

# CHOOSING TO COMPETE

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2006 ANNUAL REPORT



**PIONEER INSTITUTE**  
PUBLIC POLICY RESEARCH

# 2006 Annual Report

## Pioneer's Mission

Founded in 1988, Pioneer Institute is a non-partisan public policy think tank committed to keeping Massachusetts economically competitive and to strengthening the core values of an open society. To inspire market-driven policy reforms, Pioneer promotes individual freedom and responsibility and limited, accountable government. The Institute has changed the intellectual climate in Massachusetts by commissioning timely and rigorous academic studies from leading scholars. Pioneer injects new ideas into the public debate through forums and lectures, transcripts, the media, and outreach to legislators, business groups and the general public.

## Pioneer's Centers

The **Center for School Reform** seeks to increase the educational options available to parents, drive system-wide reform, and ensure accountability in public education. The Center's work builds on Pioneer's legacy as a recognized leader in the charter public school movement, and as a champion of greater academic rigor in Massachusetts' elementary and secondary schools. Current initiatives promote *choice and competition, school-based management, and enhanced academic performance in public schools.*

The **Shamie Center for Better Government** seeks limited, accountable government by promoting competitive delivery of public services, elimination of unnecessary regulation, and a focus on core government functions. Current initiatives promote *reform of public employee pension and health care systems and affordable, high-quality health care.*

The **Center for Economic Opportunity** seeks to keep Massachusetts competitive by promoting a healthy business climate, transparent regulation and small business creation in urban areas. Current initiatives promote market reforms to *increase the supply of affordable housing, reduce the cost of doing business, and revitalize urban areas.*

## Pioneer Events

Each year, the Institute hosts three signature events: the **Lovett C. Peters Lecture in Public Policy**, a black-tie gala featuring world-renowned speakers; the **Better Government Competition**, which seeks ideas from the public for streamlining and improving government in Massachusetts and has saved taxpayers more than \$400 million since its inception in 1991; and the **Colby Hewitt Lecture in Health Care Policy**, which features leading health care innovators and experts.

*Pioneer Institute is a tax-exempt 501(c)3 organization funded through the donations of individuals, foundations and businesses committed to the principles Pioneer espouses. To ensure its independence, Pioneer does not accept government grants.*

**16**

**PUBLICATIONS**

research papers, policy briefs, and event transcripts.

**10**

**EVENTS**

hosted by Pioneer

**36**

**PRESENTATIONS**

of Pioneer research

**160**

**MEDIA HITS**

articles, interviews, and editorials in newspapers, trade journals, TV and radio in Massachusetts and across the nation.

**> 125**

attendees per Pioneer event



# From the Founding Chairman, and Chairwoman



## **To Our Donors:**

With your help and support, Pioneer just completed an extraordinary year in which we advanced our mission of promoting innovative and effective public policy. As shown on

the preceding page, we produced a record number of reports, policy briefs and transcripts, hosted a record number of events, and appeared a record number of times in the media.

Even more important than the quantity of our work is its quality and impact. We are delighted our ideas shaped public discourse and policy and added to the Commonwealth's economic prosperity and our fellow citizens' well-being. This is what we mean by "Choosing to Compete."

Much of Pioneer's success is due to our Executive Director, Jim Stergios, who joined the team at the start of the fiscal year, and quickly built a strong staff and relationships with respected outside researchers. His leadership, knowledge and energy have produced great results for Pioneer and the Commonwealth.

Pioneer's Board of Directors continues to build and grow the organization. Our work this past year focused on strengthening Pioneer's financial controls, developing new leaders and community connections, and improving our marketing and strategic planning.

As always, we are proud to contribute to Massachusetts' public life by developing innovative and effective solutions to public policy that emphasize individual freedom and responsibility, limited, accountable government and free-market principles.

Without your continued support, Pioneer could not do what we do. As we try to grow the organization to reach a new generation of donors, we ask your help. Talk to a friend or colleague about Pioneer's success or invite them to an upcoming Pioneer event. We look forward to working with you in the coming year to continue making a positive difference in Massachusetts' education, economy and administration.

Lovett C. Peters  
Founding Chairman

Diane Schmalensee  
Chairwoman

# From the Executive Director



## **To Our Donors:**

The past year was one of renewal. The period covered by this report—October 2005 to September 2006—clearly demonstrated a revitalized Pioneer Institute. We doubled previous highs in the amount of research produced and media coverage received.

More importantly, we successfully promoted key initiatives to keep the state competitive. During the year, Pioneer, collaborating with a range of foundations, business and trade organizations, and citizens groups, helped maintain charter school funding on a per-pupil basis; fought to protect the state's school accountability process; spurred the discussion of higher school standards; changed the debate on housing; and convinced state and municipal leaders to tackle their long-term fiscal liabilities.

Renewal means change. Staff changes at Pioneer have been significant. Organizationally, we reinforced each of our research centers: the newly formed Center for School Reform, the Shamie Center for Better Government, and the Center for Economic Opportunity. The ability to work in a truly non-partisan way was a central goal, and we lived up to the challenge.

Renewal, however, does not mean a change in fundamental principles. Free markets, free people, and limited, accountable government have always anchored Pioneer's success and always will. As Pioneer's presence grows, we will continue to advocate for market solutions and chart an energetic course to keep Massachusetts competitive.

Pioneer will work this year to renew commitments to old friends, even as we expand our base of supporters. We will especially focus on strengthening ties to the business community. The success of our pro-growth agenda depends on your joining us. I will need your input, advice, and support.

We are proud we earned your support in 2006. We worked hard and "smart" to ensure your investment had impact. We look forward to your support this coming year—a year we view as crucial to the state and to Pioneer.

A handwritten signature in black ink, appearing to read "Jim Stergios". The signature is fluid and cursive, with a large initial "J" and "S".

Jim Stergios  
Executive Director

# The Center for School Reform

In 2005, Pioneer established the Center for School Reform (CSR) to improve the academic performance of elementary and secondary schools in Massachusetts through broad public dialogue, legislative outreach, and scholarly research. The Center promotes the free exchange of ideas related to academic excellence, competition, and data-driven approaches to public education reform, so that students, citizens, and the Commonwealth can compete globally.



Angus McBeath, Edmonton, Canada school superintendent and 2005 Lovett C. Peters Lecturer.

In November 2005, **public school choice** was the focus of the annual Lovett C. Peters Lecture. Guest speaker Angus McBeath, superintendent of schools in Edmonton, Canada, delivered a lecture entitled “Creating Successful Schools.” Through school choice and competition, school-based management, merit pay for teachers, and greater parental involvement Angus McBeath revolutionized public education in

Edmonton. Today, Edmonton schools are held up as an example of what public schools can and should be, as the schools are so good they have virtually run private schools out of business.

In January 2006, CSR held “School Choice and Education Reform in Massachusetts: Competing in the 21st Century,” featuring a presentation by Chris Whittle, CEO/President of Edison Schools. CSR also released two papers: *Framing the Debate: The Case for Studying School Vouchers* and *Massachusetts Private School Survey: Gauging Capacity and Interest in Vouchers*. The first report offered an overview of why public **scholarship vouchers** may be an appropriate next step in urban school reform. The second study found substantial interest in publicly funded scholarship vouchers among private schools and ample classroom capacity for a successful scholarship voucher program.

In April 2006, in time for the budget debate on education funding and to address critics’ complaints, the CSR authored four *Charter Public School*

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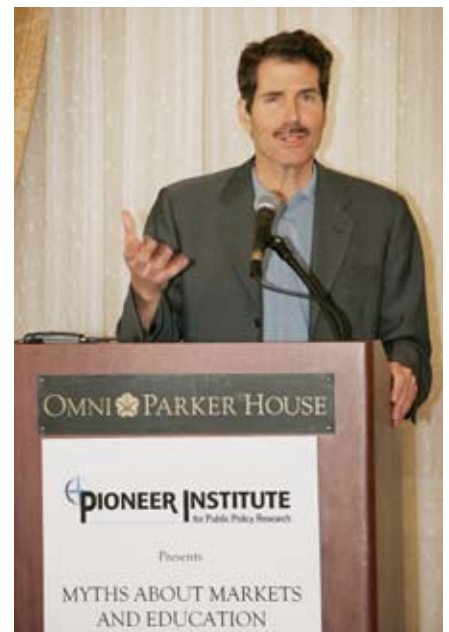
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*Policy Fact Sheets* that debunk common grievances against charter public schools. The *Fact Sheets* address charters' **academic and fiscal accountability**, their leadership and innovation, and their ability to meet student and community needs. They were distributed to the Legislature and other education policy leaders.

In May 2006, Pioneer hosted an event with John Stossel, award-winning news correspondent and co-anchor of ABC News' *20/20*. Mr. Stossel's presentation, entitled "Myths about Markets and Education," is part of Pioneer Institute's ongoing efforts to provoke a meaningful discussion on the importance of choice to education reform.

In September, Pioneer released its *School Reform Menu*, which supports the state's method for identifying schools in need of remediation—so-called turnaround schools. Noting that the needs of each community and school will differ, and that each community should choose its own remedy, the paper proposes that the Massachusetts Department of Education should present a **broad menu of turnaround options** from which districts can select. These options should include:

- University partnerships
- Private management
- Horace Mann public charter schools
- Commonwealth public charter schools
- Pilot schools
- Vocational-Technical Schools
- Scholarships to independent and parochial schools
- Interdistrict choice (e.g., METCO, Inc.)



"Myths About Markets and Education" were challenged by John Stossel, award-winning correspondent.

## School Accountability

In May 2006, Pioneer's CSR led a legislative and public relations campaign to educate legislators and the public on the value of maintaining the Massachusetts Office of Educational Quality and Accountability, an independent fact-finding agency. The EQA reviews and evaluates MCAS data and other measures of the effectiveness and efficiency of public school districts in promoting student achievement. A bill filed in the Massachusetts Legislature by critics of greater school district accountability would have dramatically weakened educational accountability in the Bay State. Pioneer succeeded in this effort to defend continued school district accountability in Massachusetts.

# The Shamie Center for Better Government

Pioneer Institute launched the Shamie Center in 1997 to honor Ray Shamie's lifelong efforts to bring smaller, more efficient government to Massachusetts. The Center is dedicated to effective public management. To us, this means engaging the free market to deliver public services, focusing government on its core functions, and, most importantly, confronting state and municipal governments' unfunded liabilities.

**Fairness** was the theme of our initial effort on public employee benefits, *Public Pensions: Unfair to State Workers, Unfair to Taxpayers*. The paper examined the various instances of gaming and political chicanery that result in questionable payouts and have contributed an estimated \$3 billion to the state's \$13 billion unfunded pension liability.

The need for greater **efficiency** was the theme of our second report on public employee benefits: *Leaving Money on the Table: The 106 Pension Funds of*



*Massachusetts*. Pioneer found that underperformance and lack of oversight, due to the fragmentation of pension assets among 106 different systems, cost these funds \$1.6 billion over the past 10 years.

To promote **sustainable financial practices in government**, Pioneer researched the impact of a new accounting principle, the so-called GASB-45 rule, that discloses a \$13.3 billion unfunded liability for retired public employee

healthcare. This third paper in our public employee benefit series, *The Elephant in the Room*, outlined what caused this massive liability and provided recommendations to address it.

The **benefits of competition**, a long-time Pioneer theme, were explored in *The Long-Term Leasing of State-Owned Skating Rinks*. Our study revealed that contracting rink management out to private operators actually cut costs while improving service and encouraging needed capital investment.

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In a fitting tribute to some of the best ideas in government, Pioneer Institute celebrated the **15th Annual Better Government Competition** at the Boston Harbor Hotel on Thursday, September 21. Over 200 guests gained new insight into the potential for results-driven, nonpartisan reform efforts, courtesy of the winners and two distinguished guest speakers: Harvard Pilgrim CEO Charlie Baker, Jr. and Tom Trimarco, Secretary of Administration and Finance.

The 2006 Better Government Competition Award Winner is the Short Trial Program, submitted by the Eighth Judicial District Court of Clark County, Nevada. The Program reduced the average trial length from 2.5 days to seven hours and saved over \$800,000.



Chris Beecroft of the Eighth Judicial Trial Court of Clark County, NV, winner of the 2006 Better Government Competition.

Other award-winning proposals:

- encouraged state government efficiency through benchmarking
- improved energy efficiency in public buildings
- controlled health insurance costs of state employees
- reduced auto insurance rates for safe urban drivers

The inaugural **Colby Hewitt Lecture in Health Care Policy** featured Dr. Daniel “Stormy” Johnson, past President of the American Medical Association and World Medical Association, who discussed “Getting the Incentives Right: How to Provide Better Health Care to More People at a Lower Cost.” Dr. Johnson offered his perspective on the universal healthcare package that was recently passed by the Legislature and signed into law by Governor Romney. Patricia McGovern, General Counsel and Senior Vice President of Beth Israel Deaconess Medical Center, offered opening remarks. Dr. Johnson, along with Pioneer Chairman Pete Peters and Executive Director Jim Stergios, also met with Governor Romney.

# The Center for Economic Opportunity

In 2006, to better address the Commonwealth's competitive disadvantages, Pioneer reorganized its Center for Urban Entrepreneurship into the Center for Economic Opportunity (CEO). CEO's expanded focus encompasses two areas—improving the state's business climate and providing low- and moderate-income entrepreneurs with the skills and tools to compete. CEO seeks to develop new businesses, promote the growth of existing companies, and improve Massachusetts' ability to compete for relocating firms.

Small business plays a vital role in the Commonwealth's economy, but entrepreneurs cannot start or expand businesses without sufficient capital – and the expertise to put that capital to work. The 2005 CUE conference, **“Trends in Small Business Financing: Best Theories and Practice,”** shared effective approaches to financing small business creation. Business assistance providers, bankers, investors, policy makers, and entrepreneurs discussed financing options with State Treasurer Tim Cahill and officials from the Community Development Finance Corporation and the Massachusetts Department of Business & Technology. The keynote was Dr. Patricia Greene, Provost and Chair in Entrepreneurship at Babson College.



Ed Glaeser, of the Rappaport Institute of Harvard University, addresses joint Pioneer/Rappaport event in January 2006.

In 2006 Pioneer worked on many competitiveness issues, but throughout remained focused on the primary reason the cost of doing business in Massachusetts is rising at an unsustainable (and uncompetitive) rate—the cost of housing. In January 2006, together with the Rappaport Institute for Greater Boston, CEO released a report identifying local regulation as the primary cause of

the region's **housing price inflation**. The report was the culmination of Pioneer's effort to assemble a database of regulations in 187 communities across the central and eastern parts of the state, *A Reference Guide to Residential Land-Use Regulation in Eastern Massachusetts: A Study of 187 Communities*. The study recommended

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consistent, transparent, smart-growth-friendly regulations as an essential step towards a more responsive housing market.

In November 2005, CEO released a Spanish translation of *Navigating Through Regulations and Licensing Requirements in Boston*. Each guide in this ongoing Pioneer series offers skills and tools to **help low- and moderate-income entrepreneurs compete.**

The guide provides a detailed roadmap on how to start 20 different types of business in Boston, including a comprehensive list of permits, licenses, and forms necessary for meeting local, state and federal requirements.

During the summer of 2006, Pioneer produced *A Study of Middle Cities' Online Permitting and Licensing Resources*. The study reviewed the business-related websites of 14 municipalities and evaluated them on their ease of use and comprehensiveness. In addition, Pioneer has produced three new versions of *Navigating Through Regulations and Licensing Requirements* for Brockton, Lowell and Fall River.

*Navigating* guides have been produced for:

- Boston (English and Spanish)
- Brockton
- Lawrence
- Quincy
- Springfield
- Worcester

During 2007, additional guides will be produced for:

- Fall River
- Lawrence (Spanish translation)
- Lowell
- New Bedford

## Promoting Pioneer's Housing Policy Recommendations

To promote and explain our approach to reviving the Massachusetts housing market, Pioneer presented our research to community and industry groups throughout 2006. Over 1,200 people attended these presentations, and more than 3,000 people have visited the housing study web page. This vigorous outreach program has helped shape the housing policy debate in Massachusetts. More than 55 articles about the study have appeared in local and statewide media outlets.

# Pioneer Institute Donors for 2006

The gifts listed below reflect Pioneer's fiscal year 2006, which ran from October 1, 2005, to September 30, 2006.

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Ms. Mary Young

### **Colby Hewitt Endowment**

Shattuck Charitable Trust  
Mrs. Emmy Lou Hewitt, Boston Foundation  
Mr. and Mrs. Harvey White  
Mr. and Mrs. H. Bradlee Perry  
Mr. and Mrs. James B. Kenary, Jr.  
The Honorable Amory Houghton, Jr.  
Mr. and Mrs. F. Gorham Brigham, Jr.

Gifts designated for the Colby Hewitt Endowment include only those donated for the purpose of endowing a Healthcare Research and Lecture Program. Gifts made in Colby's memory prior to the formal effort to endow, which began on August 1, 2006, are included in the full donor list.

# Fiscal Year 2006 Financial Notes

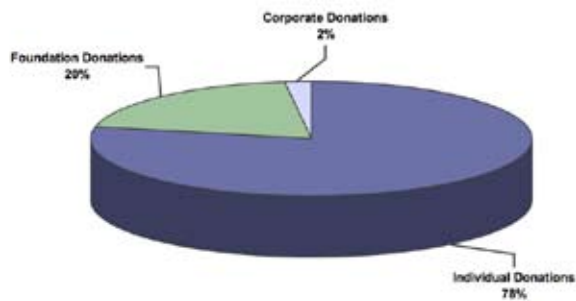
## Profit & Loss Oct. 2005 - Sept. 2006

<b>Income</b>	
Unrestricted Donations	\$833,599
In-Kind Donations	15,000
Restricted Donations	312,644
Other Revenue	21,606
<b>Total Income</b>	<b>\$1,182,849</b>
<b>Expenses</b>	
Employment Costs	\$570,675
Outside Services	93,686
Research Contracts	130,364
Printing & Publishing	50,479
Distribution Costs	25,210
Events and Meetings	141,315
Staff Business Expenses	10,059
Office Operations	135,114
Internet/Website	14,944
<b>Total Expenses</b>	<b>\$1,171,846</b>
<b>Other Income</b>	
Total Other Income	\$61,311
Total Other Expenses	43,536
<b>Net Income</b>	<b>\$28,778</b>

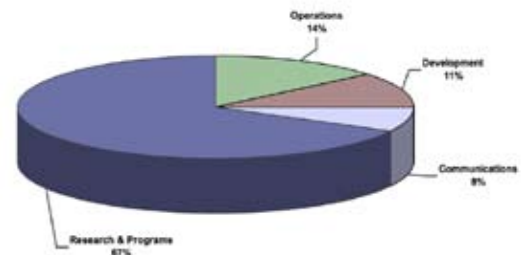
## Balance Sheet as of 9/30/06

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$855,783
Accounts Receivable	10,449
Investment Funds	429,742
Miscellaneous Receivables	1,434
Fixed Assets	44,097
Other Assets	35,188
<b>Total Assets</b>	<b>\$1,376,693</b>
<b>Liabilities and Equities</b>	
<b>Liabilities</b>	
Accounts Payable	\$7,569
Other Accrued Liabilities	9,934
Deferred Rent Expense	16,519
<b>Total Liabilities</b>	<b>\$34,022</b>
<b>Equity</b>	
Unrestricted Funds	\$1,168,028
Temporarily Restricted Funds	55,133
Permanently Restricted Funds	90,734
Net Income	28,776
<b>Total Equity</b>	<b>\$1,342,671</b>
<b>Total Liabilities and Equities</b>	<b>\$1,376,693</b>

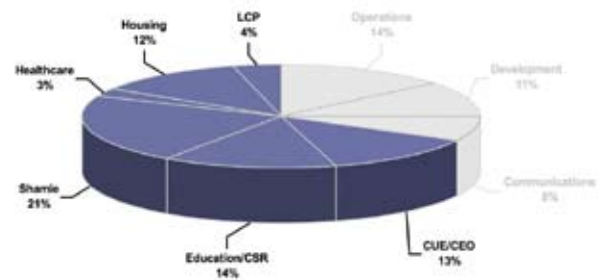
## Revenues



## Expenses by category



## Expenses research programs' shares of total expenditures



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## Pioneer Institute Staff

ABOVE

Front: Jim Stergios

Middle Row: Shawni Littlehale,  
Peter Begley, Pete Peters, Alla Yakovlev

Back Row: Alan Petrillo, Liam Day,  
Steve Poftak, Melissa Dermarkar, James Fenton

AT RIGHT

Jamie Gass, Amy Dain, Morris Gray



**Our new logo** harkens back to the original logo employed by Pioneer in 1988 — a 17th-century compass, in use when the British view of free markets took hold, as part of the revolution in thinking whereby the king was a citizen and social mobility through education and hard work was deemed necessary to the emerging open society. Our new compass, though of more recent design, suggests objective precision—much like Pioneer. This logo is the centerpiece of a total redesign of our image and website, to be rolled out this spring.

