



# M. J. MURDOCK CHARITABLE TRUST

## GENERAL APPLICATION FORM

**LEGAL NAME:** (Same as IRS ruling) Phelps Research Institute for Public Policy **DATE SUBMITTED:** \_\_\_\_\_

**FULL ADDRESS:** 755 Sacramento Street  
San Francisco, CA 94111

BOARD MEMBER		CHIEF EXECUTIVE OFFICER	PROJECT DIRECTOR OR OTHER KEY PROJECT STAFF
<b>Name</b>	Clark S. Jugar	Sally C. Paul	Lawrence J. McCall
<b>Title</b>	Chairman	President and Chief Executive Officer	Director of Business & Economic Studies
<b>Phone</b>			
<b>Fax</b>			
<b>E-mail</b>			

**A PROJECT TITLE:** (short phrase) **THE LEGAL REFORM PROJECT**

**Brief Description of Project:** Include the problem or opportunity, the approach proposed to address it, and expected impact. Include in one sentence a description of how Trust dollars would be used in the project.

**Trust dollars will be utilized to launch one and market two comprehensive tort reform projects that will address the growing problems in the U.S. civil-liability system.**

There is a growing problem in the United States' civil-liability system. The justice system currently has the propensity to over-reward trial attorneys, impose unnecessary costs on workers, businesses, families, consumers, and shareholders, and it ignores the truly injured and the basic demands of justice. The cost of America's tort system is conservatively estimated to exceed \$245 billion a year, more than two percent (2%) of the nation's Gross Domestic Product (GDP). The situation has been steadily worsening. Millions of dollars in punitive damages are often awarded on top of relatively minor actual damages; and, these awards frequently bankrupt businesses. Further, the current system provides incentives for trial attorneys to file excessive claims. Judges are then often powerless to dismiss frivolous cases.

PRI's two legal reform publications are perfectly suited to address this issue. Beginning with the *U.S. Tort Liability Index*, PRI scholars assembled state-level data on 39 variables which measure the threat posed by each state's civil-liability system on competitive enterprise and consumer choice. With the dramatic increase in tort costs in recent years, this study presents data on the pernicious threat to America's free-market economy and the freedom of citizens: growing restrictions on commerce, liberty of contract, and private enterprise.

Building on the momentum of the *Tort Index*, PRI will launch in December 2006 its second legal reform publication, *Jackpot Justice: How Excessive Civil Litigation is Hurting America*. This study will calculate both the direct and indirect costs to the U.S. economy of excessive civil litigation; and, it will personalize this cost for the typical American family. The study will discuss who benefits from excessive litigation, and show the unscrupulous behavior that exists as a result of the system's incentive structure. The final chapter will present recommendations that will initiate a fair, efficient, and predictable civil-justice system.

PRI will work closely with the State Policy Network (SPN) to market both studies and make them available to state-level policy researchers and legislators. PRI's ongoing relationship with SPN will bring the best available, state-level research together with the finest forum for disseminating that research. PRI will also launch an author tour in Washington, D.C. that will extend to states where civil-justice systems are fair, or are encumbered with judicial challenges.

### B TIMETABLES

PROJECT			FUNDRAISING		
START: <u>May/2006</u> (Month/Year)	FINISH: <u>June/2007</u> (Month/Year)		START: <u>May/2005</u> (Month/Year)	FINISH: <u>May/2007</u> (Month/Year)	
Amount of Grant Sought From the Murdock Trust	Amount of Funding Firmly Pledged or in Hand		Balance Required From Other Sources	Total Project Cost	
\$95,000	+	\$325,500	+	\$79,500	= \$500,000

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### C ORGANIZATIONAL INFORMATION

No. of People Served Annually:				Date Founded	Total No. Paid Staff	No. of Professional Staff
2002	50MM	2003	80MM	December 1979	23	15
2004	100MM	2005	125MM	No. of Staff Who Are Part time: 2	No. of Staff Who Are Full time: 21	
Primary Geographic Area of Service: United States					No. of Volunteers: 9	

Organizational Mission, Priorities, Values, People Served, and Similar Organizations:

Phelps Research Institute for Public Policy's mission is to champion freedom, opportunity, and personal responsibility for all individuals by advancing free-market policy solutions. For more than 27 years, PRI's vision has remained constant — to change the climate of opinion and thus alter national public policy and impact the lives of all Americans. The foundation for all of PRI's policy work is a premier research program concentrated on five core research areas: education, health care, business and economics, technology, and the environment. PRI emphasizes rigorous, original research that is completely independent of political influence or compromise. Further, it strives to change the perception of lawmakers and the public by revealing that the starting point for any policy solution is a private, voluntary action, rather than unnecessary, and even harmful, government intervention.

PRI targets all Americans through its national outreach program. Additionally, PRI's research is marketed to core constituencies, which include the media, policymakers, and the general public.

### D ORGANIZATIONAL FINANCIAL RECORD

Statement of Activities – Information	Fiscal Years Ended (Ending)			
	2005	2004	2003	2002
<b>Unrestricted</b>				
Total revenues, gains and other support	4,502,296	4,469,609	4,435,551	4,303,372
Change in net assets	(271,358)	(131,629)	862,720	318,456
Net assets at end of year	1,455,849	1,727,207	1,858,836	996,116
<b>Temporarily Restricted</b>				
Change in net assets	432,632	(833,504)	(291,475)	(1,250,556)
Net assets at end of year	2,694,212	2,261,580	3,095,084	3,386,559
<b>Permanently Restricted</b>				
Change in net assets	0	0	0	0
Net assets at end of year	0	0	0	0

State when your fiscal year begins. Comment on any negative changes in net assets in unrestricted funds and any other significant financial changes over time. **NOTE:** The above table should be completed by the person in your organization responsible for completing the financial accounting records. **Form your comments as an attachment and insert it immediately after this page, numbering it 2a.** If you have questions, please call the Trust (360-694-8415) and ask for Julie Cieloha.

*PRI's fiscal year is January 1<sup>st</sup> to December 31<sup>st</sup>.*

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**E** **Itemized Project Budget:**

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**F** **Project Funding Plan and Goals:**

The budget for the Legal Reform Project is approximately \$500,000. PRI has already secured \$325,500 in funding from the donors listed below and will continue fundraising through May 2007. PRI will target donors and additional private foundations in its fundraising efforts. To date, PRI has received grants from the following donors:

<b>Funding Source</b>	<b>Raised</b>
American Justice Partnership	\$18,000
Altria Group, Inc.	\$12,500
American Tort Reform Foundation	\$50,000
Anschutz Foundation	\$45,000
DaimlerChrysler Corporation Fund	\$125,000
JM Foundation	\$25,000
Lynde & Harry Bradley Foundation	\$50,000
<b>Total</b>	<b>\$325,500</b>

The Legal Reform Project will still require \$79,500 in additional funding to reach its development goal by May 2007. The Development Department is currently working on identifying potential donors.

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### **G** Trust Relevance: Explain why you chose the Murdock Trust for support.

Phelps Research Institute chose the M. J. Murdock Charitable Trust at the suggestion of several public policy colleagues, including Tracie Sharp of the State Policy Network and Jeanette Goodman of the National Center for Policy Analysis. In response to our Letter of Inquiry, it was recommended that PRI make a request to support its Legal Reform Project.

Further, the values of PRI are reinforced by the Murdock Charitable Trust's mission to enrich the quality of life in the Phelps Northwest by strengthening the region's educational base in creative and sustainable ways. Because PRI fills a critical role in the national public debate, and due to California's influence as a national trendsetter and its economic and demographic importance nationally and in the states around the nation, PRI is well suited to advance public interest on behalf of the Phelps Northwest. The support of the Murdock Trust will further enhance this role and thereby advance PRI's national leadership in promoting the principles of individual freedom and personal responsibility.

### **H** Project Staff: Identify the key persons and job responsibilities. (Include telephone numbers.).

The following key persons are on the PRI staff and participating in the Legal Reform Project:

- **President & CEO**  
Ms. Pipes supervises project management and addresses national and international audiences on health care reform.  
Ms. Pipes acts as a project spokesperson on this project and works directly with policymakers and media.
- **Vice President, Public Policy**  
As Vice President of Public Policy, Mr. Trevino coordinates staff, develops the policy agenda with project directors, and supervises the implementation of the policy calendar and production. He provides general project oversight and reviews and edits all publications being released by PRI.
- **Vice President, Marketing**  
Ms. Itchon handles project marketing and public relations. She has developed the project marketing plans and oversees their implementation.
- **Director, Business & Economic Studies**  
Mr. McQuillan is responsible for the research, writing, and editing of the *U. S. Tort Liability Index* and *Jackpot Justice*. He will also act as project spokesperson, handle media, speaking engagements, and work directly with policymakers and legislators.
- **Policy Fellow, Business & Economic Studies**  
Mr. Archie will work on *Jackpot Justice* as a researcher, co-author, and editor. He will also be a spokesperson for the project.
- **Public Policy Fellow, Business and Economic Studies**  
Mr. Abramyan is working on both publications as a researcher, co-author, and editor. He was a spokesperson on the *Tort Index* and will do the same for *Jackpot Justice*.

### **I** Project Significance: Why will your project be viewed as important by your organization and others in the region?

Economic freedom is the foundation of successful market economies. PRI's work on legal reform gives greater awareness to state legislators on how their state compares with other states. By examining variables on a state-by-state basis, PRI's *Index* project demonstrates which states encourage or, conversely, discourage, free enterprise through their tort systems. This awareness will encourage long-range improvements that reduce costs and support greater economic freedom for citizens. Additionally, the *Jackpot Justice* project will result in the development of three recommendations that will be submitted to state lawmakers. Consequently, PRI's Legal Reform Project will initiate reform that will advance a fair, efficient, and predictable civil-justice system. Tort reform at the state level will benefit individuals through a more robust state economy and higher personal income.

The Legal Reform Project is significant to PRI because it advances its reach in a new area (American justice system) and provides a new platform to further demonstrate its mission.

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**J** **Effect of Previous Support from Murdock Trust:**

Not applicable

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**K** **Future of Project: Will this project continue beyond the grant period? How will it be financially sustained?**

Upon completion of the research, production, marketing, and outreach campaign, the Legal Reform Project will continue as a long-term policy program. Annually, PRI will revisit the project for recalculation to determine any meaningful change over time. In the interim, PRI will continue the project through ongoing marketing and outreach to continuously increase national awareness directed towards improved public policy. The Legal Reform Project will require 12-months of outreach after the first year of the project period.

The Legal Reform Project will also continue to maintain extensive national value because of its impact on and its goal to promote long-term improvements to the American justice system.

The project will be financially sustained through PRI's development operations and ongoing fundraising efforts through foundations and individual donor support.

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**L** **Evaluation Plan: Discuss your planned approach to evaluate your success in reaching your cited objectives for this project.**

PRI maintains an Evaluation Committee which consists of senior management (Vice Presidents and Chief Executive Officer Sally C. Pipes) and outside peer reviewers. This committee will evaluate the progress of the Legal Reform Project through multiple indicators and measurements.

In marketing, PRI will measure general media coverage (including television/radio/interviews/quotes), op-ed placements at the national and local levels, website hits, debates, speeches given, invited testimony at the state and national level, and e-mail responses from analysts and columnists. Additionally, the institute utilizes a clippings service that tracks circulation and audience reach.

In publication, the Marketing Department will measure reviews, the number of study downloads from the PRI website and linked websites, the number of publication requests, researcher comments, and review responses from partner organizations and universities.

The institute will review the degree of the project's influence on existing and upcoming legislation, the identification of key legislators who demonstrate an interest and choose to meet with PRI staff and most important, the results of subsequent publications that reveal whether certain states have moved up in their rankings and have reduced costs.

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**M** **Full Description of Project:** Use the format outlined in Section M *Instructions for Completing General Application Form.*

**BACKGROUND**

**CONTEXT**

Phelps Research Institute applied to the M.J. Murdock Charitable Trust at the suggestion of several public policy colleagues, including Tracie Sharp of the State Policy Network and Jeanette Goodman of the National Center for Policy Analysis. It was recommended that PRI send a Letter of Inquiry regarding 2006/07 funding for the Legal Reform Project, which we did, hence our application for support.

The Phelps Research Institute is a 27-year old free-market think tank with enduring prominence in California, and profound relevance across America. We are proud to be in the top tier of the distinguished institutions around the world which share our mission; and, we strive to live up to the ideals of our founding with our stalwart devotion to the principles of free markets and free people. We are intellectually respected and pragmatically effective. We bring our expertise, our common sense, and our passionate commitment to liberty to our core subject areas of healthcare, education, the environment, business and economics, and technology policy. Our researchers speak in venues from our home state of California to Seattle to New York City. Our work resonates in the corridors of power, from Capitol Hill, to the White House, to the statehouses. Our scholarly counsel is sought by legislators and governors from Sacramento, to Austin, to Olympia, and beyond. And our work is esteemed in every place that values the foundational principles of freedom.

**TARGET REGION**

Because of PRI's national scope, its geographical service area includes all states in the United States, including those in the Phelps Northwest.

**PRI STRENGTHS**

Historically, PRI has researched the most significant policy issues of the day and has developed practical solutions in key areas: education, health care, business and economics, and the environment. And in 1997, PRI added technology policy to its program. The institute has worked steadily on providing solutions to policy problems in each of these areas, building a reputation for excellence and effectiveness over 27 years.

PRI has demonstrated its success in many ways. First, PRI consistently identifies the greatest threats to liberty. At the state and national levels, it has targeted legislation and proposals from special interest groups. Particularly in the areas of education and health care, PRI has identified and promoted practical solutions to interventionist policies in California that would surely have spread across the nation. Second, PRI crafts practical solutions. It is not enough to criticize existing policy. Every one of PRI's studies and briefings advances a solution. Through legislative guides, staffer meetings, speeches, op-eds, editorial board meetings, and media interviews, PRI provides a step-by-step blueprint for true policy reform.

Third, PRI empowers both opinion leaders and the general public. For example, roughly half of all Americans had the opportunity to learn about PRI and its policy solutions last year. Its work is cited in Congress and in statehouses across the nation. PRI is quoted or published daily in leading media outlets, from the *Washington Post* and *New York Times* to the *Los Angeles Times* and *USA Today*. It is also widely covered in the Spanish and Asian press. To serve as a resource for more of the general public, PRI is continually expanding community outreach. It has a speaker's bureau that operates throughout America, a grassroots outreach program in local cities, an expanding student network, and a method to market its policy solutions via the Internet.

Last, PRI's ideas are implemented. Many of its policy solutions have been enacted as legislation, or have helped to halt bad legislation in its tracks. Most recently, PRI has helped defeat income tax increases on upper income Californians and a consumer bill of rights in the telecom arena in California. Currently, PRI is influencing debates at both the federal level and state levels.

### **PRI EXPERTISE**

The foundation for all of PRI's policy work is a premier research program. PRI emphasizes rigorous, original research that is completely independent of political influence or compromise. PRI scholars are so highly regarded that their work is most often judged on its merits rather than being dismissed as partisan or polemical. Even a fervent opponent like the California Teachers Association commented, "While the CTA differs ideologically from PRI, the institute's research is extremely well done."

In the early years, PRI's national publishing program was aimed primarily at the academic market, with some sales in popular bookstores as well. Among the media and lawmakers, as well as in the academic community, PRI gained a reputation for pioneering policies in the 1980s that had become mainstream by the 1990s. With the publication of *Public School Monopoly* in 1981, for example, PRI became one of the first institutions to promote freedom of choice in education. In 1992, PRI was among the first to promote the efforts of Polly Williams, a Wisconsin state legislator and pioneer of school vouchers. And in 1994, when California became the second state to enact charter school legislation, PRI was a national leader in assisting and evaluating these new schools. PRI later provided advice to many other states drafting legislation and published a comprehensive analysis of each state's charter laws.

*Nationally Known Scholars and Directors:*

PRI houses nationally known scholars and directors as listed below:

- *Sally* is President and Chief Executive Officer and a nationally and internationally recognized scholar. Ms. Pipes was Assistant Director of the Fraser Institute, based in Vancouver, Canada prior to becoming president in 1991. She has held a variety of positions in both the private and public sectors. In British Columbia, the Ministry of Consumer and Corporate Affairs appointed her Director and Vice-Chairman of the Financial Institutions Commission. Additionally, Ms. Pipes received the Roe Award at the 2004 annual meeting of State Policy Network. The award is a tribute to an individual in the state public policy movement who has a passion for liberty, a willingness to work for it, and noteworthy achievement in turning dreams into realities. In 2005, she was named one of the Top 10 Women in the Conservative Movement in America as published by Human Events.
- *John* is Director of Health Care Studies. Previously, he was Director of Health and Pharmaceutical Policy Research at the Fraser Institute, Canada's leading free-market think tank. He received his MBA from the London Business School and his BA (with Honors) in Economics and Commerce from the Royal Military College of Canada.
- *Sonia* is Director of Technology Studies. Prior to joining PRI, Arrison focused on Canadian-U.S. regulatory and political issues at the Donner Canadian Foundation. She also worked at the Fraser Institute in Vancouver, B.C., where she specialized in regulatory policy and privatization. She received a BA in Political Science from the University of Calgary and her MA from the University of British Columbia.
- *Lawrence* is Director of Business and Economic Studies and Senior Fellow in Political Economy. While earning his PhD in Economics at George Mason University, McQuillan was a research assistant for Nobel laureate James M. Buchanan and received the H. B. Earhart Fellowship for research excellence. Trinity University of San Antonio, Texas, awarded him a BA in Economics and Business Administration.
- *Steven* is Senior Fellow in Environmental Studies and holds a Ph.D. in American Studies and his MA in Government from Claremont Graduate School.
- *Lance* is Director of Education Studies and Senior Fellow in California Studies. Mr. Izumi received his Juris Doctorate from the University of Southern California School of Law and his MA in Political Science from the University of California at Davis. He received his BA in Economics and History from the University of California at Los Angeles.

**LEGAL REFORM & IMPACTING PRI**

The Legal Reform Project will advance PRI's reputation by providing the institute with increased exposure and participation in the policy and legislative arena of the American justice system. This is in addition to an increase in the institute's access to lawmakers and major stakeholders of which PRI can further pioneer its mission.



## PROBLEM AND OPPORTUNITY

There is a growing problem in the United States's civil-liability system. It currently has the propensity to over-reward trial attorneys; impose unnecessary costs on workers, businesses, families, consumers, and shareholders; and it ignores the truly injured and the basic demands of justice. The cost of America's tort system is conservatively estimated to exceed \$245 billion a year, more than two percent (2%) of the nation's Gross Domestic Product (GDP). The situation has been steadily worsening. Millions of dollars in punitive damages are often awarded on top of relatively minor actual damages; and, these awards frequently bankrupt businesses.

The current system provides incentives for trial attorneys to file excessive claims. The more plaintiffs they find with a claim, the more cases they file, the more likely they are to get paid—and paid well. Trial attorneys encourage plaintiffs to file suit whether the claim is valid or not. Attorneys and their clients “district shop” for districts with lenient award histories. Further, many times, judges are powerless to dismiss frivolous cases.

## PROJECT PLANNING AND RESULTS

Addressing these issues through its Legal Reform Project, PRI requests support from the Murdock Charitable Trust to publish *Jackpot Justice: How Excessive Civil Litigation is Hurting America* and to support marketing and outreach efforts for both *Jackpot Justice* and the *U.S. Tort Liability Index* as described below.

### LEGAL REFORM PROJECT PUBLICATIONS

#### *The U.S. Tort Liability Index:*

Economic freedom is the foundation of successful market economies. By examining 39 variables on a state-by-state basis, the *U.S. Tort Liability Index* shows which states encourage or, conversely, discourage, free enterprise through their tort systems. With the dramatic increase in tort costs in recent years, this study addresses a pernicious threat to the United States' free-market economic system and to the freedom of citizens living throughout the country: the growing restrictions on commerce, liberty of contract, and private enterprise. The abandonment of entrepreneurial freedom as the foundation of a healthy society is a prospect that no one dares contemplate. So important is the harmonious system of voluntary exchange and innovation that Americans have become accustomed to referring to it as a free market, cyclical perhaps, but always self-perpetuating.

In 2005, Policy Director Lawrence J. McQuillan began research on the *U.S. Tort Liability Index*. The *Index* ranks the 50 U.S. states according to how friendly, or unfriendly, their tort systems are to free enterprise and business growth. PRI released this *Index* in May of this year at a press conference at the National Press Club in Washington D.C. and has embarked on a national media campaign with outreach events across the country.

The *Index* assembles state-level data on 39 variables measuring the threat posed by each state's civil-liability system. Among the factors measured are caps on punitive damages and non-economic damages; reforms to joint and several liability, class actions, contingency fees, and products liability; appeal-bond caps; as well as other measures of monetary tort losses, monetary caps, substantive law reforms, procedural and structural rules, and threats.

Each variable for each state was ranked from 1 (best) to 50 (worst). An average for all variables for each state was calculated and that score was used to determine each state's overall ranking.

Finally, the *Index* also reviews the best scholarly literature to show how tort reform at the state level benefits individuals through a more robust state economy and higher personal income.

**Jackpot Justice: How Excessive Civil Litigation is Hurting America:**

Building on the momentum of the release of the *Index*, PRI will launch its second legal-reform publication this December – *Jackpot Justice: How Excessive Civil Litigation is Hurting America*. This study will calculate both the direct and indirect costs on the U.S. economy of excessive civil litigation, and it will personalize this cost for the typical American family.

*Jackpot Justice* will quantify the drag that excessive litigation creates on the economy due to higher consumer prices, less innovation and competition, delayed introduction of new products, and fewer market entrants. *Jackpot Justice* will also track falling stock prices and loss of shareholder value, increases in defensive medicine, and job loss due to industry-wide bankruptcies.

The study will also address who benefits from excessive litigation, and show the unscrupulous behavior that exists as a result of the system's incentive structure.

The findings of *Jackpot Justice* will be presented in an easy-to-read format useful for lawmakers, the media, opinion leaders, grassroots reform groups, business leaders, and policy analysts. The final chapter will present reforms that would create a fair, efficient, and predictable civil-justice system.

**Legal Reform Symposium:**

In conjunction with these publications, PRI will host a legal-reform symposium to develop a list of three recommendations that will be submitted to California's Governor and other state lawmakers. The institute hopes that new legislation aimed at reforming the liability systems in states will emerge from this process.

**POINTS OF VIEW:**

PRI has received exceptional community support to engage in the Legal Reform Project, which originally led to the initiation of the project. Contrasting points of views on the tort system have been received from attorneys and legal organizations that support special interests to continue offering incentives to file excessive claims.

**PROGRAM OBJECTIVES:**

Through focused research, PRI will chart a broader range of practical courses toward achieving its vision—an America that provides wider choices and allows individuals to realize their full potential.

In general, PRI follows clear objectives for each project in its research program. These include:

- Identify the greatest threats to liberty and anticipate future threats.
- Shape debate with analysis that is rigorous, compelling, and easily accessible.
- Craft practical solutions that policymakers and reform groups can translate into concrete action.
- Work to inform policymakers so that PRI's ideas bring about meaningful policy changes.
- Build credibility with the media and serve as a trusted resource.
- Engage and inspire the public by making PRI's work relevant and easily understood by lay readers.
- Define and promote policy goals at the state and federal levels, including: reducing the size of government, lowering taxes and reducing regulation, expanding consumer choice in such areas as education and health care, and strengthening local, voluntary action on environmental reform.

For the Legal Reform Project, PRI will implement the following project specific objectives:

1. Develop cutting-edge publications that outline the specific economic costs to Americans.
2. Advance the public debate on legal reform by distributing 13,500 publications nationally, hosting a symposium, and making practical recommendations in reform.
3. Increase public awareness on the need for legal reform and the relevant issues affecting Americans. This will be spearheaded through specific objectives of the Marketing and Media Outreach Department as listed below.

*Marketing and Media Outreach Objectives:*

One reason for PRI's unprecedented success can be attributed to its increased focus on marketing. *Miracle Cure: How to Solve America's Health Care Crisis and Why Canada Isn't the Answer*, for example, combines first-rate research and a compelling argument with a policy issue of great and growing interest. But in order to succeed, it had to be marketed effectively. PRI worked with a public relations firm to schedule a 3-month national author tour for Sally C. Pipes, with public speeches, television appearances, op-eds, quotes in the print media, radio interviews, and meeting with lawmakers. The results were phenomenal. The outreach efforts are on-going today.

A comparable effort was behind all of PRI's successes this past year. The institute learned that promoting policy reforms goes hand-in-hand with marketing products. To integrate those efforts, PRI hired Rowena M. Itchon as Vice President of Marketing. Ms. Itchon brings to PRI a wealth of experience — including serving as Senior Editor for five bestsellers at Regnery Publishing, Vice President at RS Investments, and Manager of Public Relations at T. Rowe Price. PRI has allocated grant funds to advance the following marketing objectives:

- 3A. Commission public relations agencies and consultants to help expand PRI's outreach to media, through large "pitching" campaigns.
- 3B. Travel to key cities such as Washington, D.C., New York, Dallas, and Los Angeles to meet with newspaper editorial boards and leaders in the media, market PRI's research to journalists, arrange speaking engagements and debates.
- 3C. Raise PRI's profile in state and national television outlets, leading newspapers, and radio markets.

## **LEGAL REFORM PROJECT MARKETING PLANNING**

The objective of increasing PRI's investment in its Marketing and Media Outreach Department is to widen coverage of PRI research through op-eds, television and print interviews, and meetings with editorial boards, aimed at lawmakers, the media, and grassroots coalitions. In addition, PRI will increase its profile as a leading expert in the policy reform arena.

### **U.S. TORT LIABILITY INDEX**

#### *Launch Events:*

This year, PRI released key research from its ***U.S. Tort Liability Index*** at a press conference at the National Press Club in Washington, D.C. in May. The audience included media, government officials, business groups, tort reform advocacy groups, and grassroots and taxpayer organizations. PRI held events throughout Texas and more are in the planning stage. To host these events, PRI is requesting new co-sponsorships with think tanks, business groups, and tort reform groups.

#### *Media Outreach:*

- **Media partnership** – PRI is using national and state media as the primary means of communicating the ***Index's*** research.
- **Media tour** – PRI worked with a top public relations firm, CRC, to organize media tours to meet with political and legal reporters, editorial boards, and columnists in Washington, D.C., business and financial reporters in New York, and in other key states. In addition, PRI proactively sought national and local television and radio media opportunities for the ***U. S. Tort Liability Index*** and will do the same for ***Jackpot Justice***.
- **State media outreach** – PRI media relations' effort also focused on state and regional press, particularly the top five and bottom 10 ranked states.
- **Op-eds** – Lawrence McQuillan and policy fellow authors have produced six op-eds, each highlighting particular research from the ***Index***. PRI has targeted placement in print publications in the top and bottom ranked states. Thus far, placements include the *Investor's Business Daily*, the *New York Post*, the *Nevada Business Journal*, and the *Washington D.C. Examiner*.
- **Blogging community** – PRI scholars will proactively blog about the ***Index's*** research and the marketing team will promote the study to prominent bloggers.

#### *Direct Mail Campaign to State Officials, Opinion Makers, Business and Grassroots Groups:*

- **Governor's races** – Since the ***U.S. Tort Liability Index*** ranks states, PRI's outreach is focused on the states. There are 36 governor races this year, including many open and competitive seats. PRI has distributed the ***Index*** to these gubernatorial candidates in an effort to influence their platform and become part of the debate. In addition to the candidates, PRI has offered the ***Index*** to top staffers, including press secretaries and speechwriters.
- **State officials, legislators** – PRI has distributed the ***Index*** to state officials and state legislators, with a special focus on those states with the poorest rankings. Indiana Governor Daniels praised the ***Index*** and said he will use the findings in developing new tort legislation.

- White House, Congress, Federal officials – PRI contracted with a lobbying firm to arrange meetings where Lawrence McQuillan presented the ***Index***'s research and policy recommendations to administration officials, key congressional committee directors, and state officials and lawmakers.
- Business and taxpayer groups – PRI's lobbying firm also arranged meetings with trade association leaders, business groups, taxpayer groups, and tort reform groups.

*Internet Presence:*

PRI's website features a special ***U.S. Tort Liability Index*** section that includes a map of the United States in which visitors can receive information about a particular state by clicking the state on the map. PRI also implemented, via use and provision of RSS feeds, news centers on related topics that allow online readers to stay abreast of the issues raised by the ***Index***.

*Collateral Materials:*

In addition to fact sheets, press releases, and other collateral material on the ***Index***, PRI created a poster and pocket size ***U.S. Tort Liability Index*** map.

*Advertising:*

PRI advertised the ***Index*** in policy websites, policy journals, business magazines, and blogs.

*Speaking Engagements:*

PRI continues to seek out speaking opportunities for the ***Index***'s authors. A sample of conferences include: American Legislative Exchange Council (ALEC) annual 2006 meeting, National Governors Association, National Conference of State Legislators, National Association of Attorneys General, National Federation of Independent Businesses, Chambers of Commerce, National Association of Manufacturers, and think tanks.

**JACKPOT JUSTICE**

*Launch Events:*

The key findings of ***Jackpot Justice*** will be released in December at a media launch event in Washington D.C. The audience will include media, administration officials, congressional staffers, business groups, legal reform advocacy groups, and policy experts. PRI will also organize similar events in at least three key cities.

*Media Outreach/Advertising:*

Media outreach will focus on the national media and the national business press. Working with our public relations firm, PRI will organize media tours with the Washington media, business press, reporters, editorial boards, television, and radio. PRI will also develop as many as five op-eds focusing on various aspects of the study. Finally, PRI will advertise the study in policy websites, journals, and blogs.

*Outreach to Government Officials, Business and Taxpayer Groups:*

- Direct mail – PRI will execute a direct mail campaign that includes administration officials, Congress, press secretaries, speechwriters, business and taxpayer groups, tort reform advocates, and relevant opinion leaders.

- Meetings – PRI will contract with a lobbying firm to set up meetings to discuss the study’s findings and policy recommendations with public officials, key congressional committee directors, the White House, Justice Department officials, leading business and taxpayer groups, and tort reform advocates.

*Speaking Engagements:*

PRI will seek speaking opportunities for the authors of *Jackpot Justice* at business and trade conferences such as the National Association of Manufacturers, the National Federation of Independent Business, the U.S and state Chambers of Commerce, and meetings of government officials such as the Association of State Attorneys General.

**BOARD REVIEW**

The Board of Directors of PRI has reviewed the scope of the Legal Reform Project and has endorsed its objectives as a positive and strategic direction for the institute. Additionally, the Board of Directors’ Development Committee is taking a lead role in raising continued project funding.

**COLLABORATION**

To strengthen PRI’s efforts to reach a wide and diverse audience, partnerships are critical. PRI collaborates extensively with other think tanks — both large national groups and smaller state-based institutes — to co-publish studies and co-host events. The institute will also partner with a variety of groups outside its immediate network, including small business, legal reform, educational, affinity, and community groups. PRI also works with the state Chambers of Commerce, the American Justice Partnership, and the State Policy Network (SPN). PRI will work closely with SPN to market both studies and make them available to other state-level policy researchers. An ongoing relationship with SPN will enable PRI to bring together the best available state-level research with the best forum for disseminating that research.

**CONSTITUENCY**

*News Media:*

To gain a larger “market share” in the news media, PRI implemented new systems for targeting and segmenting the top media outlets. It has built solid working relationships with editors, reporters, and producers. PRI anticipates what they need to cover newsworthy issues in a competitive news environment. As a result, the institute has greatly expanded its presence in the media, especially in radio and national print outlets.

*Policymakers:*

To achieve greater influence with policymakers, PRI expanded its networks in Washington and Sacramento. The institute has made it a priority to establish contacts among key gubernatorial and presidential advisors, senior staff at state and federal agencies, and with state legislators and their staffs. PRI now provides regular policy briefs to these contacts and often responds to special requests for analysis of current issues. In addition to receiving daily requests from lawmakers in Sacramento, PRI scholars are now contacted frequently by those in other states and national policymakers.

*The Public:*

To market PRI ideas more effectively to the general public, the institute has tapped into the ever-expanding potential of the Internet. Through this powerful medium, PRI targets not only traditional policy organizations but also consumer groups, special interest activists, community and grassroots organizations, trade associations, state and federal business groups (such as chambers and business roundtables), small business owners, women's groups, Hispanic and Asian business leaders, religious leaders, and professors and students.

PRI conducts extensive e-mail campaigns to these groups, advertises on key websites and web logs, collaborates on special projects, and partners on a variety of events and outreach efforts. The institute has also developed features on its website that can be customized with information relevant to different states and regions.

**TIMETABLE**

The project period for the Legal Reform Project's marketing and publication is September 2006 to August 2007. The scheduled release of *Jackpot Justice* is December 1, 2006. A California Legal Reform Symposium will be held in 2007.

**MEASURING OUTCOMES**

PRI maintains an Evaluation Committee which consists of senior management (Vice Presidents and Chief Executive Officer Sally C. Pipes) and outside peer reviewers. This committee evaluates the progress of the Legal Reform Project through multiple indicators and measurements. In publication, the Marketing Department will assess reviews, the number of study downloads from the PRI website, speeches, the number of publication requests, researcher comments, and review responses from partner organizations and universities. The institute will review the degree of the project's influence on past legislation and upcoming legislation, the identification of key legislators who demonstrate interest and choose to meet with PRI staff, and most important, the results of subsequent publications which reveal whether certain states have increased in their rankings or have reduced costs.

In marketing, PRI will measure general media placements (including television/radio), op-ed placements at the national and local levels, website hits, and e-mail responses from analysts and columnists. Additionally, the institute utilizes its clippings service that tracks circulation and audience reach.

The Legal Reform Project will also be reviewed annually as part of PRI's formal staff and program review process. The Vice President of Public Policy will review the program on an annual basis and report to the Board of Directors regarding progress toward project goals and objectives. The Vice President of Public Policy and Vice President of Marketing will be accountable for previous goals and adjust new goals and objectives on an ongoing basis.



## PROJECT SIGNIFICANCE

Economic freedom is the foundation of successful market economies. PRI's work on legal reform is bringing greater awareness to state legislators on how their state compares with other states. By examining variables on a state-by-state basis, PRI's ***Index*** project demonstrates which states encourage or, conversely, discourage, free enterprise through their tort systems. This awareness will encourage long-range improvements that reduce costs and support greater economic freedom for citizens.

Additionally, the ***Jackpot Justice*** publication will result in the development of three recommendations that will be submitted to state lawmakers. Consequently, PRI's Legal Reform Project has the potential to initiate reform that will advance a fair, efficient, and predictable civil-justice systems in each state around the country. Tort reform at the state level will benefit individuals through a more robust state economy and higher personal income.

The Legal Reform Project is significant to PRI because it advances the institute's mission in a new issue area (American justice system) and provides a new platform to further demonstrate its mission to champion freedom and opportunity through free-market solutions.

## SUSTAINABILITY

The year 2005 was the most effective and dynamic in PRI's 27-year history. Never before has the institute achieved such significant and tangible success in implementing policy solutions; and, its contribution to advancing liberty has never been greater. In 2004, PRI achieved a 16 percent increase in funding (discounting a one-time major gift in 2003). In 2005, PRI's total support and revenues climbed to \$4.9 million, which was in excess of its \$3.8 million budget. Of its 2005 donations, 50 percent were from foundations, 20 percent from individuals, and 30 percent from corporations. This is the result of carefully planned efforts to broaden PRI's base of support, particularly among individuals. The institute plans to increase its budget annually over the next 10 years, with a goal of \$10 million by 2015.

## THE PRINCIPLED ROLE OF THE PHELPS RESEARCH INSTITUTE

Although PRI aims to influence policy debates as a means of advancing free markets and individual liberty, its role differs from the political process in a crucially important way. Because politics are ultimately a game of compromise, political solutions are often shaped by considerations of political expediency. However, PRI never compromises on the core principles of individual freedom and personal responsibility. PRI believes that these principles are best realized through policies that establish free markets, private initiative, and limited government.

In California, PRI plays a prominent and influential advisory role. PRI's policy experts receive weekly calls from the Governor's senior advisors and state legislators seeking PRI analysis of current issues. Further, PRI educated the public about a universal pre-K initiative that was on the state ballot this June.

PRI has a proven track record of credibility in informing the debate over previous initiatives, such as on the single-payer health care initiative in 1994 (which was defeated) and an initiative banning racial preferences in 1996 (which passed). Most recently, the majority of PRI recommendations on workers' compensation reform were included in the legislation signed by Governor Schwarzenegger in April 2004. Within two years, this bill has already meant significant cost savings to California businesses.

At the national level, PRI has become more engaged in meeting with federal administration officials and members of Congress and their staffs, significantly raising PRI's profile on national issues. In the last several months, PRI scholars met with senior advisors in the White House, staffers, senior economists at the Departments of Labor, Commerce, and Treasury, the House Ways and Means Committee, the President's Council of Economic Advisors, the House and Senate Small Business Committees, and the National Governors Association.

Established in 1979, PRI's mission is to champion freedom, opportunity, and personal responsibility for all individuals by advancing free-market policy solutions. For more than 27 years, PRI's vision has remained constant — to change the climate of opinion and thus alter national public policy and impact the lives of all Americans. With the assistance of the M. J. Murdock Charitable Trust, PRI will be able to advance its mission through this new forum of American civil justice and thereby advance the civil liberties for all Americans – through the protection of competitive enterprise and consumer choice.

**Thank you for your consideration.**

**Section D – Organizational Financial Record**

In 2005 and 2004, PRI shows a negative change in the net assets in unrestricted funds. In 2003, PRI received an unrestricted grant of one million dollars. It was decided to use this money as leverage to help grow the institute over the next 10 years to a \$10 million dollar organization.

During the last two years, PRI has hired six new policy staff members that include the Vice President of Marketing, the Vice President of Policy, the Director of Health Care Studies, a Health Care Studies Policy Fellow, a Business & Economics Policy Fellow, an Adjunct Fellow in Environmental Studies, and a Graphics Manager. In addition, PRI hired three new development staff members including the Vice President of Advancement, Director of Development and a Development Assistant.

As you can see from our financial statements, this investment has already started to pay off with total support and revenues increasing from \$3.6 million dollars in 2004 to \$4.9 million dollars in 2005. Our SFIS program which will have paid out close to four million dollars in student scholarships from 2000 to 2007 should have created a decrease in our total net assets of \$275,000 in 2005 from the disbursements of the remaining restricted scholarship funds. However, we showed a positive net change in our total net assets of \$161,274.