn’t as hard hit as some states, the Medicaid and health care portions are rapidly growing and must be confronted soon with creative and realistic policies and programs.



## Institute Helps Launch Richmond Group Seeking Better Public Education

**W**hen the Richmond chapter of the Black Alliance for Educational Opportunities was formed, the Thomas Jefferson Institute was asked to participate and offer ideas and assistance. Mike Thompson and Chris Braunlich along with Board Member and former Delegate Jack Rust have attended these meetings and worked with

this BAEO chapter as it builds into a broad community organization to help focus the concerns of parents, counselors and education system employees on improving the public education system in our capital city. Monthly meetings are held in Richmond and the Jefferson Institute attends in an advisory capacity.

## Self-Described “Left-Wing Organizer” & School Choice Advocate Sponsored

**T**he Thomas Jefferson Institute has long advocated that when change is needed a broad alliance should be brought together to “make it happen.” And that was exactly why the Institute sponsored John Gardner to visit Virginia in November 2004. Gardner is a former union organizer, a liberal community activist and past president of the Milwaukee School Board. Milwaukee is the leading example of bringing a broad system of “choices” to the public school system and for offering vouchers so that qualifying students (those from lower income families) can use them to attend private schools if that is better for them.

John Gardner met with business leaders and held two important editorial board meetings in Richmond before traveling to Williamsburg to speak to a group of Virginia School Board members interested in bringing educational options to their public school systems.

This visitation by John Gardner “broke the ice” in the discussion on school choice in many circles and those opportunities are being pursued in



*John Gardner (right) discussed school choice with Delegate Chris Saxman (R-Staunton) and Clayton Roberts (left), Executive Director of Virginia Foundation for Research and Economic Education.*

2005. The response to Gardner was very positive and those who listened and asked questions soon understood that if the well-being of the students is the top priority of the school system, then the idea of bringing choices into the public school arena will not be viewed as disruptive, but rather as a positive addition.

## Third Annual “Excellence in Education” Conference Sponsored

The Jefferson Institute sponsored its third annual conference with school board members from around the state in Williamsburg. This conference was held immediately following the annual Virginia School Board Association meeting and brought interested school board members from around the state together to talk about improving the public schools in our state through bringing proven ideas to the table for discussion.

John Gardner spoke about his experiences in Milwaukee and how he has been working with other school systems around the country. His remarks were greatly appreciated. Also speaking was Lizz Pawlson, of the KIPP (Knowledge is Power Program), who discussed the success of the KIPP Charter School model in high poverty urban and rural environments throughout the country.

This annual “Excellence in Education Conference” was chaired by Vice President Chris Braunlich and has become an important addition to the Thomas Jefferson Institute’s annual program for its



*John Gardner spoke informally with many of the school board members who attended the Conference. Gardner is pictured here with Tessie Wilson and Steve Hunt from Fairfax County.*

Center for Excellence in Education. The ideas brought forward at previous conferences have been taken back to school boards around the state and discussed, analyzed and implemented in some cases.

## Government Reform Manual Distributed

As a consequence of the work sponsored by the Thomas Jefferson Institute over the past several years, there is more and more talk about changing the way government works. State government managers, elected official and business leaders are now actively talking about “how to do government better.”

To help with this discussion, the Thomas Jefferson Institute reprinted a very good description of what is meant in the various discussions and printed materials on the subject of contracting out government services.

The reprint called, “*The Privatization/Competition Manual: Answers to Some of the Most Frequently Asked Questions*,” (reprinted from a previous publication by the Commonwealth Competition Council) was sent to elected officials, business leaders and key reporters throughout Virginia.



## Internet Presence

**O**ne measure of growth and influence is the number of “hits” received on an organization’s website, and the Thomas Jefferson Institute’s website is no exception. Web usage grew at an astounding rate as we worked to improve the content and “look” of our site. Hits grew from 46,640 in 2003 to 105,341 in 2004 – an incredible 125.8 percent increase in one year, and they continue to grow in 2005. Please visit our website at [www.thomasjeffersoninst.org](http://www.thomasjeffersoninst.org).

## Looking Ahead

**A**s 2004 closed, it was more and more apparent that the work of the Thomas Jefferson Institute is important to the future policy direction of our state. Over the years the Thomas Jefferson Institute has brought creative alternatives to the table of public policy debate that have been seriously considered by Republicans and Democrats, legislators and business leaders, education experts and parents. We plan to make this impact greater in 2005, and to continue building this Institute into an influential part of the public policy debates in our state.

The research and analysis that the Jefferson Institute will focus on in 2005 will be a continued effort in the area of “government reform” as well as improving our public education system by bringing more school choice ideas to our leaders in Virginia. And we plan to expand our efforts in area of economic development through bringing creative alternatives to the discussion of economic development and environmental concerns. It is our belief that these two commendable public policy goals do not need to be in opposition to each other.

This is an important election year in Virginia. Our next Governor, Lt. Governor and Attorney General as well as all 100 State Delegates will be elected. We plan to bring credible policy ideas to each campaign and we will work with any campaign that asks for our help in discussing ideas and alternatives to current government programs and policies.

# Board of Directors

**Michael Thompson:** Chairman and President: For over twenty years Mr. Thompson owned his own marketing company. He has been very active in national, state and local politics as well as a number of state and community organizations, commissions, and committees.

**Randal C. Teague:** Secretary/Treasurer/Counsel: A Partner in the law firm of Vorys, Sater Seymour and Pease, Mr. Teague is a noted international attorney.

**John Alderson:** President of the John Alderson Insurance Agency, he chaired the Reagan for President campaigns in Virginia.

**Warren Barry:** Former State Senator, current Member of the Alcohol Beverage Control Board.

**William W. Beach:** Director of the Center for Data Analysis and John M. Olin Senior Fellow in Economics at the Heritage Foundation in Washington, D.C.

**Sandra D. Bowen\*:** Secretary of Administration and past Senior V. P. of the Virginia Chamber of Commerce. She served in major leadership positions for Governor Baliles and Robb.  
(\*Mrs. Bowen is on a leave of absence during her tenure with Governor Warner.)

**Stephen Cannon:** Partner, Constantine Cannon, PC, former Sr. VP of Circuit City Stores.

**James W. Dyke, Jr:** Partner, McGuireWoods and former Secretary of Education for Governor Douglas Wilder.

**Eva S. Hardy:** Senior Vice President for External Affairs and Corporate Communications, Dominion Resources Services, Inc.

**Robert L. Hartwell:** President, Hartwell Capitol Consulting, Senior Consultant to American Systems, International.

**Alan I. Kirshner:** Chairman and CEO of Markel Corporation.

**Jay Poole:** Vice President for Agriculture Policy and Programs, Altria Corporate Services

**Joseph Ragan:** Founder and President of Joe Ragan's Coffee.

**John Rust:** Former State Delegate and Partner, Rust and Rust law firm.

**John Ryan:** Senior Counsel and Director of Government Affairs for Bristol Myers Squibb.

**Robert W. Shinn:** President of Public Affairs, Capitol Results

**Todd A. Stottlemeyer:** CEO, Apogen Technologies, Inc.

**Dr. Robert F. Turner:** Law professor at the University of Virginia at Charlottesville.

**Robert W. Woltz, Jr:** President and CEO of Verizon-Virginia.



*“... a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities.”*

*Thomas Jefferson*

*1801*

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