



ANNUAL REPORT 2015

Building a strong foundation for the future



PRI PACIFIC
RESEARCH
INSTITUTE

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MESSAGE FROM THE

PRESIDENT SALLY C. PIPES

The upcoming year, 2016, marks my 25th anniversary as PRI's president and CEO. In 2015, I was delighted to be appointed the Thomas W. Smith Fellow in Health Policy.

In my 25 years at the helm, I've seen assets grow from a checking account of \$30,000, an old boardroom table, and two Victorian-style red velvet chairs, to more than \$13 million in 2015, with offices in three locations. I've seen PRI's use of the Internet begin as an experiment by young employees, to the powerful vehicle of information and communication that none of us can live without today. I've seen PRI evolve from a small conservative book publisher to a prominent think tank – a force in the liberty movement in California and the nation. It's been a tremendous journey.

But to borrow a line from one of our greatest presidents, Ronald Reagan, "While I take inspiration from the past, like most Americans, I live for the future."

In 2015, we began work on our 3-Year Strategic Plan (page 12), which includes, among our goals, re-doubling our efforts in California with the establishment of the Center for California Reform and our new California Prosperity Agenda; opening an office in Southern California; and developing exciting programs that engage you, our friends and supporters. All of this, with the ultimate intention of achieving policy reform victories in California and in Washington.

2015 Year in Review

2015 was another tough banner year for PRI – I write "tough" because the political forces were against us and "banner" because despite the daunting odds, we had many successes.

The year was one of the most important periods in the debate over Obamacare since it passed in March 2010. PRI's Center for Health Care played a leading role: Encounter Books agreed to publish

my new book *The Way Out of Obamacare*, part of its Broadside series of books; I was featured on more than 30 television and radio programs; and I've produced nearly 150 op-eds on health care, including my regular Forbes.com column "Piping Up". PRI also played an important role in the legal battles over Obamacare by submitting *amicus* briefs for cases before the U.S. Supreme Court and other courts around the country.

PRI's Center for Education, led by Koret Senior Fellow and Senior Director Lance Izumi, focused on school choice and digital education. Lance completed the *Not as Good as You Think* state series on the performance of middle class and affluent public schools. In 2014, Lance evaluated Illinois, Texas, and Michigan. In 2015, he completed Colorado and New Jersey. His research on middle class schools influenced policymakers at the American Legislative Exchange Council (ALEC), which passed model legislation for the creation of universal education savings accounts (ESAs) for parents of all income levels. In addition, Lance along with Esther Wojcicki, a Bay Area public high school teacher, co-authored *Moonshots in Education: Launching Blended Learning in the Classroom*. The foreword was written by popular actor James Franco. *Moonshots* is a practical guide on blended learning – a method that combines traditional classroom instruction with online learning. And finally, while the U.S. Supreme Court case *Friedrichs v. California Teachers Association* did not go our way due to the sudden passing of Justice Antonin Scalia, teacher Rebecca Friedrichs vowed to continue the fight.

Dr. Arthur Laffer, founder of the Laffer Center at PRI, traveled the nation and the world to promote free-markets and supply-side economics. His brilliance, good humor, and ability to cut to the issues make him a media favorite. He produced a dozen op-eds and appeared in 85 television pro-

grams. We're looking forward to the release of the ground-breaking Laffer Dynamic Scoring model.

The Center for Business and Economics published the first-of-its-kind *50-State Small Business Regulation Index* by Dr. Wayne Winegarden. The *Index* ranked the 50 states in terms of state government regulatory burdens on small businesses. It came as no surprise that California ranked dead last.

A one-time leader in innovation and opportunity, years of excessive taxation, regulation, and government spending have taken their toll on Californians. Over the last two years, the Center for California Reform has been devoted to developing the California Prosperity Agenda (page 16), a twelve-point, multi-year plan to reform the state by reviving the economy, improving education, restoring local control, and promoting smarter environmental and water policies.

The Pacific Research Institute is proud of its many achievements in 2015. Thanks to your generous support, PRI is able to continue its mission to champion real health care reform that empowers doctors and patients, education that focuses on students and their parents, market-based policies that strengthen both the environment and society, a robust economy, and a much-needed revival of the state of California.

Now more than ever, the fight for market-based policy reforms requires an articulate presentation of ideas that promote innovation, marketplace competition, limited government, and individual choice. It is through the generosity of our donors that PRI is able to serve as a leader. We remain fully engaged in the fight to restore the core American principles of liberty, limited government, and personal responsibility.

PACIFIC RESEARCH INSTITUTE

The Pacific Research Institute champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions to the issues that impact the daily lives of all Americans. PRI believes that these principles are best encouraged through policies that emphasize a free economy, private initiative, and limited government. By focusing on public policy issues such as health care, education, regulation, economic growth, the environment, innovation, and entrepreneurship, the Institute strives to advance the principles of a free society among leaders in government, academia, the media, the business community, and the public. PRI fills a critical role in the public debate because of California's influence as a national trendsetter. Its "outside the beltway" independence enables PRI to anticipate developing issues before they reach national prominence, and to lead the way in confronting future threats to liberty.

Founded in 1979 and based in San Francisco with offices in Sacramento and Pasadena, PRI is a non-profit, non-partisan think tank supported by private contributions. Through its six research centers, PRI advances its mission through books and studies, media commentary, invited legislative testimony, *amicus* briefs, public events, and conducts comprehensive grassroots and community outreach.

AREAS OF INTEREST



THE CENTER FOR HEALTH CARE

PRI proposes market-based policy reforms that would provide greater access to care, improve quality, and increase affordability. PRI reveals the failure of a single-payer, government-run model for health care, drawing particularly on the dramatic problems with the Canadian system.



THE CENTER FOR EDUCATION

The Center for Education works to restore to all parents the basic right to choose the best educational opportunities for their children. Through research and grassroots outreach, our scholars advance parental choice in education, high academic standards, charter schools, digital learning, teacher quality, and school finance reform.



THE CENTER FOR BUSINESS AND ECONOMICS

The Center for Business and Economics examines how the entrepreneurial spirit, the engine of economic growth and opportunity, is stifled by onerous taxes, regulations, and health-care policies. Its scholars recommend comprehensive public-policy reforms that will maintain a robust economy, ensure consumer choice, and spur creativity and innovation.



THE CENTER FOR THE ENVIRONMENT

The Center for the Environment reveals the dramatic and long-term trend towards a cleaner, healthier environment. It also examines and promotes the essential ingredients for abundant resources and environmental quality—property rights, markets, local action, and private initiative.



THE CENTER FOR CALIFORNIA REFORM

The Center for California Reform seeks to reinvigorate California's entrepreneurial, self-reliant traditions. It champions solutions in education, business, and the environment that work to advance prosperity and opportunity for all the state's residents.

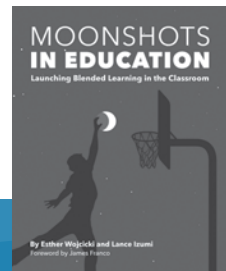


THE LAFFER CENTER AT THE PACIFIC RESEARCH INSTITUTE

Founded in 2012 by Dr. Arthur B. Laffer, the Laffer Center is dedicated to preserving and promoting the core tenets of supply-side economics. The center seeks to be the leading source for supply-side research and thought, including the research and public works of economists of the supply-side movement.

YEAR IN REVIEW

2015



JAN

BOOK RELEASE
MOONSHOTS IN EDUCATION



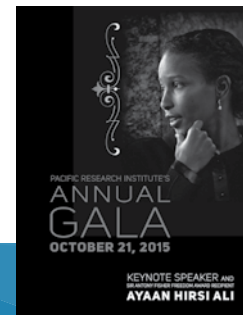
JULY

STUDY RELEASE
50-STATE SMALL
BUSINESS REGULATION
INDEX



AUG

PRI CRUISE
"Liberty At Sea"



OCT

ANNUAL GALA
DINNER



DEC

NEW PRI
BRANDING

ANNUAL BARONESS
THATCHER
GALA DINNER
WITH STEVE HAYES

MAR



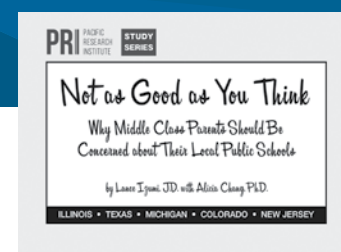
STUDY RELEASE
IMPROVING THE
INCENTIVE TO
INNOVATE

JUNE



NOT AS GOOD AS YOU THINK
INDIVIDUAL STATES
EXAMINED

SEPT



BLENDED
LEARNING IN
THE CLASSROOM
CONFERENCE

OCT



2015 IMPACT BY THE NUMBERS

1 BOOK

7 STUDIES

11 EVENTS WITH OVER
1500 ATTENDEES

70 RADIO INTERVIEWS

90 TV INTERVIEWS

200 CITATIONS

220 OP-EDS PUBLISHED
IN THE U.S.

850 FINANCIAL
CONTRIBUTORS

\$5.46 MILLION IN REVENUE

PRI 3-YEAR STRATEGIC PLAN

PRI landmark objectives during the next three years:

In May 2015, PRI's Board of Directors charged PRI's staff to develop a 3-Year Strategic Plan. After a review and analysis of PRI's current capabilities, this strategic plan makes recommendations for strengthening PRI's four core areas: program, marketing and communications, development, and operations. The following landmark goal and objectives were developed and form the basis of the strategic plan.

LANDMARK GOAL

Strengthen PRI's overall capacity to carry out its mission as a voice for free-market policy solutions in the U.S. and to become the most widely recognized think tank promoting market-based reforms in California.

1

Strengthen PRI's research capabilities in California by expanding its roster of California policy experts.

2

Expand PRI's overall outreach and ability to fundraise by opening a third office in Southern California and expanding its office in Sacramento.

3

Revitalize the free-market policy community in Sacramento by organizing forums and conferences.

4

Increase the impact of PRI's research by building strategic relationships with leading allied organizations (business groups, trade associations, political, and grassroots groups) nationally and in California.

5

Enhance PRI's capacity to promote its research in Sacramento, Washington, D.C., and other state capitals.

6

Achieve policy reform victories each year.

7

Establish a stronger web and social media presence by expanding the marketing and communications department at PRI.

8

Increase PRI's annual budget through diversified funding streams that include new foundations and individual supporters.

CORE STRATEGIES

To achieve its landmark goal and objectives, PRI will undertake the following four core strategies:

CORE STRATEGY 1

Become the dominant free-market think tank on California public policy issues and highly influential among policymakers and a key player in policy reform victories. Effectively promote PRI's California Prosperity Agenda by educating increasing numbers of citizens in the state.

California's problems are pervasive, complicated, and difficult to reverse given the political climate that exists in Sacramento. But these challenges also create an opportunity for PRI. While many public policy groups have considered California's problems too daunting to take on, PRI is stepping up to the challenge. A long-time political consultant in Sacramento told PRI "there is no policy reform community now in Sacramento, it's all about relationships." Armed with its new California Prosperity Agenda, PRI can fill that void and be the force behind a free-market movement in the capital and throughout the state.

CORE STRATEGY 2

Build a thriving state and national network of pro-free-market groups and individuals by strengthening PRI's marketing and communications program, and expanding its social media activities.

High-quality research and media coverage are two pillars of strength at PRI. Few think tanks of PRI's size are producing the kind of complex, data-driven, and groundbreaking research from scholars such as Dr. Arthur Laffer, Lance Izumi, and Dr. Wayne Winegarden. Accordingly, its books, studies, and scholars have received widespread media attention. PRI also aims to build and strengthen its connections with business groups, political groups, lawmakers, and legislative staff. In addition, a key component to PRI's marketing and communications strategy is to reach out directly to citizens throughout the state by harnessing the power of technology and the web.

CORE STRATEGY 3

Grow PRI's donor base and increase its capacity to raise funds by continuing to invest in, diversify, and streamline development operations.

PRI's current funding structure is weighted toward foundation support. PRI will continue to build new foundation partners, but also focus its efforts in broadening its individual donor support. Investing in PRI's direct mail prospecting program and Southern California outreach efforts will allow PRI to strengthen its ability to attract and retain new and existing individual donors.

CORE STRATEGY 4

Properly support PRI's program, marketing, and development core strategies by increasing PRI's human resources and building up its operational infrastructure.

After the financial crisis, PRI moved to a contract approach, working with scholars, researchers, and other professionals on a project by project basis. Currently, PRI's financial position is the strongest in its history and as a result, PRI will prudently invest in additional staff and infrastructure to support its program, marketing, and development teams to achieve future growth.

CALIFORNIA PROSPERITY AGENDA

California is the pioneering state of a pioneer nation. It has long led the world in innovation and technology, in entertainment and aerospace, and other fields. It does, however, face serious challenges: the poor performance of our schools, the deterioration of our public services, the unsustainability of public pensions, the squeezing of family incomes and budgets, the dearth of jobs, and the flight of employers to other states. The Pacific Research Institute's California Prosperity Agenda reflects the best thinking of PRI researchers and think tanks nationwide on how to restore freedom and opportunity to Californians.

- 1

A SINGLE FLAT TAX FOR ALL CALIFORNIANS

Today, Californians and businesses pay a host of taxes that penalize success, job creation, and commerce within the state. California should collapse all state and local taxes into a single flat tax for individuals and businesses. This streamlining of our tax system would encourage jobs, prosperity, and revenue in California. Equally important, it would eliminate tax incentives that drive jobs and businesses—and the individuals who create them—out of the state.
- 2

INCREASE ONLINE LEARNING OPPORTUNITIES FOR CALIFORNIA'S STUDENTS

Government red tape prevents California's children from accessing rich online learning resources. Geographic restrictions that block access to online learning run counter to the fundamental value of online education. California should embrace the potential of the Internet, and let great teachers, wherever they may be located, contribute to the education of a broad audience of students.
- 3

CREATE MORE CHARTER SCHOOLS

California law caps charter school growth at only 100 charter schools per year, authorized by local and state boards of education. We must remove this artificial and arbitrary cap. In order to circumvent the inherent politicization in the current process, universities, independent school groups, and others should be allowed to authorize charter schools. Let parents, not government, decide where their children are taught.
- 4

ESTABLISH A WATER MARKET CAPABLE OF EFFICIENTLY DISTRIBUTING WATER RESOURCES

California faces a serious long-term water crisis, but the policies being pursued in Sacramento only focus on the short term. The creation of a statewide water market would adjust prices to balance increasing demand with unpredictable supply. A water market would encourage conservation by making waste or inefficient use of water more expensive and attract new water saving technologies to the marketplace.
- 5

REFORM PUBLIC PENSION SYSTEMS TO RESTORE THE FISCAL HEALTH OF COMMUNITIES

Former San Jose Mayor Chuck Reed is right that all California governments on all levels should have the power to renegotiate pension benefits for public employees' future work. And if needed, the California State Constitution should be amended to allow this. Without this right there is no way for the voters to rein in the extreme excesses of the current system, which is crippling local government budgets.

MODIFY OR ELIMINATE ELECTRICITY REGULATIONS THAT DRIVE UP COSTS

While Californians have an admirable concern for the environment, that concern has given rise to the arbitrary requirement that by 2020 a third of the state's electricity must come from alternative sources. Not only are these goals not realistic and based on economically feasible technology—wind, wave, and solar are far more expensive than traditional energy sources—it ignores the very important fact that traditional sources of energy continue to grow cleaner and more efficient. Repealing this mandate would save billions of dollars each year for the people and businesses of California.

OPEN UP THE MONTEREY SHALE FOR DEVELOPMENT

California is blessed with rich deposits of oil and gas. But extraction of the Monterey Shale has been blocked by burdensome regulations. It's time we unlocked them, providing jobs to our unemployed, lowering energy costs for our poor and middle class, and increasing tax revenue to reduce California's debt. Resource extraction continues to grow cleaner and more environmentally friendly.

REQUIRE A TWO-THIRDS MAJORITY VOTE FOR NEW REGULATIONS

Although 1978's Prop. 13 requires a two-thirds majority of the legislature to impose new taxes, simple legislative majorities are increasingly used to impose new regulations that, in turn, impose equally high costs. It's essentially used as a back door to avoid Prop. 13 restrictions. A required super majority for regulations would safeguard California against a state government that favors special interest accommodations that over-burden workers and job creators.

END FRIVOLOUS LAWSUITS THAT ARE HURTING SMALL BUSINESSES

In a complex and burdensome regulatory environment, California's consumer rights laws allow lawsuits against businesses for minor violations of labor and environmental regulations. Allowing businesses ninety days to fix any technical violation would satisfy the substance of these regulations while removing the financial penalty that undermines the foundation of California's economy.

ESTABLISH SAME-DAY APPROVAL FOR SETTING UP A NEW BUSINESS

It can take weeks or even months to set up a new business in California. PRI proposes matching Nevada's laws, which provide for minimal delays. California must simplify and streamline the process with a goal of same-day approval.

STRENGTHEN PROPERTY RIGHTS FOR CALIFORNIANS

All too often state regulations deprive property owners of the full use of their own land without compensation. California needs to tilt the balance back in favor of property owners.

GIVE CALIFORNIANS THE "RIGHT TO WORK"

In the past three years, two states—Indiana and Michigan—have adopted right-to-work laws. California should follow their lead. PRI's world-renowned economist Arthur Laffer, Stephen Moore, and their colleagues in the book *An Inquiry into the Nature and Causes of the Wealth of States* found that income in right-to-work states grew at an enormous 12.8 percentage point differential over forced-union states. Right-to-work states also had much stronger growth in Gross State Product (59.1 percent vs. 45.4 percent).

WITH GRATITUDE

“When an organization is simply doing terrific work, it’s easy to spread the news.” That’s what William E. Simon, Jr., co-chairman of the William E. Simon Foundation, said when asked why he supports the Pacific Research Institute. It’s that type of enthusiasm about PRI’s mission and willingness to introduce others to our work that has allowed PRI to establish itself as one of the leading free-market think tanks in America.

In 2015, hundreds of individuals, foundations, and corporations joined with us to stand up to excessive government intervention and protect our cherished liberties. Last year, PRI donors contributed over \$5 million in cash and multi-year commitments. These gifts have allowed PRI scholars to ensure that policymakers, the media, and the public are armed with timely, accurate research on key policy issues that affect each of us, every day.

In December, we launched the Sir Antony Fisher Freedom Society at PRI—a new society that recognizes our most loyal supporters, those who contribute gifts of \$1,000 or more each year—and provides them with exclusive access to our events, publications, scholars, and leadership. The society is named after PRI’s co-founder, Sir Antony Fisher. More information about the society and the benefits of becoming a member can be found at www.pacificresearch.org/society.

PRI also launched a new program to promote other ways to support PRI’s

mission. We encourage donors to support PRI through planned giving, including estate gifts and appreciated stock. For more information about other ways to support our work, visit www.pacificresearch.org/plannedgiving.

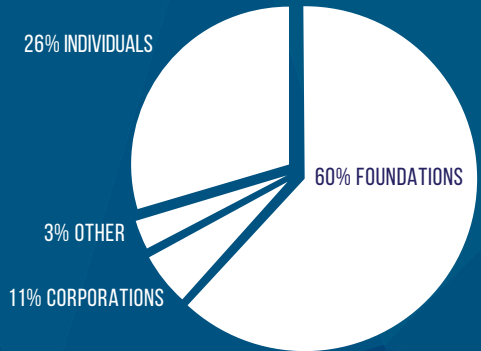
One of our chief priorities for 2015 was launching the California Prosperity Agenda, a 12-point, multi-year plan for addressing the state’s most pressing problems. Thanks to the support of more than 200 new contributors, we were able to make headway on several key issues of the plan in 2015 and to build a coalition of grassroots supporters from around the state. And, we continued our efforts to promote liberty and opportunity in the areas of education, health care, business and economics, and energy and the environment.

PRI’s Board of Directors played a critical role in advising and guiding PRI’s development department as it embarked on a multi-year strategic fundraising plan. The Development Committee of the Board has worked tirelessly to help position PRI as the premier organization for free-market policy in the state of California.

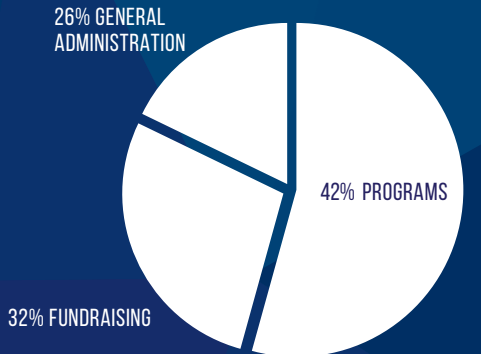
PRI remains enormously grateful to its supporters for partnering with us in 2015 to advance workable solutions to replace Obamacare, fight to give parents options for their children’s education, restrain government excess, and advance the principles of liberty upon which this great country was founded.

FINANCIALS

REVENUE BY SOURCE



EXPENSES AS A PERCENTAGE OF TOTAL SPENDING



REVENUE	2015
Foundations	3,296,854
Corporations	595,670
Individuals	1,419,170
Program Revenue	139,363
Investment Income	4,157
TOTAL	5,455,214

EXPENSES	
Programs	1,412,449
Fundraising	1,080,409
General Administration	898,700
TOTAL	3,391,558

ASSETS & LIABILITIES	
Cash & Equivalents	9,232,959
Investments	2,662,676
Net Fixed Assets	124,494
Other Assets	1,364,546
Liabilities	87,781
NET ASSETS	13,296,894

2015 EVENTS

FEBRUARY

Government Against Itself
Luncheon with Daniel DiSalvo
Senior Fellow,
Manhattan Institute
San Francisco &
Newport Beach

MARCH

Annual Baroness
Thatcher Dinner
Keynote Speaker: Steve Hayes
Newport Beach

APRIL

The Libertarian Mind
Luncheon with David Boaz
Executive Vice President,
Cato Institute
San Francisco

Hidden in Plain Sight
Peter J. Wallison
AEI Arthur F. Burns Chair
in Financial
Policy Studies
San Francisco

MAY

The Conservatarian Manifesto
Luncheon with Charles Cooke
Writer, National Review
San Francisco

JUNE

The Scorching of California:
How Poor Policy Decisions Made
a Bad Drought Worse
Luncheon with Victor Davis Hanson
Senior Fellow, Hoover Institution
Bakersfield

AUGUST

Inaugural Liberty-at-Sea Cruise
Copenhagen – Berlin – Helsinki –
St. Petersburg
Crystal Cruises

SEPTEMBER

California Reform
Dinner with former California Governor Pete Wilson
San Francisco

OCTOBER

Blended Learning in the Classroom
Conference at Palo Alto High School
Palo Alto

PRI 36th Annual Gala Dinner
Keynote Speaker: Ayaan Hirsi Ali
San Francisco

DECEMBER

Key Issues Facing the Candidates
Charles Kesler
Senior Fellow, Claremont Institute and
Professor of Government, Claremont McKenna



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Koret Senior Fellow in Education Studies

Timothy Anaya
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Laura Dannerbeck
Director of Events and Marketing

Ben Smithwick
Director of Development

Stephanie Watson
Development and Events Coordinator

Mary Long
Bookkeeper

Barbara Hetherington
Administration

FELLOWS

Jeffrey H. Anderson, Ph.D.
Senior Fellow, Center for Health Care

John R. Graham
Senior Fellow, Center for Health Care

Kenneth P. Green, Ph.D.
Senior Fellow, Center for the Environment

Steven F. Hayward, Ph.D.
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