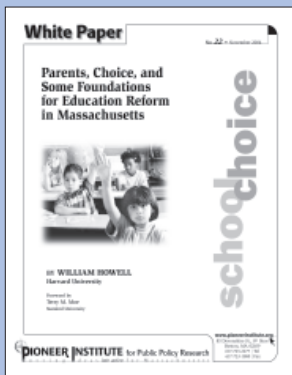


Annual Report 2004

*Putting ideas
into action*



Pioneer Institute for Public Policy Research is proud to present this review of its accomplishments in 2004. Massachusetts' leading think tank, Pioneer Institute seeks to change the intellectual climate in the Commonwealth by promoting research that challenges the "conventional wisdom" on public policy issues. Committed to individual freedom and responsibility, limited and accountable government, and the application of free market principles to state and local policy, Pioneer is known for developing sensible, innovative ideas and converting them into action. The Institute follows an "E4 strategy" that focuses on four key areas:

Educational excellence

Educational excellence – driving broad-based educational reform through the expansion of competition and parental choice, primarily in the K-12 education system.

Effective public management

Effective public management – identifying opportunities for improving the quality and reducing the cost of Massachusetts government, through competitive contracting, regulatory reform, innovation, and restructuring.

Economic opportunity

Economic opportunity – enhancing the wealth-creation potential of low-income entrepreneurs in Massachusetts cities as one avenue to revitalizing our urban neighborhoods.

Emerging issues

Emerging issues – exploring new approaches to public policy issues that further the institute's aims of competition, accountability, and individual freedom.



Dear friends and supporters of Pioneer Institute:

Two themes best describe Pioneer's efforts during 2004: statewide impact and partnerships.

Necessarily based in Massachusetts' capital city, we at Pioneer are nonetheless self-conscious about the Institute's reach beyond "the Hub." Our work during 2004 should dispel any notions that Pioneer is Boston-bound.

Credit for expanding Pioneer's reach goes largely to the Center for Urban Entrepreneurship. By holding its fifth annual conference in Worcester—with panelists from Brockton to the Berkshires—the Center demonstrated that Pioneer's ideas about economic independence and the power of market forces have strong appeal well beyond Route 128. The success of our Urban Business Alliance in Greater Springfield this past fall further extended Pioneer's reach.

Other Pioneer projects are also helping to cement our image as a think tank with statewide focus—particularly our continuing work in improving public education and management of the state's courts. The latter issue resonates significantly in the western portion of the state, as it has receives disproportionately fewer resources to administer justice.

Pioneer's success in attracting attention to our principles has relied increasingly on partners from across the political and economic spectrum. The Citizens Coalition for an Independent Judiciary, an outgrowth of our court research, brings together Pioneer with Common Cause Massachusetts, the Appleseed Center for Law and Justice, League of Women Voters, and New England Legal Foundation.

Similarly, we have attracted a broad array of policy groups to our analysis of local housing regulations. The list of partners currently includes the Rappaport Institute for Greater Boston, the Massachusetts Business Roundtable, the Associated Industries of Massachusetts, the Homebuilders Association of Massachusetts, the Massachusetts Association of Realtors and the Massachusetts Retail Lumber Dealers Association.

These and other partnerships demonstrate the growing strength of Pioneer's reputation and the appeal of our approach to public policy research.

Pioneer's most important partnership remains the one we have with you, our supporters. We hope this review of 2004 will give you confidence that your investment in Pioneer Institute is paying dividends in greater respect in Massachusetts for individual liberty and responsibility, limited and accountable government, and the power of market forces.

Sincerely,



Colby Hewitt
Chairman

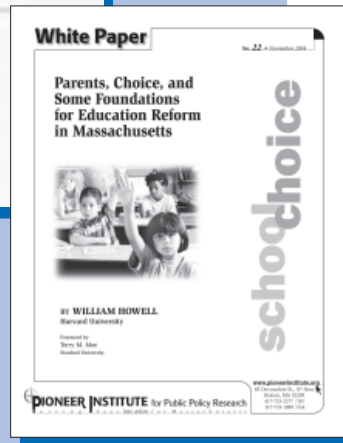
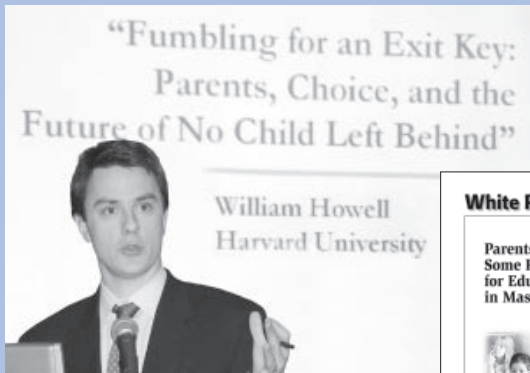


Lovett C. Peters
Founding Chairman



Stephen J. Adams
President/CEO

Educational School choice excellence



Making sense of school choice

The Boston Globe

School Choice: If you don't tell, will they ask?

BOSTON
Herald

THE SUN

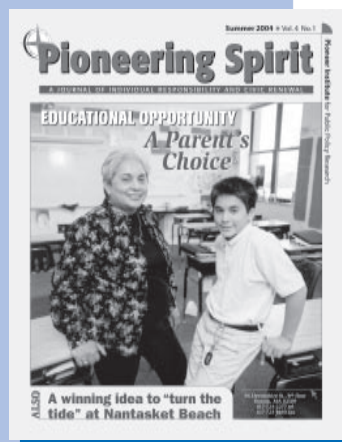
Study: City parents prefer private schools over public

 www.pioneerinstitute.org/research/schoolchoice
→ White Paper • Forum excerpts • news articles

School Choice Initiative major contributors

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Selma Lamkin
Millipore Foundation
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 www.pioneerinstitute.org/pdf/ps4_1cov.pdf



Working with Harvard professor and education policy scholar William C. Howell, Pioneer Institute began a major initiative on school choice in 2004. Professor Howell, who has studied school choice issues extensively, addressed two Pioneer Forums and authored a White Paper that reported widespread parental interest in alternative public and private school options.

The research, which drew upon a telephone survey of 1,000 parents of students in Massachusetts' ten largest public school districts, was one of the first looks at parental reaction to the federal No Child Left Behind law (NCLB).

Now in its third year, NCLB seeks to spur public education improvement by allowing parents to transfer their children from schools deemed underperforming to district schools meeting performance standards. A mere 298—three-tenths of a percent—of eligible students changed schools in 2002-03—in part, the report found, because “underperforming schools are doing a poor job of communicating with parents.”

In the survey just 23 percent of eligible parents expressed interest in sending their children to a different school in their own district—the only option currently available to them under NCLB. The school choice option mentioned by the greatest number of parents was private schooling. Fully 45 percent of parents with children in underperforming schools preferred to send their child to a private school, if cost were not an obstacle.

“By overwhelming margins, parents prefer private schools over any other schooling option,” said Professor Howell, who noted that school vouchers and tax credits are used elsewhere to allow parents to send children to private schools. Depending upon how the issue of vouchers and school choice is presented to parents, Howell notes, “a majority may be willing to sign on to the policy initiative.”

The study was cited in news articles in both the major Boston newspapers and was the subject of a commentary in the Lowell Sun. And our own *Pioneering Spirit* profiled a Boston parent who, though having availed herself of numerous choice options, makes the case for vouchers—an option Pioneer continues to research as part of its school choice initiative.

The **charter school** movement remains strong in Massachusetts. A proposed moratorium on new charters was defeated in 2004, and Governor Romney has proposed lifting caps that have limited the numbers of charters in urban areas where some of the lowest performing traditional schools are located. Two underperforming existing charter schools have been recommended for closure—and rightly so; ironically, lower performing district schools remain open.

2004

Lovett C. Peters Lecture in Public Policy

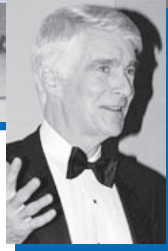
Public education is fundamental to a free society. But systemic improvement of public schools is much-needed—and a cornerstone of Pioneer’s research agenda.

The need for bolstering science and math education was the focus of the 2004 Lovett C. Peters Lecture in Public Policy. Former Microsoft Chief Operating Officer Robert Herbold, chair of a presidential panel on the issue, warned that America’s drastic decline in science, technology, engineering, and math graduates threatens our position as the world’s innovation leader.

The problem begins in middle school, he noted, where 93 percent of science students are taught by a teacher who didn’t major in science; in math, the figure is 70 percent. “A teacher who is basically trying to keep up day-by-day is certainly not going to stretch or inspire a student,” he said, adding that merit pay for teachers would go a long way to correcting this problem—an approach advocated by Governor Romney, with whom Mr. Herbold met while in Boston.

Last fall, the Kuss Middle School in Fall River became the first Massachusetts school to be officially declared “underperforming”—and bold remedial action was immediately proposed by Pioneer in an op-ed in the Fall River *Herald News*. Founding chairman Lovett Peters urged putting management of the school up for bid. “It’s high time to think outside the box that has not produced results,” he wrote.

Pioneer keeps the spotlight on aspects of school reform through public events, such as a March Pioneer Forum on “Common Sense School Reform” featuring key players, including Mark Roosevelt (at left in bottom photo), managing director of the Massachusetts Business Alliance for Education, and state education commissioner David Driscoll.



Listen to the lecture → www.pioneerinstitute.org/herbold.cfm
Written transcript → www.pioneerinstitute.org/pdf/dia55.pdf

The 2004 Peters Lecture was funded by the Ruth and Lovett Peters Foundation.

Academic improvement Educational excellence

The Herald News

Solving the Kuss conundrum School could benefit from open bidding on management positions

By LOVETT C. PETERS

Fall River's Matthew J. Kuss Middle School now has the dubious distinction of being the first school in Massachusetts to be declared "chronically underperforming."

GUEST OPINION

...that under its management, the



www.pioneerinstitute.org/research/opeds/herald_news11_6_04.cfm

Five years ago, Pioneer published research on **charter colleges**—public institutions of higher education that would be given “complete discretion in managing their administrative affairs” in return for greater accountability of educational results. The study identified Massachusetts College of Art as one such institution “poised to exploit charter status.” In April 2004, the state approved a “new partnership” with MassArt much along the lines envisioned in the Pioneer research. MassArt President Kay Sloan discussed the motivation, process, and prospects in *Pioneering Spirit*.

► www.pioneerinstitute.org/pdf/ps4_2fp.pdf



www.pioneerinstitute.org/pdf/dia54.pdf

Effective public management

Government reform

Pioneer Institute's annual Better Government Competition (BGC) is designed to promote innovative, concrete ideas that improve the quality and cost-effectiveness of governmental services. The 2004 contest showcased two such initiatives—one on the state

2004 BGC Official Corporate Sponsors

AT&T
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level and the other on the local level:

- ▶ Former Massachusetts Civil Service Commissioner John O'Leary won for his proposal to revamp public sector hiring in order to strengthen merit considerations. Op-eds by Mr. O'Leary explaining his proposal appeared widely around the state—in the Worcester *Telegram & Gazette*, Lowell *Sun*, and Boston *Globe*, which later reported on executive branch action in line with the idea.
- ▶ Jay Szklut, Planning Director for the Town of Hull, also won for a state/town/private partnership to upgrade management of Nantasket Beach, as reported in the South Shore's *Patriot Ledger*.

The winners were honored at an awards ceremony featuring two reform-minded governors, Massachusetts' Mitt Romney and keynote speaker Bill Owens of Colorado.

"One of the things I find exciting is the way government innovations and reforms

around the country are being driven by groups like Pioneer Institute," remarked Governor Owens, who has been touted as one of America's emerging political leaders by *The Economist* magazine.

Three other BGC submissions on key Pioneer issues were recognized as runners-up—a proposal to rein in

the cost of special education and two ideas on improving the way courts do business.



2004 Better Government Competition

Civil Service just skims over cream-of-the-crop prospects

AS I SEE IT
By John O'Leary

TELEGRAM & GAZETTE

The Boston Globe

Civil service testing slows

Romney seeks to limit system

JOHN O'LEARY

Civil service rules force bad hires

Civil Service: Ability doesn't count

By JOHN O'LEARY

THE SUN

Nantasket Beach revitalization ideas are award-winning

The Patriot Ledger

2004 BGC Judges

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Chairman and CEO,
The Flatley Company
ELLEN ROY HERZFELDER,
Massachusetts Secretary
for Environmental Affairs
HARVEY C. MANSFIELD,
Professor of Government,
Harvard University
DIANA DAVIS SPENCER,
Pioneer Institute
Board of Directors
JANET WU, Reporter,
WCVB TV-5



Details on the 2004 BGC →
www.pioneerinstitute.org/bgc04

Legislation to enact judicial administration reform is expected to be considered on Beacon Hill this year, thanks to a broad coalition of Massachusetts civic organizations that includes Pioneer Institute.

The legislation would strengthen management of the courts as called for by the Visiting Committee on Management of the Courts chaired by the Reverend J. Donald Monan, Chancellor of Boston College.

Introduced in late 2004, the bill was sponsored by Democratic Representative Alice Peisch on behalf of the Citizens Coalition for an Independent Judiciary and Reverend Monan, as reported by the *Springfield Republican*. Momentum for judicial reform has been particularly strong in Western Massachusetts.

The Monan Committee found that Massachusetts courts are “mired in managerial confusion.” The panel was established in the wake of a 2002 Pioneer *White Paper* detailing unnecessary hiring and inequitable distribution of resources in the judiciary.

The bill seeks to establish more accountability in the judiciary by having the courts’ chief administrator serve at the pleasure of the Supreme Judicial Court, rather than the five-year term under current law.

Never say never—but Pioneer may have had its final say on the Boston Convention and Exhibition Center (BCEC) in 2004—with “final vindication” coming from an unlikely source.

Pioneer has opposed construction of the publicly-subsidized facility since it was first proposed in the 1990s, arguing it could not be sustained by the market. Slim bookings for its first year—and in the foreseeable future—have borne that out.

Now, in op-eds in the *Boston Globe* and *Boston Business Journal* and in an appearance on WGBH’s “Greater Boston,” Pioneer has called for looking at alternative uses for the mega-facility.

In an ironic denouement, the nationally-recognized Brookings Institution—whose positions diverge from Pioneer’s in many areas—issued a major study documenting the dwindling convention business all across the country as more and more cities scrambled to build meeting halls. The author of the Brookings report is none other than Heywood Sanders of the University of Texas, who was tapped by Pioneer to write all of our research on the Boston convention center. Clearly, Pioneer is making inroads in changing the intellectual climate.

Groups call for court safeguard

Bill comes two years after groundbreaking report on the courts

Citizens Coalition for an Independent Judiciary

Common Cause Massachusetts
Massachusetts Appleseed Center for Law & Justice
Massachusetts League of Women Voters
New England Legal Foundation
Pioneer Institute for Public Policy Research



www.pioneerinstitute.org/about/e4epm/e4_jud.cfm

Judicial administration

Effective public management

Convention center



www.pioneerinstitute.org/about/e4epm/news_conv.cfm

Boston Business Journal

Why not weigh private options for new BCEC?

Heading off convention center debacle

The Boston Globe

The new retail mall might fit nicely inside the main convention center hall.



WGBH

Stephen Adams
Pioneer Institute

Economic opportunity

Urban Business Alliance

Entrepreneurial spirit

Aiding inner-city enterprise the goal



"This roadmap will help individuals get in business and stay in business."

BusinessWest

Mapping a Course

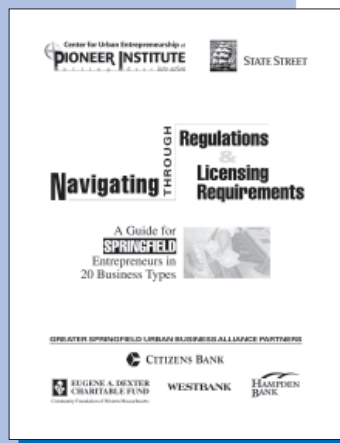
Guide to Business Regs Released

National Dialogue on Entrepreneurship

...While these guides are very site-specific, they offer an excellent template for other communities seeking to produce similar guides...



The guide is available on the web in its entirety or by specific businesses
➔ www.pioneerinstitute.org/entre/guide/S_guide.cfm



Now in its second year, the Urban Business Alliance (UBA) is a joint initiative of Pioneer and State Street to support low- and moderate-income entrepreneurship start-ups across the state.

The program provides training and mentoring in business consulting for community development professionals to whom budding entrepreneurs typically turn for help.

Launched in Worcester and Massachusetts' South Shore in 2003-04, the program expanded into the Greater Springfield area in fall 2004. A 12-week series of training sessions, taught by an adjunct faculty member at American International College in Springfield who is also a certified public accountant, covered such topics as accounting, business finance, goal setting, and strategic planning, among others.

The mentoring portion of the UBA program had an immediate impact. Participating banks assisted community development practitioners in preparing "bankable" deals and have made small business loans more readily available.

In connection with the program, Pioneer released the latest in a series of guidebooks, "Navigating through Regulations & Licensing Requirements: A Guide for Springfield Entrepreneurs in 20 Business Types." The program and guidebook were hailed at a November 2004 news conference by Springfield community leaders, including Mayor Charles Ryan and Russell Denver, President of the Springfield Area Chamber of Commerce. Among media covering the event were Springfield's WGGB-TV channel 40 and *BusinessWest*.

The Springfield guide joins similar ones for Boston, Worcester, Lawrence, and Quincy. The

National Dialogue on Entrepreneurship, an e-mail newsletter distributed nationwide, recently drew attention to the series of guides and praised them as models for other communities to follow.

Greater Springfield Urban Business Alliance Partners

Pioneer Institute
State Street
Citizens Bank

Eugene A. Dexter Charitable Fund /
Community Foundation of Western Massachusetts
Hampden Bank
Westbank

Andrew M. Scibelli Enterprise Center /
Springfield Technical Community College

Economic opportunity

2004 entrepreneurship conference

For the first time in its five years, Pioneer Institute's Center for Urban Entrepreneurship (CUE) took its annual conference outside Boston—and the move proved to be a resounding success.

Held in Worcester in partnership with the Worcester Regional Research Bureau, the forum attracted a standing-room-only crowd, despite an overnight ice storm.

Discussion focused on broad regional and industry trends in the Massachusetts economy and examples of businesses that not only survived the economic downturn but are growing as the economy improves.

The conference featured participation of small business owners and senior managers from

Brockton to the Berkshires. Out of eight panelists, six were entrepreneurs from different areas of Massachusetts. Their vast business experience sharpened the focus of the discussion on small business opportunities and growth strategies.

Both the *Worcester Telegram & Gazette* and the *Worcester Business Journal* covered the event, with the latter publication also making it the subject of an editorial.

Successful entrepreneurs, including two panelists at the Worcester conference, were profiled in our **Pioneering Spirit** magazine during 2004.

- ➔ "In the pink: Turning a pink slip into a successful business" - www.pioneerinstitute.org/pdf/ps4_2prof.pdf
- ➔ "From low-income entrepreneurship to sparkling success" - www.pioneerinstitute.org/pdf/ps4_1prof.pdf

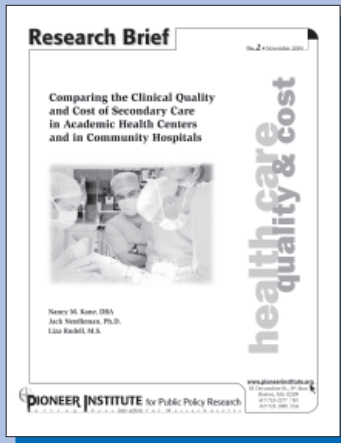


WORCESTER
Business Journal
Pursuing entrepreneurial freedom

TELEGRAM & GAZETTE
Urban agenda
Conference highlights service-business opportunities

Audio excerpts of the CUE conference presentations
➔ www.pioneerinstitute.org/cue04.cfm

Health-care Emerging issues



STEVE BAILEY
Downtown
It's time
to talk

Report lauds community hospitals

Study: Big hospitals don't give better care

New Study Fuels Debate Over
Teaching Vs. Community Hospitals



wbur.org

BOSTON'S NPR
NEWS SOURCE

Taking a leading role on “consumer-driven health care”—an emerging trend in the provision of health care services—Pioneer Institute released a major study in late 2004 that points one way of controlling medical costs.

Faced with high and rising costs for health insurance, employers in Massachusetts and across America are exploring ways of giving employees a financial incentive to seek lower-cost health care providers. Against this backdrop, Pioneer commissioned research looking at the quality of care and cost in teaching and community hospitals.

Authored principally by Nancy Kane, a Harvard School of Public Health professor, the study found that inpatient costs at teaching hospitals were 19 percent higher than at community hospitals but that, on average, patients receive care of similar quality in either setting.

The research covered 1.9 million patients receiving secondary care at 1,207 hospitals in six states, including Massachusetts. Secondary care is specialized medical or surgical treatment (as distinguished from general primary care and more advanced “tertiary” care).

Usually affiliated with a medical school, teaching hospitals—also referred to as academic health centers (AHCs)—typically have higher costs associated with training future physicians, a strong research orientation, and the provision of tertiary care. Noting the importance of such activities, the study concluded:

“Consumer-driven health care could force greater accountability and a healthy dose

of public scrutiny on AHCs and community hospitals alike. Some policy action may be required to insure that the dose is not lethal to valuable institutions” if patients shift to community hospitals.

The research garnered major media coverage and was the basis for an informative and spirited discussion

among leading players in the field at a Pioneer Forum, laying the groundwork for continuing examination of impact of market forces on health care—a point made by the *Boston Globe*'s Steve Bailey in a column on the study aptly titled “It's time to talk.”



www.pioneerinstitute.org/research/AHC ➔
Research Brief • Forum excerpts • news articles



Health Care Forum Panelists

NANCY KANE, study author, Professor, Harvard School of Public Health
DR. PETER SLAVIN, President, Massachusetts General Hospital
DOLORES MITCHELL, Executive Director, Massachusetts Group Insurance Commission
DONALD THIEME, Executive Director, Massachusetts Council of Community Hospitals
THOMAS STEMBERG, Chairman, Staples, Inc.
DR. MARYLOU BUYSE, President/CEO, Massachusetts Association of Health Plans

The supply of housing in much of Massachusetts is not keeping up with demand, and housing prices have risen dramatically in recent years. Median housing prices in Greater Boston are now among the highest in the nation.

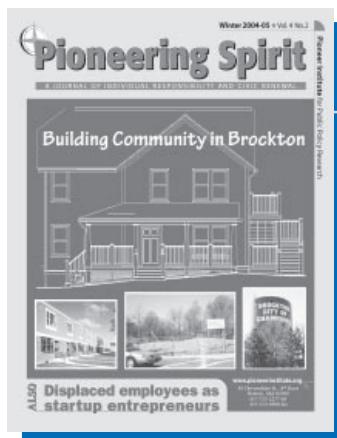
To advance a broader public understanding of the market forces at play—and offer workable solutions to the housing “crisis”—Pioneer Institute is partnering with Harvard University’s Rappaport Institute for Greater Boston to examine the effect of local regulations on regional housing supply.

Communities write a host of zoning, environmental and other housing-related regulations that play a key role in determining what gets built. Each local regulation, in scores of municipalities, is unique, nuanced, and complex; the system of regulation lacks transparency and often restricts production of needed housing.

To quantify this, Pioneer researchers spent 2004 creating a locality-by-locality database on municipal housing regulations in eastern and central Massachusetts. Drawn from a survey of more than 100 questions regarding zoning, subdivision rules, master planning, and environmental regulations for 180 municipalities from the coast to Worcester and beyond, the database will enable comparison of regulations across localities.

The database ultimately will be generally accessible via the web with the expectation that it will be of use to elected and appointed officials, researchers, planners, developers, and others interested in land use regulation. It will also form the basis for various analyses and two research reports, one examining how local regulations influence the volume and price of housing, the other suggesting regulatory and policy changes.

Dubbed the **Initiative on Local Housing Regulation**, the project has attracted the support of a number of Massachusetts business organizations. The project grew out of a 2002 Pioneer/Rappaport report titled “Getting Home: Overcoming Barriers to Housing in Greater Boston.” The report found that the current combination of state codes, local zoning, environmental regulations, and formal public processes greatly restrict the production of new housing, particularly affordable housing in the region.



Spotlighting grassroots efforts to spur construction of affordable housing, our own *Pioneering Spirit* magazine focused on Brockton, where civic groups and the private sector have been leading the way in acquiring vacant lots in the city and building homes for low-income families who have been priced out of the market.

 www.pioneerinstitute.org/pdf/ps4_2cov.pdf



Emerging issues Housing

RAPPAPORT 
Institute for Greater Boston
Kennedy School of Government, Harvard University

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Massachusetts Retail Lumber Dealers Association



www.pioneerinstitute.org/about/e4ei/IHR.cfm

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David Koch asks a question at the 2004 Lovett C. Peters Lecture as John Davis (left) and John Silber look on.



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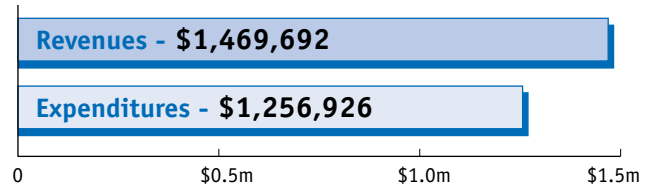
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Revenue during calendar year 2004 totalled nearly \$1.5 million, covering carefully budgeted expenditures of approximately \$1.3 million. These positive financial results reflect, in part, support for multi-year projects that will be completed during 2005.

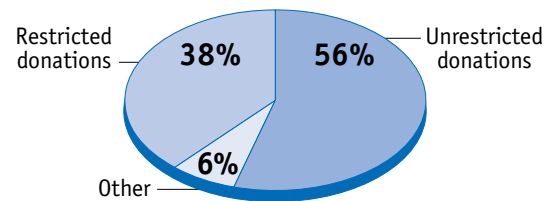
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2004 Financial Results

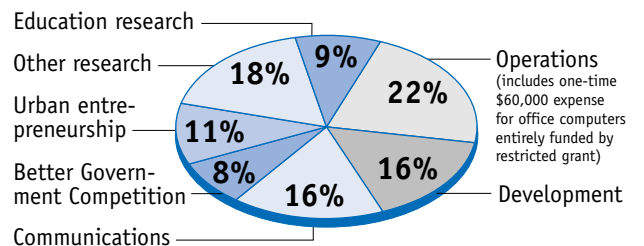


2004 Revenues



2004 Expenditures

Total research, programs, and outreach - 62%



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