

*The Public Policy Institute of California
A Think Tank for the 21st Century*

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**Public
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California**

The Public Policy Institute of California (PPIC) is a private operating foundation established in 1994 with an endowment from William R. Hewlett. The Institute is dedicated to improving public policy in California through independent, objective, nonpartisan research.

PPIC's research agenda focuses on three program areas: population, economy, and governance and public finance. Studies within these programs are examining the underlying forces shaping California's future, cutting across a wide range of public policy concerns, including education, health care, immigration, income distribution, welfare, urban growth, and state and local finance.

PPIC was created because three concerned citizens – William R. Hewlett, Roger W. Heyns, and Arjay Miller – recognized the need for linking objective research to the realities of California public policy. Their goal was to help the state's leaders better understand the intricacies and implications of contemporary issues and make informed public policy decisions when confronted with challenges in the future. PPIC does not take or support positions on any ballot measure or state and federal legislation nor does it endorse or support any political parties or candidates for public office.

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In 1993, Roger Heyns, former Chancellor of the University of California, Berkeley, wrote a concept paper for a research institute devoted solely to the public policy issues facing the people of the state of California. The purpose of the institute would be to provide the state, particularly its elected representatives in the legislature and executive branch, with objective analyses of the major economic, social, and political issues facing the state. In 1994, that concept became a reality when the Public Policy Institute of California (PPIC) opened its doors. Since that time, PPIC has made great strides for a fledgling institution, contributing significantly to understanding of the state's critical policy issues and gaining the respect of policymakers, the media, and other opinion leaders, statewide and nationally, for the high-quality, objectivity, and policy relevance of our research.

The founding of PPIC coincided with a national phenomenon: In the last two decades of the 20th century, the number of state-focused think tanks more than tripled; by 1999, there were 110 operating across the nation. The purpose of this paper is to describe the California context in which Roger Heyns, and co-founders William Hewlett and Arjay Miller came to believe that the state needed such an institute and to outline the institute's guiding principles. It is my hope that this information could prove helpful for considering how state-focused think tanks might effectively address the mission of improving public policy.

Context: California in the 1990s

Three forces converged in the early 1990s that made a compelling case for an independent research institute devoted solely to California policy issues. First, California experienced population growth in the 1980s that was unprecedented in American history. The state population grew by six million people in just ten years, adding an average of 600,000 per year. By 1990, white non-Hispanics comprised just over half the population and the foreign-born population had grown to 25 percent of the total, changes that accelerated an inevitable shift to majority-minority status for the state. Second, state voters passed Proposition 140 in 1990. This initiative placed strict term limits on state elected officials and made draconian cuts in budgets for legislative staff. Among other consequences of this initiative, research units in Sacramento were cut in size and comprehensiveness—severely restricting the amount of bill analysis and strategic thinking available to the legislature. Third, with the end of the Cold War in 1989, the economy in Southern California shrank by nearly 500,000 jobs. Concerns were raised about the ability of the state to recover from this unprecedented loss of high tech jobs. More than one observer argued that the California dream was dead—or in serious need of resuscitation.

To complicate matters further, California was grappling with nearly twenty years of a fiscal limitations movement driven by voter initiatives. The movement was launched by Proposition 13 in 1978, and was followed by a raft of initiatives that made public spending subject to rigid rules. A tug-of-war emerged between state and local government that caused tensions over both the level and allocation of expenditures for basic services and K-12 education. The conflicts reached a dramatic height in 1994 when Orange County declared bankruptcy and state government refused to come to the county's assistance. With the forces of population growth, economic decline, restrictions on government, and public contentiousness converging in daily battles in Sacramento, the argument for a neutral fact-finding research institute was compelling. California's great tradition in western expansion, its openness to demographic diversity, and its high profile as one of the world's leading economies demanded a significant response.

These were the forces and this was the context that led Roger Heyns to approach William Hewlett and Arjay Miller with the idea for the institute that would become PPIC. Mr. Hewlett, co-founder of the Hewlett-Packard Company, endowed the new organization with an initial \$70 million gift; and in 1994, I was asked by the founders to provide the leadership to fulfill their vision.

Guiding Principles

The principles guiding PPIC were originally presented in Roger Heyns' concept paper, a copy of which is included in this document. In few words, the paper laid out defining characteristics: purpose, programs, finance, governance, and role in the policy process. The paper is remarkable for its brevity, clarity, and prescience in anticipating a myriad of issues that would face the institution in its formative years. The principles derived from the paper were subsequently fleshed out by the board of directors and research staff during those years. Even as we were building a research agenda, the institute was developing a set of policies and guidelines that would serve both current and future generations. Foremost in our minds was the drafting of principles that were clear in their intent, practical, and consistent with the ideas contained in the original concept paper. The guiding principles described below are the result of that collective effort. They are aimed at creating and preserving an institute that is:

- 1. Independent.* It was important that PPIC be truly independent in order to foster respect for its findings. The founders ensured that independence with a substantial endowment, and with the insistence that the fledgling institution not have any formal affiliation with existing private or public organizations. The endowment was viewed initially as a means for building a reputation for capability and excellence before initiating a program of external fund raising. Heyns had envisioned a funding model that would match one dollar of endowment revenue with one dollar of external funds. In

the year 2001, the board of directors adopted a policy that modified the external funding goal to just 20 percent of total annual revenue to ensure that PPIC's independence is maintained. The implementation of this fundraising phase of PPIC's history was marked with a significant gift from Arjay and Frances Miller to create the Arjay and Frances Fearing Miller chair in Public Policy.

2. Objective. No less important to success than independence, the concept paper stated that PPIC must establish a reputation for objectivity. State policy debates are frequently acrimonious and charged with partisan interests. To make a difference by providing facts that offset the friction of heated exchanges, PPIC would have to establish a reputation as an honest broker. Three steps were taken to ensure both the reality and perception of objectivity:

First, PPIC was established as a non-profit research institution under IRS guidelines for an operating foundation. PPIC would pursue its own mission, it would hire a research staff to carry out that mission, and it would fund research or activities by other individuals or organizations only in the form of research contracts consistent with the mission of the institute.

Second, the board of directors assumed responsibility for creating, in cooperation with the management, a set of policies and guidelines necessary to fulfill the mission of institutional independence and research objectivity. The policies and guidelines covered a myriad of topics from corporate governance and external funding policy to employment contracts and publications review and dissemination policy.

Third, the board underlined the responsibility of the research staff in maintaining objectivity with a code of conduct for all staff members, consultants, and independent contractors. Of special note was an emphasis upon the separation of personal views from the results of research findings, and the insistence on a "front page" test for both internal and external communication.

3. High Quality. In order to strengthen the principle of objectivity, emphasis was placed on conducting research of the highest quality. PPIC research would meet academic standards for methodological rigor and intellectual honesty. A publications review policy was established that requires both internal and external reviews of major publications. Reviewers who know the politics of policy decision-making are deemed just as important as scholars who understand the challenges of large data-file manipulation. The PPIC imprimatur on a document signals a product that is objective, high quality, and worthy of attention for its integrity and thoroughness.

4. *Strategic.* The founders imagined that PPIC would be addressing long-term issues. They saw PPIC not as a “study house” but as an organization that would have the freedom to identify big issues, take the time to frame the right questions, and set a course of work that would change the way both the public and politicians thought about a subject. Fact finding, yes. But more than that. PPIC is expected to elevate public dialogue by redefining a problem—and charting new solutions. Strategic planning is an integral part of PPIC’s operating style. An annual summer strategic planning retreat has served as a way to keep our eyes on the horizon for new topics and, at the same time, as a way to ensure that our work is timely and relevant.

A practical consequence of the strategic role for PPIC was to locate near, but not in, Sacramento. A research agenda developed in the capitol was vulnerable to being captured by short-term interests. San Francisco was chosen as PPIC's location because it is near enough to Sacramento to foster familiarity but far enough to resist the pressures of day-to-day policy crises.

5. *Flexible.* Setting a PPIC research agenda that was both strategic and influential required a staff of first-class researchers. Attracting the best researchers required a flexible policy of project choice and design. A strict “top down” planning style was rejected. Instead, research fellows are given great leeway in picking “winners.” They design their research topics in the context of broad directions set during the annual strategic planning process. Otherwise, the institution relies on the creativity and skills of the research fellows to envision both small-scale projects and larger multidisciplinary projects. As the institute has grown, we have appointed directors in the population, economy, and governance and public finance programs under which the projects variously fall. The program directors have come to play an ever-increasing role in setting the broad institutional research direction, and in helping research fellows steer a course that feeds effectively into the overall research strategy of the institution.

6. *Accessible.* PPIC’s effectiveness in influencing, and even shaping, the policy debate is directly related to the trust audiences have in the quality of our work, our policies for selecting projects, and in the perception and reality of our objectivity. As a result PPIC publishes, and lists on the web, all research projects approved by the board of directors. All publications, from research reports to press releases, are available free of charge on the PPIC website. An observer can monitor *what* work is underway, *who* to contact to provide inputs to the process, and *why* a report reached its conclusions.

7. *Widely known and highly-regarded.* The founders also appreciated the importance of a proactive program of external communication. An outreach program was envisioned in the original concept paper. Today, the director of communications is a member of the senior management team and the communications staff are viewed as an integral part of the overall research

process from project inception to report preparation and eventual release to both mass and targeted audiences.

8. Credible and influential. The concept paper for PPIC assumed that PPIC's research would be influential. Research fellows are encouraged to make early and frequent contact with "clients" and future audiences. In Roger Heyns' words: "Both the process of selecting problems to be studied and the advice of public officials can increase the likelihood that the results will be awaited with interest and with a disposition to be influenced." At the same time, he stated that, with respect to implementation of ideas and recommendations, "the institute will take a cautious posture on this matter, believing that a strenuous effort to have its positions adopted will inevitably decrease its credibility."

9. Dynamic. The founders were concerned that a sizable endowment might stifle the normal creative and dynamic processes common to most research institutions. As a result, the board of directors adopted a policy of term contracts for research fellows. In addition to insuring a healthy turnover in research staff and project commitments, the term contract insures that PPIC will be a continuing source of highly trained and capable policy analysts for generations to come. Mirroring the policy regarding staff turnover, PPIC board members are limited to three successive three-year terms.

10. Honest. The board of directors acted to insure the integrity of PPIC with a set of Corporate Governance Guidelines. To preserve the founders' vision, the guidelines include a statement of operating style, operating principles, responsibilities of the chairman, president and other board members; and the responsibilities of various committees for supporting the basic governing function of the board of directors. The policies include an annual, formal review of both the chairman and the president and CEO. To augment the board's responsibilities for building and maintaining institutional integrity, an advisory council was formed to review PPIC's substantive agenda. The advisory council has the multiple objectives of early project review, assessing methodological integrity, and identification of both short- and long-term audiences and clientele. In addition, other advisory groups are used from time-to-time to carry out the same function at a program and project level.

While the principles will guide PPIC into the 21st century, the test of our success will be the degree to which we alter the public discourse about key public policy issues facing the state. In these early days, we have focused our energies on three crosscutting topics that have captured the headlines since PPIC was founded: economic growth, population change and diversity, and governance and public finance. Within these three program areas, we have informed the public debate on policies as diverse as the implications of changing trade regimes on California's industries; the consequences of state

redevelopment policy on local public finance; the size and growth of the state's undocumented immigrant population; the impacts of a living wage law on low-income families; the costs and benefits of state augmentation of federal minimum wage laws; the likely consequences of tightening family support policies; the consequences of residential growth control laws passed by local governments; and options for avoiding a fiscal meltdown such as that experienced by Orange County in 1994. These are just a few of the policy topics that have been the focus of PPIC's attention in the first eight years.

Whether in targeted policy studies or in the more descriptive work represented in the PPIC Statewide Survey, *California Counts, A Portrait of Race and Ethnicity in California*, or the analysis of income and wage trends, we have challenged ourselves to monitor performance to see if we are making a difference. Rather than a statistical measure of report-by-report success, we annually calibrate our penetration of regional audiences, traffic on the website, the use of findings in the drafting of legislation and preparation of legislative policy documents, and the methods of dissemination that have proved most effective in reaching both targeted and general audiences. PPIC is not making naive demands that each study, each report, each conclusion result in a new policy outcome. We are, however, ever mindful that over the long run PPIC's effectiveness will depend on the maintenance of the highest standards; a focus on important, strategic topics; and a proactive program of accessibility and outreach that makes sure research findings are both useful and used.

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