

*The Role and Impact of the Public Policy  
Institute of California: An Operating  
Foundation as Think Tank*

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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.

David W. Lyon is founding President and Chief Executive Officer of PPIC. Raymond L. Watson is Chairman of the Board of Directors.

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# Introduction

There is growing interest in the role that foundations are playing in the formulation of public policy. This interest has been heightened by the steadily increasing number of foundations, many of substantial size, with the potential to influence policy in their areas of interest. PPIC represents a small but important segment of the foundation landscape – an operating foundation established with the explicit purpose of informing and shaping policy decision-making through its own mission, rather than through the missions and work of grantee institutions. PPIC’s tenth anniversary year is an appropriate time to identify the type and number of policy arenas that we have influenced, to identify specific policy debates and changes that can be traced to the work of our research staff, and to consider the qualities that have helped make us a respected and effective source of policy information.



## WHY AN OPERATING FOUNDATION?

The founders of PPIC – Roger Heyns, William Hewlett and Arjay Miller – understood not only that California needed an independent and respected source of policy research. They also understood that this institution must have an endowment to protect itself from either the perception or the reality that sponsored research in the state government context would be biased in favor of the sponsors. Policy in California has always been charged with politics, but never more so than in recent decades with the advent of term limits and redistricting designed to generate homogenous “safe” areas along party lines. From its very first days, PPIC was created and intended to be a truly objective voice in a politically charged environment.

PPIC's mission statement identified research as its major product: “The Institute will be designed to provide research results to discussions of important issues facing the State of California.” Rather than fund other institutions through a program of research grants, which has been the approach of foundations over most of the post-war period, PPIC was set up with the explicit agenda to carry out its own research and to do so with the freedom that is permitted by an endowment as a source of support. Nevertheless, it was envisioned that externally-generated funds would eventually be required to “grow” the institution beyond the spending capacity of its endowment: “It is assumed that at the outset earnings from the endowment will predominate but that eventually the ratio between these two sources will be one-to-one.” To offset the risk that PPIC’s activities would be dictated by the interests of the funding sources rather than by the defined purposes of the organization, a “significant endowment will provide core leadership support for vital administrative functions and for venture capital/pilot projects.”

At the time it was announced, William Hewlett’s endowment gift to create PPIC was the largest of its kind for an institution devoted solely to research in the social and policy sciences. He chose to make the gift directly from his own estate. It was a gift to the people of California, and it placed remarkably few constraints on the agenda of the new institution – policy research, nonpartisan and objective, without restriction on the topics or style of the research. Over a two-year period, from July 1994 to July 1996, William Hewlett gave the institute \$130 million, composed primarily of stock from the Hewlett-Packard Company. By the year 2000, the value of the PPIC endowment had risen to well over \$250 million. And it had launched a program of research that changed the character and greatly increased the quantity and quality of information on key public policy issues. It can be argued that with this gift, William Hewlett fundamentally improved what would henceforth be known about the issues facing California’s decisionmakers in Sacramento and Washington and at the local government level.

## IMPACT OF THE INSTITUTION

It is useful to separate the overall impact of the institution from its specific policy research projects. What was done with the endowment gift in the first ten years, and did anyone notice? First, it is worth quoting from Ed Hamilton, a member of the current board of directors and consultant to the founders in the very early days:

“On the basis of being involved with PPIC at the outset, and...having a good idea of what the expectations were...my judgment is that the organization has far exceeded what Bill, Roger, and Arjay wanted. It has delivered on every count. It has produced exactly the level of dispassionate research wanted, and the quality and level of recognition of that research expected.... [PPIC] has demonstrated that the idea, the fundamental concept that Roger put forward, and that Bill bought into, was right. It is possible in the largest state in the country, the fifth largest economy in the world, to produce an analytic organization which has the capacity to look across the whole social service and social science spectrum and deliver serious, data-based, analytically and empirically documented research, before making up its mind about what it means.”

Second, the sheer quantity of reports we have released to the public since the first publication in July 1996 has been remarkable. We have averaged nearly a report a month over a period of eight years. These are substantial, peer-reviewed publications, three of which have been books co-published with a major university press and one of which is a major demographic profile of the state, which now serves as a standard reference volume. We have released 43 *PPIC Statewide Surveys*, which have collectively included the responses of more than 87,000 Californians. The surveys provides a unique source of publicly available information that is useful in a state relying so heavily on the initiative to make public policy decisions. We have also created an accessible demography quarterly called *California Counts* that covers population trends and is now approaching its twentieth issue.

Third, over the past eight years, our publications have reached a steadily wider audience. In 2003, we distributed almost 50,000 copies of our reports, *California Counts*, and issues of the *PPIC Statewide Survey*. In 2003, there were also almost 1 million downloads of our publications from the PPIC website. Through systematic and careful monitoring of our press coverage, we have counted over 6,000 press stories about PPIC research. Of these, 1400 cited PPIC as a reliable source rather than simply covering the release of a report. We have also placed 95 op-ed pieces, written by our staff, in state, local, and national newspapers.

We have “staffed” five statewide nonpartisan commissions covering topics as diverse as reform of the initiative process to planning for California in the 21<sup>st</sup> Century. Fellows have briefed numerous special committees of the legislature and presented findings before the California delegation in both Washington and California.

In other words, in its first decade, PPIC has grown into an institution that is doing what it takes to inform public policy. Our work is highly regarded, it covers a comprehensive range of topics, and we have become a “go to” institution whenever a crisis hits the state—including budget deficits, gubernatorial recalls, power blackouts, and local government bankruptcy, to name just a few. We have branded our product with quality, range, relevance, accessibility, and quickness in getting to the “market.” Our management style is a blend of bottom up and top down, and performance incentives for the fellows are in full harmony with the mission of the institution. As Ed Hamilton stated in the quotation above, this is exactly what Hewlett, Heyns, and Miller had in mind when the institution was first imagined in the early 1990s. Given everything that has happened to the state in the subsequent ten years, it was a remarkably

prescient decision and one that has placed the institution squarely in the middle of the information exchange that is essential to the rendering of practical solutions. PPIC has affected not only the policy process but also others in the policy research business, who are now challenged to meet the same standards.

## IMPACT OF THE RESEARCH

From its very first days, PPIC had the luxury of doing as much policy research (context setting) as it did policy analysis (evaluation of specific policies). By design, some of our earliest products were descriptive research intended to provide a foundation for making, rather than for shaping, specific policy decisions. Studies on income disparity, numbers of undocumented immigrants, the quality of local public finance data, and the scale of return migration were conducted to “clear away the underbrush.” During the first five years, we strove to learn more about things that mattered for policy but did not always focus on policy alternatives: What was the effect of Proposition 13 on the allocation of funds at the local government level? What is the best estimate of the undocumented population in California? What role did immigrants play in the success of Silicon Valley? Answers to these questions could fundamentally change understanding of policy issues but may or may not have influenced specific pieces of legislation in the process.

At the same time, we launched a number of initiatives designed ultimately to inform and shape the public policy process. The “measurably beneficial effect” of these projects was in the area of influencing the design of policy – either in how decisionmakers thought about the subject or in providing legislative language.

1. *Who Will Be Affected by Welfare Reform in California?* was the first in a long line of PPIC studies designed explicitly to help understand the consequences of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The findings from this initial study were the subject of four PPIC-sponsored roundtables with state and local officials then in the process of designing a California-specific policy of welfare reform. Our conclusions, that welfare recipients were often in households with other sources of income and that time limits would very likely not result in wholesale loss of quality of life, were very influential in crafting a policy that emphasized family responsibility over state responsibility. The safety net backing up CalWORKs is a child-only program funded by California taxpayers that is a greatly watered down version of the old AFDC program. Since that first study on welfare reform, PPIC has published a dozen more studies tracking the effects of CalWORKs and assessing the consequences of the program for the state’s lowest income residents. PPIC was there at the beginning of the reform effort and continues to monitor its progress for the state’s executive and legislative branches of government.
2. In 1998, PPIC published an analysis of local redevelopment projects called *Subsidizing Redevelopment in California*. The report concluded that “the existing tax increment system is not an effective way to finance redevelopment. Few projects generate enough increase in assessed value to account for their share of these revenues.” In 2002, the Senate Local Government Committee wrote in a report on redevelopment policy that “Although redevelopment advocates have criticized [the study’s] matched-pair methodology and

challenged [its] conclusion, there is no other reliable study of redevelopment effects.” The senate report concluded that, based on the PPIC report, the state government subsidizes redevelopment agencies to the tune of \$500 million annually. Proposals are now under consideration for reducing the size of this subsidy.

3. In the late 1990s, PPIC published three studies about the reliance of local governments, and cities in particular, on revenue from the sales tax. In *California Cities and the Local Sales Tax*, PPIC suggested that a swap of property taxes for sales taxes would offset the incentives local governments have for “chasing” commercial development over industry and new housing. During discussions over this and other “swap” bills, PPIC’s research was discussed and cited by proponents and opponents alike. What began as a series of PPIC projects looking into state and local finance has now emerged as a research foundation for addressing a much greater problem – the \$15 billion deficit facing the state this year, with more on the horizon.
4. During the last years of the Wilson administration, a policy of mandated class size reduction was put in place. Since then, it has undergone sober assessment and been found wanting. In *Class Size Reduction, Teacher Quality, and Academic Achievement in California Public Elementary Schools*, PPIC researchers concluded that class size reduction had little effect on student achievement. And, for lower performing students, it evidently made finding qualified teachers even more difficult. Because of PPIC’s and others’ findings, a weakening of the class size regulations has been drafted in new legislation and a review by the Legislative Analyst’s Office drew upon the PPIC conclusions. Because of the uncertainty facing the overall budget, the proposed legislation has yet to make it out of committee.
5. PPIC’s book titled *When Government Fails: The Orange County Bankruptcy* was a timely assessment of the causes of that local government crisis. State Treasurer Phil Angelides reports that the book’s findings were used to develop guidelines for state oversight of local government investigations. The book was also a source of information when new legislation was written and passed on guidelines for local government investments in California.
6. When legislation was designed and passed to regulate the quantity and quality of nursing care in California, PPIC’s 1996 report on *Nursing Staff Trends in California Hospitals: 1977 through 1995* was cited in the supporting documentation for the bill.
7. In 2002, the U.S. General Accounting Office requested a briefing of PPIC’s findings on border enforcement. *Holding the Line? The Effect of the Recent Border Build-up on Unauthorized Immigration* concludes that new enforcement efforts have not substantially decreased the number of undocumented immigrants in California and the United States and may, in fact, have contributed to an increase of their numbers in this country. Although one of a number of studies on this topic, PPIC’s work is a solid and highly regarded input to the continuing efforts in Washington to redesign a public policy that continues to be the subject of strong criticism.
8. Perhaps the most dramatic linkage of PPIC research to a policy process is our work on the development of a new master plan for education for California. Five reports have



been instrumental in supporting and shaping the staff efforts of the Joint Committee to Develop a Master Plan for Education:

- a. Equal Resources, Equal Outcomes? The Distribution of School Resources and Student Achievement in California
- b. For Better or For Worse? School Finance Reform in California
- c. High Expectations, Modest Means: The Challenge Facing California's Public Schools
- d. School Finance and California's Master Plan for Education
- e. Determinants of Student Achievement: New Evidence from San Diego

While the final recommendations of the committee are still in process, formal interviews with staff of the committee concluded that PPIC work set the context for the discussions of the working group on finance and facilities, and they helped structure the working group process. It was also stated that "PPIC's work lent credibility to the working group's recommendations."

## **WHAT CHARACTERIZES AN EFFECTIVE POLICY RESEARCH INVESTMENT?**

During its first ten years, PPIC funded 170 different projects. Some have been as visionary and long-lived as the PPIC Statewide Survey; others have been modest investigations into a specific data file, lasting only 6 to 12 months. Some have been led by senior fellows, some by research fellows, some by visiting fellows, and some by university faculty under contract to PPIC. Some have taken well over \$500,000 in PPIC resources, and others have been delivered for less than \$100,000. The successful projects, ones that link into the policy decisionmaking process at some level, have had certain characteristics.

1. The principal investigator must be, first and foremost, a first-class researcher. The clarity of thought, conduct, and explanation that is the hallmark of good policy research and analysis comes only from those who are well trained and able and willing to explain complicated ideas in easy-to-understand forms. The importance of fine leadership cannot be overstated.
2. The project must be shaped, in part, by what policy "clients" want to know – but it should also be designed to tell them what they did not realize or may not have wanted to hear. Welfare reform was possible because there was increasing evidence nationwide that welfare recipients lived in households that provided their own version of a safety net. Thinking of welfare dependency as one of families rather than individuals has changed the design of the national and state-level programs.
3. An institution must be willing and able to support the project at every level – early reviews of project design, first-class external reviews, a formal plan for publication and dissemination, a network of external contacts with the client and media communities, a clear and simple statement of findings, and a follow-through capability to work with audiences and interest groups long after the report has been published.

4. The research team should be committed to the project— projects designed from the bottom up are often the best. Someone who designs a project is more likely to deliver the goods. Someone who is assigned a project may treat it as an obligation.
5. An institution should be ready to “pull the plug” on projects or reports that don’t meet its standards. In the policy research and analysis field, there are many reports that should never have been released. The analysis is weak, the presentation is shoddy, and the conclusions are unclear. PPIC has stopped a number of projects when it was clear that the research was not up to our standards or when the final report did not meet our standards for quality or clarity.
6. An institution must ensure that its work and the public statements and activities of its staff preserve and strengthen its reputation for nonpartisanship, independence, and objectivity. PPIC has developed clear policies on taking positions and making recommendations that are consistent with its status as an operating foundation. Even without the rules governing such matters, we would be dedicated to preserving this reputation because we recognize how essential it has been for gaining the respect and the ear of the policy community.

## IN CONCLUSION

At both the macro level and the project level, PPIC has been a successful investment by a well-recognized philanthropist. It was an unusual idea to create a think tank with such size and capability for a state setting alone. It was unusual to create a think tank as an operating foundation rather than taking the more conventional approach of establishing it as a charity. It was unusual for the philanthropist to provide such a broad mission statement and to give the leadership such wide leeway to implement the vision. It was unusual for the donor to stay at arm's length from the enterprise, never serving as chairman or even as a member of the board. And, it was unusual for the donor to leave the selection of the board of directors up to others. Perhaps it is because PPIC embodies such an unusual approach to institution building – and because it has been so vigilant in living up to the standards set by its founders – that it has been so successful.



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