

THE HERITAGE FOUNDATION 2009 ANNUAL REPORT

Leadership for America



Leadership for America

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THE HERITAGE FOUNDATION 2009 ANNUAL REPORT

Leadership for America

Building an America where

Freedom,

Opportunity,

Prosperity, and

Civil Society

Flourish

Message from the Chairman and the President



Photo: Newscom

Sept. 12, 2009: Hundreds of thousands converge on the grounds of the Capitol for a massive “Tea Party.” The grassroots movement shares Heritage’s desire to build an America where freedom, opportunity, prosperity, and civil society flourish.

GETTING “HOPE *and* CHANGE” RIGHT

Hope and change. Seldom have so few words generated so much anticipation. And so much irony. The 2008 campaign slogan became the Left’s battle cry at the dawn of 2009. But by year’s end, many of their troops were dispirited. Instead, hope was stirring through the growing and energized ranks of conservatives. And change? Well, that takes a little more telling.

Barack Obama signaled the kind of change liberals had in mind in 2001, while serving in the Illinois Senate. The Constitution, he said, had “deep flaws.” He faulted the Supreme Court as well, because “it didn’t break free from the essential constraints that were placed by the Founding Fathers in the Constitution.” Just before the 2008 election, he proclaimed, “We are five days away from *fundamentally* transforming the United States of America.”

Congressional leadership, too, was eager to cast aside “essential constraints”

and use their majority to go on a transformational rampage. Federal spending exploded. General Motors became Government Motors. Financial institutions fell under federal control. Budget deficits, once measured in billions, skyrocketed into trillions. An economic “stimulus” package morphed into history’s biggest pork-grab—and a jobless one, at that!

Yet Washington wanted still *more* power: a government-run health system... a “cap and trade” energy scheme that would send utility bills through the roof and kill off millions of jobs... even

greater regulatory control of banks and investment firms.

Internationally, our president kept apologizing for America while bowing before dictators. As North Korea test-fired missiles and Iran raced to build nukes and the missiles to deliver them, we scaled back on ballistic missile defense. The Administration downgraded the war on terrorism to “overseas contingency operations” and reclassified terrorism as “man-caused disasters.” We insulted the British and jilted our Polish and Czech allies, while chumming it up

In Memoriam



Photo: Newscom

Robert Novak:
1931-2009



Photo: Chas Geer

Jack Kemp:
1935-2009



Photo: Newscom

Irving Kristol:
1920-2009

with the likes of Ahmadinejad, Assad and Chavez.

It was change, indeed. But not the kind of change most Americans wanted. Predictably, it triggered a massive backlash.

The Spirit of America

The backlash began in February, in the President's own back yard. On the floor of the Chicago Board of Trade, CNBC analyst Rick Santelli loosed a rant heard 'round the world: "If you read our Founding Fathers — people like Benjamin Franklin and Jefferson — what we're doing in this country now is making them roll over in their graves." Amid applause from the floor, Santelli went on to spark a bonfire: "We're thinking of having a Chicago Tea Party in July," he said. "All you capitalists that want to show up to Lake Michigan, I'm gonna start organizing."

Soon the Internet crackled with plans for rallies evoking the spirit of the 1773 Boston Tea Party. Within weeks, Tea Parties were popping up in cities and towns across America. One Internet site listed more than 600 Tea Party organizations— from Jasper, Ga., to Cottage Grove, Ore.; from Brenda, Ariz., to Concord, N.H.

Initially drawing hundreds of participants, and then thousands, by July 4 the crowds numbered in the tens of thousands. The spontaneous protests hit a new level on Sept. 12, when several hundred thousands marched on Capitol Hill. There, they called on Congress: "Stop spending money you don't have!" "Stop saddling our grandchildren with debt!" "Start acting like responsible adults!"

For many it was their first political protest. It confirmed Tocqueville's observation that, when roused to action, Americans unite in voluntary associations. Like no other people on Earth, Americans will *join causes* for common purposes.

House Speaker Nancy Pelosi tried to dismiss the protesters, branding them first as insurance company hirelings, later as dupes of "the rich." But the polls told a different story: The American people are rejecting the Left's radical agenda.

Consider findings of the Pew Research Center. Its polls ask for a word that describes President Obama. In February the most common words were "change" and "intelligent." Just two months later, "change" was no longer in the top 10, and "socialist" stood at number 3.

More importantly, 41 percent of





Photo: Captured Moments Photography

Dr. David Brown, left, accepts the Clare Boothe Luce Award—Heritage’s highest honor—from Edwin Feulner at a ceremony in Oklahoma City. Brown served as chairman of Heritage’s Board from 1997-2009.



Photo: Teter Alunans/Victims of Communism Memorial

Heritage Distinguished Fellow Edwin Meese III displays the Reagan-Truman Medal of Freedom, bestowed on him in June. Celebrating with him are Roger Ream (left), president of The Fund for American Studies, and TFAS Chairman Randal C. Teague.

Americans identified themselves as conservative on the issues of taxes, government spending, and business regulation; only 12 percent called themselves liberal. And polls showed independent voters moving en masse toward conservatism. In October, for the first time since President Obama took office, a majority of Americans said our country was on the wrong track.

As Americans recoiled from the Left’s agenda, they earnestly sought viable alternatives—effective, conservative policy solutions that uphold the

Founders’ principles. And The Heritage Foundation gladly provided them. The core goal of our ongoing “Leadership for America” campaign is to help the American people rediscover and revive the first principles of liberty. Throughout 2009, we reached out as never before, engaging Americans in civic action and inviting them to join our cause.

The response has been amazing.

On Jan. 1, 2009, our membership stood at 400,000. At year’s end we numbered 582,000, a 45 percent increase. We are now, many times over,

The Heritage Foundation Board of Trustees (from left): Abby Moffat; Todd W. Herrick; Steve Forbes; Kay Coles James; Brian Tracy; Richard M. Scaife, Vice Chairman; David R. Brown, Trustee Emeritus; Marion G. Wells; Nersi Nazari; Thomas A. Saunders III, Chairman; J. William Middendorf II; Edwin J. Feulner; Jerry Hume; Phillip N. Truluck; J. Frederic Rench, Secretary; Barb Van Andel-Gaby; Larry P. Arnn; Douglas F. Allison; Lee Klinetobe; Midge Decter; Belden Bell; Robert J. Herbold; Meg Allen; Robert Pennington. (Not pictured: William E. Simon, Jr.)



Photo: Frasierphoto.com



Photo: www.DavidHills.net

Heritage Foundation Senior Management: (from left, top row) Michael Spiller, Vice President; John Von Kannon, Vice President and Treasurer; Michael G. Franc, Vice President; John P. Fogarty, Vice President; Ted E. Schelenski, Vice President; (middle row) Becky Norton Dunlop, Vice President; Michael M. Gonzalez, Vice President; Genevieve Wood, Vice President; Edwin Meese III, Reagan Fellow; (bottom row) Phillip N. Truluck, Executive Vice President; Edwin J. Feulner, President; Stuart M. Butler, Vice President; Kim R. Holmes, Vice President. (Not pictured: Robert E. Russell Jr., Counselor.)

the most broadly supported think tank in America.

Our operating revenues grew as well, up 13 percent over 2008. And that during an abysmal economy!

Equally gratifying, more people than ever sought out our views: Visitors to Heritage.org jumped 42 percent, averaging nearly 1.2 million visits per month. More than 140,000 subscribed to our daily e-letter, “Morning Bell.” The ranks of our Facebook “friends” swelled to over 100,000, while 35,000 followed our every move on Twitter.

Lawmakers on Capitol Hill requested—and received—over 125 private analyses of their bills from our Center for Data Analysis. More than 85 political candidates came to us for issue briefings — and it wasn’t even an election year!

Leadership for America

Heritage also marked institutional changes during 2009. After 17 years of

service as Chairman of our Board of Trustees, David Brown stepped down. We are grateful he remains with us as Honorary Chairman and Trustee Emeritus. The Board named a new Chairman (Me! — *Tom Saunders*) and welcomed three new trustees: Meg Allen, Abby Moffat and Robert Pennington. Our Senior Management team welcomed two new members: Mike Gonzalez, Vice President of Communications, and John Fogarty, Vice President of Development.

With sadness but deep gratitude, we bid final farewell to some old friends and colleagues. Among them were: Trustee Holly Coors; Ambassador Harvey Feldman, Distinguished Fellow in China Policy at Heritage; Robert Novak, an extraordinary reporter and conservative columnist; Jack Kemp, the pioneering supply-sider who came to epitomize “bleeding-heart conservatism,” and Irving Kristol, architect of neocon-

servatism and a respected intellectual leader for several generations of conservatives.

We also celebrated some well-deserved honors: David Brown received our Clare Boothe Luce Award, Heritage’s highest honor. The Victims of Communism Memorial Foundation awarded Ed Meese, our Ronald Reagan Distinguished Fellow, the Truman-Reagan Medal of Freedom.

We even changed our appearance a bit— refurbishing Lehrman Auditorium, giving our Web site a complete makeover, and hosting our first-ever art exhibit, the Gulag Collection. The latter presented 50 paintings by Ukrainian artist Nikolai Getman memorializing his years of sorrow and suffering in a Soviet gulag.

And we made tremendous progress restoring and expanding the burnt-out building we acquired last year at 227 Pennsylvania Ave., SE. Soon that facility,



Photo: Chas Geer

The summer 2009 interns gather in Allison Foyer with Heritage President Ed Feulner and staff of our Young Leaders Program. More than 340 top students competed for the 67 summer slots available.

complete with meeting rooms and office space, will give Heritage an outpost on the other side of Capitol Hill, just blocks from the House office buildings.

Yes, 2009 was a remarkable year. Liberals expected to cakewalk America into collectivism, chanting, "Yes, we can!" But the American people rose up, moved right, and replied emphatically: "No, you won't!"

And every time the Left tried to advance its agenda—on scores of fronts—Heritage was there, leading the fight for freedom. On health care reform, on national security policy, on

federal spending, Heritage answered the call, speaking out for freedom and the rule of law. Details of those battles and more await you in this report.

The fight to protect our nation's founding principles from "progressive" incursions has begun in earnest. We can't foretell outcomes, but of this you may be certain: Wherever the battle lines are drawn, The Heritage Foundation will be in the vanguard. And we will remain faithful to the First Principles that made America a beacon of true hope to all the earth.

In 2010, we will remain stead-

fast, stronger than ever, because of *you*. Thank you for all you do to make Heritage an institutional leader. We are grateful for your generosity, inspired by your dedication, and humbled by your trust in us. We pledge to remain worthy of it. 🙏

Sincerely,

Thomas A. Saunders III, Chairman

Edwin J. Feulner, President

Thomas A. Saunders III was elected as Heritage's Chairman of the Board in April.

Photo: Frasierphoto.com



Edwin J. Feulner has been President of The Heritage Foundation since 1977.

Photo: Frasierphoto.com





EMPOWERING PATIENTS, *not* POLITICIANS

Bathed in March sunshine and surrounded by liberal congressional leaders, President Obama proclaimed: “The stars are aligned” for health care reform. Moreover, he declared, the deed would be done before Congress adjourned for August recess.

But, come July, the deadline slipped to “this year.” And with November’s stunning defeat of liberal gubernatorial candidates in the Obama strongholds of Virginia and New Jersey, all bets were off. Senate Majority Leader Harry Reid announced he was “not going to be bound by any timelines,” and eager-beaver reformer Chuck Schumer—the senior senator from New York—abruptly decided that “the most important thing is to get it done right, not quickly.”

The “Massachusetts Miracle” brought the Obamacare juggernaut to a screeching stop. But it’s not as though progressive lawmakers hadn’t been warned their bold effort to remake



Photo: Newscom

Local protesters make their views known outside a public forum on health reform hosted by Sen. Claire McCaskill, D-Mo., at Jefferson College in Hillsboro, Mo.

health care was headed in precisely the wrong direction.

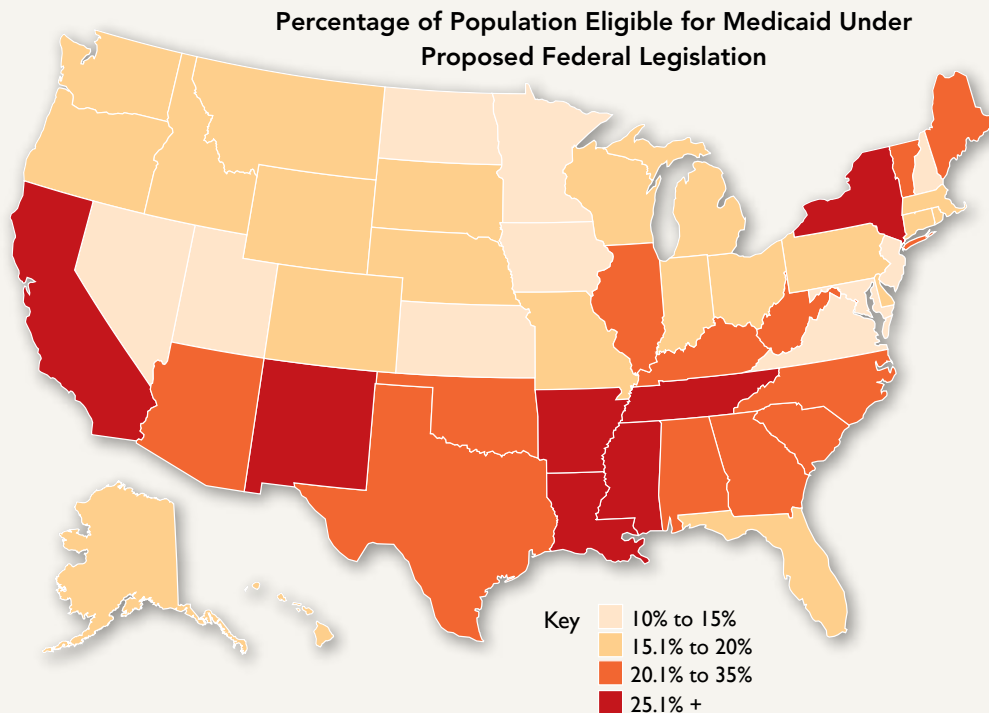
Throughout the year, Heritage delivered a steady stream of rigorous original research and clear-eyed analysis that exposed the harsh realities buried in the 1,000-plus-page House bill and the 2,000-plus-page Senate proposal.

Systematically, repeatedly, Heritage experts exposed the false promises of liberal reformers and the dangerous consequences of putting government in charge of health care financing and delivery.

Take the Administration’s mantra: “If you like your current coverage, you can keep it.” Heritage commissioned the Lewin Group—a nationally re-

ONE IN FIVE ON MEDICAID?

The House-passed health bill would extend Medicaid eligibility to all adults earning up to 150% of the poverty level. That’s 62.1 million adults—almost 21 percent of our entire population.





Heritage Vice President Stuart Butler testifies before the Senate Finance Committee on affordable, market-based health reforms that can expand health coverage far more efficiently than government-run systems.

owned, independent health research organization—to analyze exactly how the House version of Obamacare would affect those already insured. Their conclusion: 85 million *fewer* Americans would have employer-based coverage, and many would end up in a government-run plan.

We brought the message of the Lewin study even closer to home with our own state-by-state analysis of how

new statistical model that generated much interest from lawmakers. Several members of Congress, intent on developing cost-effective reforms, relied on our new analytical tools to evaluate and refine their own proposals. Our rigorous research informed virtually all of the practical conservative alternatives to the Left's big-government solutions.

Intellectual ammunition from Heritage also figured prominently in

Predictably, the Finance Committee bill was a public option in co-op clothing. So, once again, Heritage experts fired off a series of papers explaining that, while true health care co-operatives should be encouraged in the *private* sector, a government-managed cooperative would only create the same problems as other government-run health systems.

We exposed other flaws in both

Again and again, members of Congress cited Heritage research in floor speeches and newspaper articles. At congressional town hall meetings, protesters asked informed questions based on our findings.

many people would lose private coverage and wind up in government-run programs. To the consternation of the Left, the dynamite findings were cited repeatedly—from major media such as *The Wall Street Journal* and *The Washington Post*, to local outlets like the *Minneapolis Star-Tribune* and Montana's *Big Sky Business Journal*.

Throughout the yearlong debate, Heritage competed head-to-head with government agencies in analyzing health proposals. Experts in our Center for Data Analysis rolled out a

the national debate. Again and again, members of Congress cited Heritage research in floor speeches and newspaper articles. When congressional proponents of Obamacare held town hall meetings in their home districts, protesters used our research to ask questions for which proponents had no satisfactory answers.

Unable to buffalo the public about the virtues of a "public option," Senate liberals dug into their bag of rhetorical tricks and came up with a "co-op alternative."

the House and Senate bills. Like the fact that cutting billions of dollars from the Medicare Advantage program would result in millions of seniors no longer enrolled in this popular coverage. And the fact that the proposed Medicaid expansions would cost state and federal taxpayers billions. So much for reform not costing a penny more!

Other Heritage research focused on the host of new taxes strewn throughout the proposals—including the House bill's new surtax on "the rich." Our analysts identified how

FALSE PROMISES OF OBAMACARE

Many of President Obama's promises about his approach to health reform were too good to be true. Here are just six debunked by Heritage analysts in 2009:

- **If you like your health insurance, you can keep it.** Fact: Imposing an employer mandate or creating a new government-run health plan would change or dissolve existing private coverage for millions of Americans.
- **Obamacare will be fully paid for and not add to the deficit.** Fact: The 10-year price tag for various versions ranged from \$900 billion to \$2.5 trillion, and that's with taxes starting years before the benefits kick in.
- **Obamacare will save the typical family \$2,500.** Fact: The bills actually increase total health care spending. Many Americans, especially the young and healthy, would face higher health care costs, not lower.
- **Middle-class Americans making \$250,000 or less won't see their taxes go up.** Fact: The personal mandate, higher taxes on investment income, new taxes on insurance plans, medical devices, and pharmaceuticals... all would increase taxes for many middle-class families and businesses.
- **Obamacare isn't a government takeover.** Fact: The Left's proposals would concentrate decisions over health care financing and delivery in the hands of Washington bureaucrats and politicians. That's a government takeover.
- **All health care negotiations will be broadcast on C-SPAN.** Fact: Virtually all of the House and Senate bills were hashed out in closed-door meetings. The result: ugly and costly back-room deals to gain support for Obamacare.

For information on the right way to reform health care in America, please visit Heritage's www.fixhealthcarepolicy.com.



Photo: Chas Geer

Sen. Jim DeMint, R-S.C., describes draft legislation to offer every family a tax credit to buy health insurance—part of his comprehensive proposal to “Stop America’s Slide into Socialism”—at a July presentation at Heritage.

these taxes would hurt small-business owners and otherwise discourage job creation and economic growth.

The American public got it: A severe recession is no time to impose new taxes. But many lawmakers refused to listen.

By year's end, the House and Senate had narrowly approved two profoundly dysfunctional bills. Heritage analyses identified and explained the grave pitfalls and false promises in each. Conservative lawmakers seized upon this information to help rebut and resist the effort.

These same lawmakers insisted that there must be a better way to expand coverage to all Americans—and many of them turned to Heritage for recommendations on how to do it. We responded by developing alternative reform proposals to increase consumers' options for affordable insurance and leave medical decision making to them and their physicians, not government.

In accordance with the core principle of federalism, we also urged Congress to drop its grandiose, centralized approach to health reform and instead free the states—those “laboratories of

invention”—to experiment with new ways to expand coverage and make it affordable.

And we worked to make those experiments succeed. We convened a trailblazing health-reform conference for policymakers from the Southern states to review “best practices” of state health reform, and how to adapt them to meet needs peculiar to the region. The program featured Mississippi Gov. Haley Barbour, a hands-on health reformer, and drew high-level officials from Texas to Georgia.

We also worked with Westerners interested in market-based reform. After months of consultation with Heritage experts, Utah policymakers enacted an impressive package of health reforms. And we continue working with lawmakers elsewhere to develop innovative, responsible health policy recommendations for their states.

Throughout the year, Heritage proved to be an indispensable leader, informing lawmakers—and the general public—of the ill effects arising from government-managed health care and the benefits of pursuing market-based, consumer-driven health systems. ■



FIGHTING *for* our FIGHTING FORCES

In 2009, Congress spent as never before... with one disturbing exception: national defense.



Scene from *33 Minutes*, Heritage's feature-length documentary on missile defense.

Just weeks after taking office, President Obama ordered the Joint Chiefs to cut the Pentagon's budget by at least 10 percent. Key programs went on the chopping block—including missile defense, new fighter jets, and the next generation of weapons.

As the cuts fell, Heritage experts stressed that—by any reasonable measure—maintaining a robust defense requires an annual budget of at least 4 percent of gross domestic product. That's about half of what we spent throughout the 40-year Cold War. Absent a firm commitment to defense, even this level of spending will be increasingly vulnerable to “crowd-out” by soaring entitlement costs.

To raise awareness of our growing defense “deficit,” Heritage designated June as Protect America Month, hosting a series of lectures mapping out the dangers of “penny-wise” policies that threaten to hollow out our nation's military.

Mitt Romney delivered the kick-off lecture. Other speakers included Air Force Chief of Staff Norton Schwartz and former senators Jim Talent and

Bob Graham, who head the congressional Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism.

As an adjunct to the lecture series, Heritage sponsored an online peti-

tion urging defense spending sufficient to meet our core needs. More than 115,000 Americans signed on.

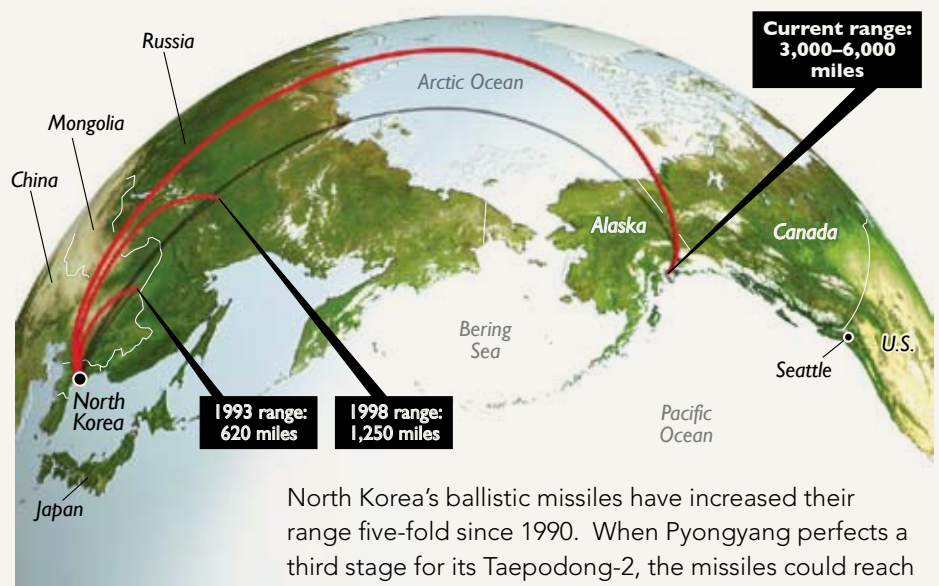
By the time Newt Gingrich delivered the closing address, the month-long educational campaign had raised awareness throughout the nation and on Capitol Hill. Indeed, it prompted House Minority Whip Eric Cantor and Sen. Kay Bailey Hutchison to join a new coalition of lawmakers pledged to seek an adequate defense budget.

The Softening of Resolve

As the Left retrenched on defense spending, so it downplayed the seriousness of the war on terror. Here, the first cutbacks were semantic. The administration banned the phrase “global war on terrorism,” replacing it with “overseas contingency operation.” Acts of terror became “man-caused disasters.”

Substantive strategy shifts followed. Big-stick deterrence was eschewed in

NORTH KOREA'S MISSILES MOVE WITHIN STRIKING DISTANCE



North Korea's ballistic missiles have increased their range five-fold since 1990. When Pyongyang perfects a third stage for its Taepodong-2, the missiles could reach anywhere in North America—in about 33 minutes.



Photo: Chas Geer

Sen. Mark Begich, D-Alaska, discusses the need for missile defense in a July presentation hosted by Heritage President Ed Feulner (left).



Photo: Chas Geer

Mackenzie Eaglen, Heritage research fellow for national security studies, introduces Lt. Gen. Charles E. Stenner Jr., commander of the Air Force Reserve.

favor of soft diplomatic charm. Naively, officials tried to negotiate with self-proclaimed enemies—including the rogue regime in Tehran.

There's nothing wrong with diplomacy, of course. In fact, Heritage worked hard to form a Public Diplomacy Network group—policy organizations that are now pressing Congress to exercise oversight over the Administration's more questionable diplomatic initiatives. We also helped lawmakers form a new caucus of members dedicated to effective Public Diplomacy and Strategic Communications.

But diplomacy can accomplish only so much, and Heritage continually warned the Administration against over-reliance on “peace through palaver.” All too soon, our concerns were validated. In September the Administration boasted of a “breakthrough” development: Iran had agreed to ship most of its uranium to other countries for enrichment, thereby reducing its capacity to develop nuclear weapons. But seven days later, Iran backed out.

As Heritage expert James Carafano wrote in his weekly newspaper column, “All the Administration managed to accomplish was to offer unearned legitimacy to the Iranian government — treating the radical regime as a responsible partner. Meanwhile, the U.S. allowed Tehran to buy more time for developing their weapons program.”

On missile defense, President Obama unilaterally reneged on the 2008 agreement to build 10 interceptor sites

CONFRONTING THE NUCLEAR THREAT



Retired Air Force Lt. Gen. Henry “Trey” Obering, a former director of the Missile Defense Agency, discusses the nuclear strike capabilities of America’s enemies in *33 Minutes*.

A cutting-edge documentary exposed a real “inconvenient truth” in 2009: America’s near-total vulnerability to missile attack.

On Feb. 11, Heritage’s first-ever feature-length film, *33 Minutes: Protecting America in the New Missile Age*, premiered at the Motion Picture Association of America Theater in Washington, D.C. Thanks to the generosity of William S. Ederly, the high-definition production features on-location segments from around the globe, interviews with world leaders and exclusive footage from the Missile Defense Agency.

The one-hour movie reveals a frightening truth: that a missile launched anywhere in the world by terrorists or a rogue state could strike the U.S. within 33 minutes of lift-off. It documents the need for multilayered missile defense.

Faster than you can say “North Korean nukes,” Heritage proliferated DVD copies and screening guides to all corners of the country. Several members of Congress used them to conduct town hall meetings. And scores of Heritage members and allied groups hosted neighborhood screenings in school gyms, church halls, public libraries and private living rooms.

Our Community Committees hosted large gatherings in hotels, museums and movie theaters. These events also featured lively Q&A sessions with Heritage experts such as Edwin Meese, Kim Holmes, James Carafano, Jim Talent, and Peter Brookes.

By year’s end, *33 Minutes* had reached an audience of 45,000, thanks to more than 500 screenings in 47 states. Many left determined to spread the truth about missile defense even further in 2010. 🏠

in Poland and deploy missile-defense radar in the Czech Republic. The pact was essential to protect our Eastern European allies from the growing threat of nuclear attack from Iran.

Heritage experts Baker Spring and Mackenzie Eaglen argued forcefully that the decision “runs contrary to U.S. strategic interests and will undermine security commitments to America’s allies.” And we pressed that message with numerous screenings of *33 Minutes: Protecting America in the New Missile Age*. The one-hour documentary makes a powerful case for deploying missile defense shields to protect Americans and our allies from nuclear attack.

In August on-screen narrator James Jay Carafano, director of Heritage’s Allison Center for Foreign Policy Studies, previewed the movie at the annual convention of the American Legion. The clip—and his presentation—brought down the house. Scores of legionnaires signed up to air the documentary at local posts and state conferences.

Heritage Community Committees also hosted numerous screenings, as did dozens of allied organizations. All told, *33 Minutes* received more than 500 screenings, reaching audiences in 47 states and the District of Columbia.

Heritage Recommendations Adopted

For years, Heritage criticized the Quadrennial Defense Review (QDR) process as being inordinately expensive and time-consuming. Worse, it largely rubber-stamps the preconceived agenda of a single official: the secretary of defense. Our recommended solution: establish an *independent* National Defense Panel to review the QDR, assessing both its strategy findings and the secretary’s assumptions.

With the National Defense Authorization Act of 2009, our recommendation became law. “Mackenzie Eaglen, a defense analyst at the Washington-based Heritage Foundation,... led the call for creation of an alternative U.S. defense strategy study,” *Defense News* noted. In December, Congress

IDENTIFYING AMERICA’S LONG-TERM SECURITY NEEDS

Heritage declared June “Protect America Month.” But our series of lectures, panel discussions and policy briefs on national security proved so popular, we extended the month to six weeks.

Mitt Romney kicked off the program with a June 1 lecture at Washington’s U.S. Navy Memorial. His address, “The Care of Freedom,” identified a wide range of global threats—from radical jihadism to rising authoritarian states—and the countermeasures needed, including a robust military.

The series’ final address—Newt Gingrich’s July 20 speech on preparing for known and yet-to-emerge threats—packed Allison Auditorium and drew a Webcast viewing audience of 9,000 more.

Other speakers included: Air Force Chief of Staff Norton Schwartz; former CIA Deputy Director John McLaughlin; best-selling author Brad Thor, and former senators Robert Graham and Jim Talent, the Chairman and Vice Chairman of the Commission on the Prevention of WMD Proliferation and Terrorism.

To spark public involvement in the debate, Heritage posted an online petition calling for a significant boost in defense funding, including missile defense. It garnered over 115,000 signatures from all 50 states.

In September, Heritage focused a spotlight on homeland security challenges, hosting a five-day “Homeland Security University” lecture series. In addition to Heritage experts, featured speakers included Frances Fragos Townsend, a former Special Assistant to the President for Homeland Security and Counterterrorism, and Paul McHale, a former Assistant Secretary of Defense for Homeland Defense.



More than 150 people attended the week-long series, and hundreds more watched online at heritage.org. 📺

Newt Gingrich, former House Speaker and member of the U.S. Commission on National Security/21st Century, closes Protect America Month with a July speech at Heritage.



Former Massachusetts Governor and presidential candidate Mitt Romney kicks off Protect America Month with a June 1 speech at the Navy Memorial.

Photos: Chas Geer

appointed Eaglen’s colleague, Heritage Distinguished Fellow Jim Talent, to serve on the independent panel.

Even the White House took to heart our recommendations to streamline the nation’s homeland security apparatus. In May, the Ad-

ministration merged the staffs of the National Security Council and the Homeland Security Council—a key recommendation of the “Homeland Security 3.0” report published jointly by Heritage and the Center for Strategic and International Studies. 📺



Photo: iStock.com

The path to abundant, affordable energy is through the free market. The biggest obstacle is needlessly restrictive regulation and the pernicious influence of government subsidies.

INJECTING SANITY *in an* ALARMIST-DOMINATED DEBATE

At the opening of the 111th Congress, liberal leaders vowed to ram through a ruinous cap-and-trade “climate” bill in the first 100 days. That “slam dunk” quickly turned into a titanic, five-month-long battle.

Ultimately, the 1,000-plus-page Waxman-Markey bill squeaked through the House on June 26. But just barely. The razor-thin 219-212 approval—coupled with public outcry over the bill’s cost—significantly dimmed prospects for Senate passage.

The bill fully merited all the opposition it encountered. Cap-and-trade is, in fact, a massive cap-and-tax scheme. As Candidate Obama had admitted during the campaign: “Under my plan of a cap-and-trade system, electricity rates would necessarily skyrocket.”

But soaring utility rates weren’t

the half of it. Heritage’s Center for Data Analysis (CDA) ran an econometric analysis of Waxman-Markey that exposed a host of damages the multi-trillion-dollar plan would inflict upon the American economy. We broke down the costs in terms everyone could relate to: how much more they would have to pay for gasoline, electricity, and consumer goods. Even members of Congress got the picture—and many got increasingly nervous about the bill.

That was only the start. Subsequent Heritage research drilled down to the state level, showing

how much Waxman-Markey would cost each congressional district in economic productivity, jobs, and personal income. Lawmakers cited our research in countless floor speeches and in columns appearing back home in their home newspapers. Syndicated columnists such as David Limbaugh and Cal Thomas helped spread the word. Dozens of editorial writers also cited Heritage research in condemning the bill.

Capitol Hill turned to us for authoritative analyses. The House Energy and Commerce Committee sought testimony from CDA

As knowledge of Heritage's clear, credible analyses spread, so did reservations about pursuing a cap-and-trade policy. On the Hill, moderates joined conservatives in expressing grave reservations about the approach.

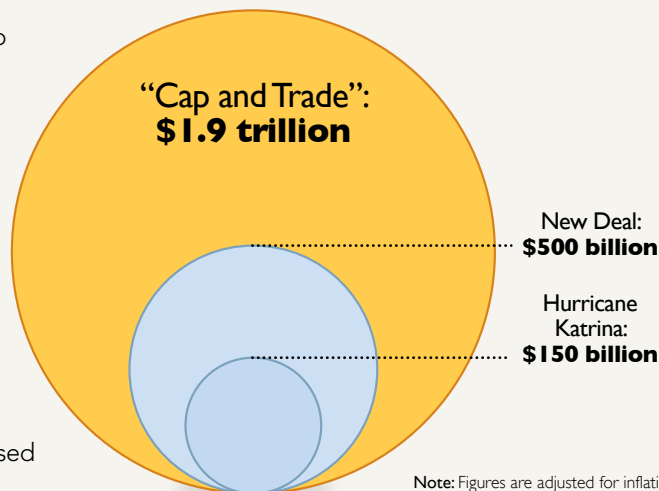
expert David Kreutzer, and Heritage environmental analyst Ben Lieberman presented testimony before two House and two Senate committees. And staff from dozens of congressional offices requested one-on-one briefings to help them understand the policy “weeds.” As a result of those meetings, a group of Hill energy policy staff invited Kreutzer to conduct a mega-briefing detailing cap-and-trade costs and explaining how the Environmental Protection Agency (EPA) and the Congressional Budget Office had grossly underestimated the costs.

Lieberman's and Kreutzer's findings spread far beyond the Capitol Beltway. They were invited to brief state and local policy groups such as Chicago's Heartland Institute, as well as concerned business groups ranging from the Southwest Agribusiness Council to state and local Chambers of Commerce. Meanwhile, Heritage's Strategic Marketing team translated their research findings into a four-minute video on cap-and-trade that was viewed by tens of thousands on YouTube.

As knowledge of Heritage's clear,

A CATASTROPHIC RESPONSE TO GLOBAL WARMING FEARS

Liberals pushed to restrict greenhouse gas emissions via a cap-and-trade regime. Their legislative proposal would cost U.S. businesses and consumers \$1.9 trillion over just eight years—more than 10 times the economic havoc caused by Hurricane Katrina.



credible analyses spread, so did reservations about pursuing a cap-and-trade policy. On the Hill, moderates joined conservatives in expressing grave reservations about the approach.

As support for Waxman-Markey fizzled, the EPA tried a new tactic, issuing an “advanced notice” that it intended to designate CO₂—the same gas that humans exhale and plants need to live—as a “pollutant.” That

designation would give the agency a green light to issue sweeping and costly new regulations.

But Heritage was ready. Bridgett Wagner, director of Coalition Relations, assembled an interdisciplinary working group with expertise in legal, industrial, public policy and legislative matters to craft a comprehensive conservative response. Heritage also launched an interactive



Benjamin Lieberman reports live, via webcast, from the United Nations Conference on Climate Change in Copenhagen, Denmark. As credentialed NGO (Non-Governmental Organization) delegates, Lieberman and Steven Groves represented Heritage at the December gathering.



In "Cap and Trade: Will It Save the Earth?" Senior Policy Analyst David Kreutzer (upper left) dispels common misconceptions about how proposed environmental legislation would affect both the climate and citizens' pocketbooks.

Web site, StopEPA.com, to inform the American people about the EPA's proposed rules.

To help people understand the stakes, we posted a detailed CDA analysis showing that the EPA's proposed regulations would cause cumulative gross domestic product losses of \$7 trillion by 2029, accompanied by job losses of more than 800,000 per year for several years. Some industries would lose more than half their workforce.

In addition to blowing the whistle on ruinous proposals such as Waxman-Markey, Heritage developed policies to increase domestic energy production via free markets. Heritage expert Jack Spencer's ideas for dramatically increasing nuclear power production by freeing the industry from the shackles of government subsidies met with tremendous interest on Capitol Hill.

Legislative staffers subsequently enlisted Spencer's help in crafting two proposals. The American Energy Act, prepared by the Republican Conference, included Heritage's plan to streamline the regulatory process so new nuclear plants can be brought online much more quickly. That was followed by the SAFE Nuclear Act, which included many programmatic changes recommended by Heritage, as well as streamlined regulatory proposals. 🏠

Jack Spencer (right), Heritage research fellow in nuclear energy, thanks Gregory Jaczko, chairman of the Nuclear Regulatory Commission, at our July 7 program on the future of nuclear power.





PROTECTING *Individual* FREEDOMS

In 1215 a group of British nobles, swords in hand, forced King John to sign the Magna Carta. It established the principle that a king's will could not override the law of the land.

More than five centuries later, that principle inspired American colonists repressed by another British king. In 1775, the revolutionary Provincial Congress of Massachusetts adopted a seal that bore the image of a militiaman holding a sword in one hand, a copy of the Magna Carta in the other.

America was established on a foundation of law that respects our inalienable rights. Then as now, preserving rule of law is a never-ending challenge. That is why Heritage's Leadership for America Campaign is committed to restoring Rule of Law to its traditional and legitimate functions.

Throughout 2009, at both the state and federal levels, Heritage actively defended individual rights on multiple fronts. Areas of concentrated

work included rolling back the intrusive reach of government regulators bent on making every conceivable misstep a federal crime, and preserving voting rights and equal opportunity for all.

The criminalization of ordinary conduct has become one of the truly vexing problems of our times. Increasingly, Americans engaged in peaceful, productive enterprises find themselves subject to criminal charges, trials and imprisonment. Retiree George Norris, for example, spent 17 months in a federal prison because he used the wrong paperwork to document imported orchids, even though the flowers are legal to grow and to own.

Compared to Norris, Miles Rankin got off easy. When the 12-year-old showed his Boy Scout knife to some friends at school, he was "only" locked up for two days, placed under

house arrest for another 30 days and expelled for the school year. In Henry County, Ga. (and other "zero tolerance" jurisdictions), mere possession of a weapon on school grounds warrants juvenile court action, regardless of the student's knowledge, purpose or conduct.

Last summer, Heritage brought together a bipartisan coalition of members from the House Judiciary Crime Subcommittee to look into the issue of overcriminalization. The first committee hearing of any kind on that topic was held July 22.

Led by Reagan Distinguished Fellow Edwin Meese and Senior Legal Research Fellow Brian Walsh, Heritage's Center for Legal and Judicial Studies developed topics for the hearing and helped recruit the witnesses. Following the hearing, Heritage video-



Heritage's Charles Stimson, author of "Adult Time for Adult Crimes," displays a misleading publication attacking life-without-parole sentences for juvenile offenders. The Aug. 17 seminar, hosted by Edwin Meese (far left), also featured attorney Daniel Horowitz and Paul Wallace, the chief of appeals for the Delaware Department of Justice.

Todd Gaziano, director of Heritage's Center for Legal and Judicial Studies, hosts our annual "Scholars and Scribes" program in which leading constitutional scholars and journalists review the year's most significant Supreme Court rulings.



Photo: Chas Geer

DEFENDING THE RIGHT TO VOTE... AND HAVE IT COUNTED

Many Americans take the right to vote for granted. But not the legal scholars at The Heritage Foundation. They stand ever vigilant to defend each citizen's access to the ballot box and assure that all lawful votes are counted.

In May, they were perplexed and troubled by the Justice Department's abrupt decision to drop lawsuits against two members of the New Black Panther Party charged with voter intimidation in the 2008 elections. Both eyewitness testimony and videotape confirmed the two, one of them waving a billy club, had worn paramilitary uniforms and yelled racial epithets outside a Philadelphia polling place. Neither defendant responded to the lawsuit, so the court entered a default judgment against them. Why would Justice drop a case it had essentially already won?

Heritage's Hans von Spakovsky, a former Federal Election Commissioner, pressed for answers. In journals and newspapers, he wrote repeatedly about the case. On Capitol Hill, Rep. Frank Wolf, R-Va., took up the cry, calling for House Judiciary Committee hearings.

Though House leadership stonewalled the request for hearings, the Justice Department finally agreed to have its Office of Professional Responsibility launch an internal investigation into the dismissal of the case.

In a separate case, Heritage worked to protect the voting rights of those serving in the military. When Rep. John McHugh, R-N.Y., resigned to take his post as Secretary of the Army, New York Gov. David Paterson slated the special election for just 35 days later. Von Spakovsky called him on it.

"Absentee ballots requested by overseas military voters — including the valiant men and women of the 10th Mountain Division at Fort Drum who are now deployed in Iraq and Afghanistan — almost certainly won't be received and returned in time to count in the election," he wrote in the *New York Post*.

Sensitized to the needs of military voters, New York elections officials subsequently took extra efforts to assure their votes were counted. 🗳️

taped some of the witnesses retelling how overcriminalization had blindsided them, turning their lives and fortunes upside down. Those personal testimonials are now posted on Heritage's popular overcriminalized.com Web site. By putting a human face on this growing problem, they've helped gain the attention of policymakers.

Our Legal Center also sponsors one of the largest and most influential Supreme Court moot court programs in the country. In 2009, we hosted moot courts to help attorneys prepare their oral arguments for 14 Supreme Court cases. Heritage's guest advocates prevailed in almost all of the term's significant decisions, including *Ricci v. DeStefano*.

That landmark case was brought by 18 firefighters from New Haven, Conn., who had earned the highest scores on a civil service exam, but been denied promotion because of their race. Reversing the decision of then-Appellate Court Judge Sonia Sotomayor, the Supreme Court decided the case based upon the plain requirements of the law, ruling 5-4 that New Haven had violated the Civil Rights Act.

Later in the year, the Legal Center was a prominent participant in the

A CONTENTIOUS APPOINTMENT

Supreme Court vacancies present presidents with some of the most consequential decisions they will ever make. When President Obama nominated Judge Sonia Sotomayor to replace Justice David Souter, Heritage's Center for Legal and Judicial Studies moved quickly to frame the debate constructively.

Senate Judiciary Committee members sought the expertise of our Legal Center staff, requesting that they identify important lines of inquiry for the confirmation hearings. Our analysts emphasized the need to evaluate Sotomayor according to her ability to recognize that a judge's role is to interpret the law as written, regardless of personal preferences.

Heritage also took a lead role in informing the public about Judge Sotomayor's writings and speeches, analyzing her Second Circuit opinions and other documents in the public record to anticipate how her appointment would affect the judiciary. We created a special Web page featuring timely papers, newspaper commentaries and blog posts from Heritage scholars and allies, as well as key speeches and publications by Sotomayor herself.

By highlighting the proper role of judges, Heritage helped focus the debate on a truly substantive issue. Ultimately, even Sotomayor publicly rejected the President's theory that judges should rule based on their personal empathy. Instead, she professed a more traditional (i.e., conservative) view of the judicial role. 🏛️



Photo: iStock.com

debate over the replacement for Justice David Souter. Heritage scholars appeared repeatedly on CNN and FOX News discussions and penned articles for national publications.

Throughout the year, Heritage analyzed threats to voting rights and the sanctity of the ballot and developed recommendations on how to preserve them. By year's end, leaders in two states had credited Senior Legal Fellow Hans von Spakovsky with providing information that made action on vote fraud legislation possible.

In Texas, von Spakovsky testified before the state Senate on proposed voter identification laws. The lieutenant governor hailed the testimony as highly persuasive.

Leaders in the Georgia General Assembly also lauded von Spakovsky's advice, saying it informed a new law requiring proof of citizenship to vote. Thanks to assistance from Heritage, elections in Georgia will now be less likely to produce results skewed by illegal aliens and other non-citizens.

Heritage legal experts Charles "Cully" Stimson and Andrew Grossman produced a landmark report on juvenile crime titled, *Adult Time for Adult Crimes: Life Without Parole for Juvenile Killers and Violent Teens*. Following a 2005 Supreme Court decision, life without parole is the maximum penalty allowed for juvenile offenders, no matter how horrific their crimes.

Now, even that penalty is be-

ing challenged as unconstitutional. But Stimson and Grossman argue convincingly that the punishment is reasonable, constitutional, rare, and—in those rare cases—fully appropriate. They examine the case studies often cited by opponents, and present the full facts of those cases—including the most salient "details" conveniently omitted in the other side's retelling of the crimes.

Their report turned out to be extraordinarily timely. The U.S. Supreme Court had just agreed to hear two cases challenging the constitutionality of life without parole for juvenile offenders. Heritage's work was subsequently cited in multiple briefs to the court. 🏛️



FOSTERING FREEDOM, PRESERVING SOVEREIGNTY

Should America strive to be a leading force for good in the world? Many on the Left seem to reject the notion that our nation is capable of that.

Rather, they view America as a greedy despoiler, bullying smaller nations with our military might and economic “imperialism,” imposing our Western values on foreign cultures.

Others won’t go so far, yet believe there’s nothing really special about the American experiment. Certainly nothing that would suggest we have any business exercising world leadership. In France, President Obama was asked by a reporter “whether you subscribe, as many of your predecessors have, to the school of American exceptionalism that sees America as uniquely qualified to lead the world.” He replied, “I believe in American exceptionalism, just as I suspect that the Brits believe in British exceptionalism and the Greeks believe in Greek exceptionalism.” So much for American exceptionalism!

But Heritage remains convinced that America holds a special claim to be a world leader. Not because of our



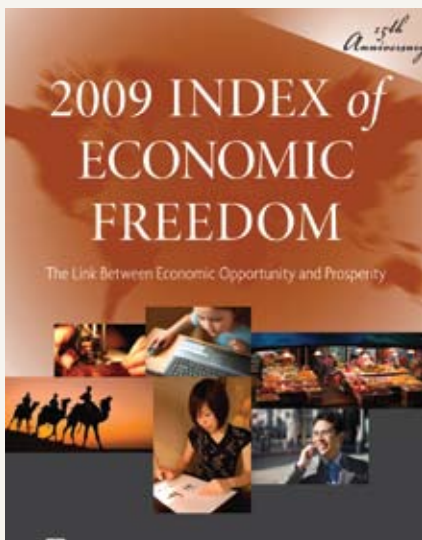
Photo: Chas Geer

Sally McNamara, Heritage’s senior policy analyst in European affairs, moderates a discussion on the role of NATO in Afghanistan. The July program featured Army Gen. John Craddock, former Supreme Allied Commander Europe.

military power, our wealth or the size of our population. These blessings are all secondary—the consequence of America’s primary virtue: freedom.

Lincoln understood that freedom

was the *moral* root of America’s exceptionalism, the brilliant gem at her core that makes her “the last best hope of Earth.” Generations of immigrants have understood this. The promise of liberty



ECONOMIC FREEDOM ADVANCED GLOBALLY, DESPITE SLOWDOWN

In January 2009, Heritage and *The Wall Street Journal* released the 15th annual “Index of Economic Freedom.” It found that economic freedom had continued its worldwide march forward during the preceding year.

In all, 83 economies had shaken free of at least some of the chains—such as stifling regulation, excessive taxation, lawlessness, corruption or protectionism—that had restricted their progress toward prosperity.

The 2009 Index expanded its coverage significantly, ranking a total of 179 economies—21 more than the previous year. The bad news: Only seven of those 179 economies scored well enough to be rated as having a “free” economy.

“Free” and even “mostly free” economies do a much better job promoting human development, reducing poverty and protecting the environment. Year after year, the Index proves anew the many blessings bestowed by “the invisible hand” of the free marketplace. 📞

has attracted countless millions to our shores and continues to feed the aspirations of men and women throughout the world today.

A nation, like an individual, cannot abandon its virtues and expect to preserve them. A nation whose power and wealth derive from its freedom must use that power and wealth to *promote* freedom, or risk losing all three.

In their zeal to submerge America in collectives such as the United Nations—international bureaucracies that embrace bloody dictatorships as eagerly as democracies—the Left is erasing America’s moral claim to leadership. That’s why American Leadership is a core element of our 10-year Leadership for America campaign.

In 2009 Heritage continued to educate policymakers on the dangers of this trend and seek ways to abate it. On Capitol Hill, our experts coordinated efforts to establish a House Sovereignty Caucus. Launched in June, the Caucus quickly made its presence felt in opposing the Law of the Sea Treaty and the Nuclear Test Ban Treaty. Noted *The Washington Independent*:

“[B]oth supporters and opponents of the treaties said that skeptics of international law and international agreements will have an outsized influence in this debate.... all cited the same handful of people as the ones able to turn opinion on treaties: [John] Bolton, Frank Gaffney of the Center for Security Policy, and fellows at the Heritage Foundation and Competitive Enterprise Institute.”

We also continued to promote expanding and strengthening NATO, a critical alliance whose members have done most of the fighting in the war on terror. Nile Gardiner, director of Heritage’s Thatcher Center, hosted “NATO’s 60th Anniversary Summit: A Critical Time for the Transatlantic Alliance,” a public event that explored the stresses within the alliance, the external challenges and how best to address them. A month later, Heritage European expert Sally McNamara hosted another stellar event examining

the future of NATO. Featuring Army Gen. John Craddock, former Supreme Allied Commander Europe, the session drew more than 100 analysts and diplomats and aired worldwide on The Pentagon Channel.

American interests in Asia were a constant focus as well. One highlight was “Asia 2009: The View from Capitol Hill.” Hosted by Heritage’s Asian Studies Center Director Walter Lohman, this conference drew 135 Hill staffers, journalists and diplomats. Another high-profile Heritage event—a workshop on U.S.-India counterterrorism cooperation—featured former U.S. Homeland Security Secretary Michael Chertoff and the former national security adviser to the Indian prime minister.

And Heritage pushed incessantly for reform of international organizations, often blowing the whistle on their more egregious practices. Early on, we urged the new administration not to participate in the Durban II conference on racism, a high-sounding confab doomed to devolve (as had Durban I) into a hateful orgy of Israel-bashing. Thankfully, President Obama heeded our advice and withheld American participation in this disgraceful affair.

And throughout the year, Heritage Vice President Kim Holmes penned fortnightly “Big Ideas” columns for *The Washington Times* calling for new architecture and a commitment to liberty as the unifying purpose for international alliances and institutions. 🏠

LOOKING AT— AND BEYOND — THE UNITED NATIONS

U.S. taxpayers shower billions of dollars on the UN every year. Yet Washington’s efforts to improve the organization seldom get off the ground. What to do?

Interested parties found many practical and innovative answers to that question in “ConUNdrum,” a groundbreaking book edited by Brett Schaefer, Heritage’s Jay Kingham Fellow in International Regulatory Affairs.

“ConUNdrum” provides thoughtful analyses of the UN system’s failures and weaknesses and suggests many promising reforms. It also outlines ways to go around the organization, when that’s the best option.

“We need to reshape U.S. engagement with Turtle Bay so that the relationship better serves both American interests and the UN’s own stated purposes,” says Schaefer. “We should work through the UN when it can be effective, but be flexible enough to pursue alternative coalitions, alliances, and organizations when the UN proves unable or unwilling to act.”

Featuring a foreword by former UN Ambassador John Bolton, “ConUNdrum: The Limits of the United Nations and the Search for Alternatives” was published by Rowman & Littlefield in September 2009. 🏠

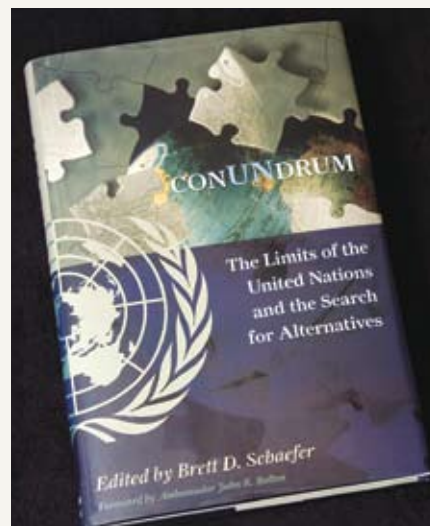


Photo: Andrew Blasko



DEFENDING *the* Virtue of CAPITALISM

Free markets came under the gun in 2009. Some of the weaponry, like Michael Moore's film "Capitalism: A Love Story," were just popguns. Still, all too many lawmakers were eager to join the firing line.

Progressive politicians turned out in droves for the D.C. premiere of Moore's latest film—essentially a Bronx cheer directed toward free enterprise. Sen. Tom Harkin and Reps. John Conyers, Alan Grayson, Linda Sanchez, Elijah Cummings and Marcy Kaptur strolled the red carpet and gushed over Moore's cinematic propaganda.

Though the nation's economic woes could be traced largely to federal intrusion into the marketplace, the Left depicted the recession as proof that "capitalism has failed." Their answer: Subjugate free enterprise with even more regulation, even more federal control over financial markets and an even greater reliance on government in direct production of goods and services.

Congress and the Oval Office moved quickly to assume powers virtually inconceivable a year earlier. Washington bought up General Motors and Chrysler, took over banks, and expanded TARP bailouts (with all the strings attached) well beyond what the law authorized. The federal government began to dictate salaries to private industry and pushed for much, much more. Like seizing broad control of America's health and insurance sectors. And picking winners and losers in energy markets. And taking over the Internet.

Rep. Barney Frank, D-Mass., summed it up neatly: "We are trying on every front to increase the role of government in the regulatory area."

Meanwhile, Heritage was working on every front to protect free enterprise. One significant victory came with failure of Big Labor's card-check bill. Cynically named The Employee Free Choice Act,

the bill sought to eliminate secret ballots in union representation votes and force workers to join unions.

Heritage publications exposed the true intent of the bill and how it would affect America's working men and women. At one Heritage event, former union organizer Rian Wathen explained how organizers use sophisticated—and not so sophisticated—techniques to manipulate or cow workers into signing representation cards.

Heritage also organized a labor policy "boot camp" for more than 80 congressional staffers. A thank-you note from one senator's legal counsel said: "I was surprised at how many speakers gave me good nuggets that I hadn't thought through before. It should help me prepare a better message for my boss." By summer, opposition in the Senate forced liberal leaders to sideline the bill.



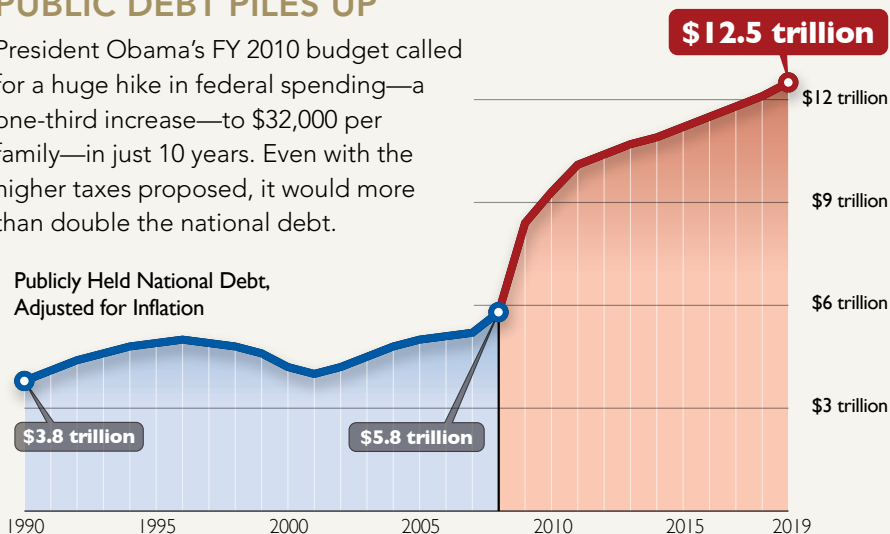
At a Feb. 10 program co-hosted by Heritage and the Club for Growth, William Beach, director of our Center for Data Analysis, highlights problems with the \$787 billion "stimulus" package.

Heritage analyses also highlighted the folly of suggestions that Congress should nationalize bankrupt auto companies and waste taxpayers' money on the "Cash for Clunkers" scheme. Reason didn't prevail on these issues on Capitol

PUBLIC DEBT PILES UP

President Obama's FY 2010 budget called for a huge hike in federal spending—a one-third increase—to \$32,000 per family—in just 10 years. Even with the higher taxes proposed, it would more than double the national debt.

Publicly Held National Debt,
Adjusted for Inflation



A RISING TIDE OF RED TAPE

By the end of 2008, the Code of Federal Regulations ran to 157, 974 pages. And Washington's regulators kept piling on throughout 2009.

Excessive red tape strangles innovation, productivity, consumer choice and cost-savings. Even minor regulations, taken together, can exact great economic pain (Think: "death by a thousand cuts").

But up to 90 percent of all regulatory costs can be traced to a relatively small number of actions—"major" rules that impose economic costs of at least \$100 million annually. Here are just 10 of the major regulations imposed in 2009.

- Department of Agriculture—Regulations governing country-of-origin labeling of beef, pork, lamb, chicken, goat meat, wild and farm-raised fish and shellfish, peanuts, pecans, ginseng, macadamia nuts, etc. Estimated cost: \$211.9 million.
- Department of Health and Human Services—Regulations governing modifications to the Health Insurance Portability and Accountability Act. Estimated cost: \$1.07 billion.
- Securities and Exchange Commission—Regulations governing enhanced disclosure and a new prospectus delivery option. Estimated cost: \$149 million.



- Federal Reserve System, Office of Thrift Supervision, and National Credit Union Administration—Regulations regarding unfair or deceptive acts or practices. Estimated cost: \$191 million.
- Securities and Exchange Commission—Regulations governing interactive data to improve financial reporting. Estimated cost: \$284 million.
- National Highway Traffic Safety Administration—Regulations governing Average Fuel Economy Standards. Estimated cost: \$2.92 billion.
- National Highway Traffic Safety Administration—Regulations governing Federal Motor Vehicle Safety Standards and phase-in reporting requirements. Estimated cost: \$1.14 billion.
- Department of Homeland Security—Regulations governing air cargo screening. Estimated cost: \$190 million.
- Environmental Protection Agency—Regulations governing "effluent limitations" guidelines and standards. Estimated cost: \$810 million.
- Department of Transportation—Regulations governing pipeline safety. Estimated cost: \$101 million. 📄

Hill. But our lucid explanations of the harm these programs would do made perfect sense to more and more Americans. National polls show that our message is increasingly taking root in the minds of taxpayers — and voters.

Heritage also warned against the continued expansion of TARP as well as a new round of subsidies to delinquent homeowners. Heritage expert David John published numerous policy papers on these

issues. Responding to lawmakers' requests, he testified twice before congressional committees in just the first three months of the year.

Even though liberals eventually had their way on TARP, we are encouraged by the longer view. Pollster Frank Luntz found that one reason so many voters moved right during 2009 was because they were "mad as hell" about the billions wasted on bailouts and economic "stimulus" programs. The message that Heritage spread throughout the year resonated strongly—not just among conservatives, but among increasingly disenchanted centrists. 📄



Photo: Chas Geer

Senior Policy Analyst James Sherk presents conservative labor policy recommendations at a January "boot camp" for congressional staff.



Virginia Walden Ford, executive director of D.C. Parents for School Choice, discusses her group's fight to preserve school choice for their children and others.

Photo: Andrew Blasko

SAVING STUDENTS *from* FAILED SCHOOLS

Too many public schools still shortchange America's children. Schools fail for many reasons.

In 2009, our education reform initiative focused on two of them:

- 1) The mistaken belief that neighborhood schools are best managed by bureaucrats in Washington rather than by parents, teachers and local administrators.
- 2) The misguided practice of allowing school district administrators—rather than students' parents—to determine where their children will go to school.

Throughout the year, Heritage worked to spread the good news about education reforms that really work, such as those recently instituted in Florida. And we continued to articulate the advantages of using competition—as provided by school choice—to improve education. When congressional liberals put Washington's own Opportunity Scholarship program on the chopping block, the highly successful program became the national poster child for school choice advocates.

The Florida Model

A decade of aggressive reform is paying big dividends to Florida's school children. On the National Assessment of Educational Progress, Florida students far outpace the national average for improvement in reading and math. Minority students have benefited the most. Indeed, Florida's Hispanic fourth graders now boast reading scores higher than the average of *all* students in 15 states.

What's the secret to this success? For starters, there's a commitment to set and maintain challenging standards, expand school choice options, hold public schools and students accountable, and improve teacher quality.

It's a winning formula that Heritage helped popularize throughout 2009. A highlight of this effort was October's education summit in Atlanta. Gov. Sonny Perdue introduced the half-day conference, which attracted nearly 100 legislators, business leaders and journalists. The keynote speaker

was Jeb Bush, who championed these types of reforms while governor of Florida. At session's end, the consensus among attendees was that Georgia is ripe for reforms modeled after Florida's approach.

We plan to conduct additional state education summits in 2010.

As 2009 ended, Heritage Senior Policy Analyst Daniel Lips, along with two co-authors at the American Legislative Exchange Council, put final touches on a book that will give state lawmakers a complete blueprint for effective education reform. Not surprisingly, the blueprint draws heavily upon Florida's successful formula.

Vouchers in D.C.

For the last three years, the District of Columbia has been a battleground for school choice. Although the District's Opportunity Scholarship program for low-income children has achieved excellent results, the voucher program has

Only for the Privileged Few?

Members of Congress value school choice — for themselves.

A NEW SURVEY shows that 38 percent of members of Congress have sent their children to private school. About 20 percent themselves attended private school, nearly twice the rate of the general public. Nothing wrong with those numbers; no one should be faulted for personal decisions made in the best interests of loved ones. Wouldn't it be nice, though, if Congress extended similar consideration to low-income D.C. parents desperately to keep their sons and daughters in good schools?

The latest **Heritage Foundation** study of lawmakers' educational choices comes amid escalating efforts to kill the federally funded D.C. Opportunity Scholarship Program that helps 1,700 disadvantaged children attend private schools. Congress cut funding beyond the 2009-10 school year unless the program, which provides vouchers of up to \$7,500, gets new federal and local approval. Education Secretary Arne Duncan cited that uncertainty as the reason for his recent decision to rescind scholarship offers to 200 new students. Senate hearings on the program's future are set for this spring, and opponents — chiefly school union officials — are pulling out all the stops as they lobby their Democratic allies.

The gap between what Congress practices and what it preaches was best illustrated by the **Heritage Foundation's** analysis of a recent vote to preserve the program. The measure was defeated by the Senate 58 to 39; it would have passed if senators who exercised school choice for their own children had voted in favor. Alas, the survey doesn't name names, save for signaling Sen. Richard J. Durbin (D-IL), arch-

enemy of the language that threatens the program, for sending his children to private school and attending private school himself.

No doubt there are those who would argue that personal choices should not dictate decisions of policymakers. Fair enough, but where is the objective examination of this program, a rational discussion of the pros and cons? Where is the humanity of not wanting to hurt children who won't be able to continue in their current schools if the scholarship program is eliminated? No one has been able to offer any evidence of the drawbacks of this small, local program, while evidence of its benefits has been mounting. It has been disappointing that many of those one would expect to speak up for the education rights of poor, minority children — and who have been almost mute or, as has been the case with D.C. Del. Eleanor Holmes Norton (D), downright hostile. Meanwhile, former mayor Anthony A. Williams and former D.C. Council member Kevin P. Chavous continue to champion school choice as the civil rights issue it is.

Mr. Duncan, in a recent interview, spoke eloquently of his family's choice of Arlington as a place to live because of what he called the "deplorable" quality of schools. He told *Science* magazine, "My family has given up so much so that I could have the opportunity to serve; I don't want to try to save the country's children from our educational system and jeopardize my own children's education." We don't think it's too much to expect our leaders to treat their constituents with the same fairness and regard they demand for their own families.

Washington Post editorials from April 20 (left) and Aug. 28, 2009.

been attacked incessantly by teachers unions and their political cronies.

In February 2009, Congress passed a spending bill that effectively phased out the voucher program. Heritage quickly published a stream of research papers documenting the effectiveness of the D.C. program and the devastating effect its cancellation would have on the students and families involved.

Our research sparked two supportive editorials in *The Washington Post* urging continuation of the program. Heritage experts spread word of their findings in newspaper commentaries and numerous radio and television interviews. Just as importantly, Heritage made it possible for some of the 1,700 scholarship children to make their voices heard.

"Let Me Rise," a 30-minute film produced by Heritage and available at VoicesofSchoolChoice.org, featured the personal stories of families fighting to keep the scholarships that allow their children to go to safe schools and get

a good education. Narrated by NPR commentator Juan Williams, the film features former D.C. Council member Kevin Chavous (D-Ward 7) and parent organizer Virginia Walden Ford.

By year's end "Let Me Rise" had been given special screenings to leaders in three states and Washington, D.C. At a black state legislators' conference in Georgia, it got a standing ovation. We will continue to take this show



Washington, D.C., students protest efforts to eliminate funding for the District's Opportunity Scholarship program, a scene captured by Heritage's "Let Me Rise."

Beach Reading for Mr. Obama

Useful literature on school vouchers

PRESIDENT DRAMA reportedly has a hefty reading list while vacationing this week, but we would like to offer two additions, both hot off the presses. One is an article by the education expert who studied the D.C. voucher program; the second is a study on school safety in the city's public and private schools. Read together, they might cause the president to rethink his administration's wrong-headed decision to shut down the voucher program to new students.

We should start with Patrick J. Wolf, article in the new issue of *Educational Next*. Mr. Wolf, a professor of education reform at the University of Arkansas, is the principal investigator of the D.C. Opportunity Scholarship Program, which allows low-income children to attend private schools. He was unequivocal in his findings: "The D.C. voucher program has proven to be the most effective education policy evaluated by the federal government's official education research arm so far." Equally adamant was his opinion that vouchers paid off for the students lucky enough to win them: "On average, participating low-income students performed better in reading because the federal government decided to launch an experimental school choice program in our nation's capital."

Mr. Obama, along with Education Secretary Arne Duncan, has repeatedly promised support "what works," so we figure he should be interested in Mr. Wolf's findings. Also instructive is a new report by the **Heritage Foundation**, in conjunction with the Lexington Institute, on violence and criminal activity in D.C. schools. The report

pays particular attention to the plight of the 216 students who had planned to attend private school before the administration rescinded their scholarship offers while Congress debates the future of the program. The study looks at the 131 public schools to which these students have now been assigned and finds there were 2,379 crime-related incidents, including 686 violent incidents (one of which was a homicide), for the 2007-08 school year. No wonder many parents cite school safety when explaining why they want choice in where their child goes to school.

Latasha Bennett, for example, lost a nephew to school violence. "I wonder at he would be sitting here today as a success story, if a scholarship had been available for him to attend private school," Ms. Bennett, as we have reported before, is scrambling to find a school for her daughter after Mr. Duncan decided to withdraw the scholarship that would have allowed her to attend Naylor Road School, where Ms. Bennett's son is enrolled by virtue of a voucher.

As we've said before, vouchers aren't the answer to Washington's school troubles; we enthusiastically support public school reform and quality charter schools, too. But vouchers are an answer for some children whose options otherwise are bleak. In Washington, they also are part of a carefully designed social science experiment that may provide useful evidence for all schools on helping low-income children learn. Why would a Democratic administration and Congress want to cut such an experiment short?

on the road, giving voice to the next generation that yearns for educational freedom and opportunity.

Meanwhile, Sen. Joe Lieberman (I-Conn.) and Rep. John Boehner (R-Ohio) introduced legislation to reauthorize the scholarship program so more children can have the chance to choose. Heritage will remain on the front lines promoting parental choice in Washington as a model for the nation. 📖



RESTORING REASON to FISCAL POLICY

Absent fundamental reform, the Big Three federal entitlement programs—Social Security, Medicare and Medicaid—will consume 30 percent of the nation's economy by 2035.

It would be a fiscal tsunami, washing away funds for other vital functions such as national defense and swamping the next generation in huge tax increases.

Heritage continued to sound the alarm over this untenable situation, taking our Fiscal Wake-Up Tour on the road for the fifth straight year. Joined by scholars from the Brookings Institution and The Concord Coalition, Heritage fiscal experts barnstormed through a dozen cities, including: Denver; Oklahoma City; Kennebunkport, Maine; Fairfax, Va.; Durango, Colo.; Orlando, and San Antonio. At every stop along the way, we met with business leaders, academics, elected officials, media representatives, civic leaders and students to warn of the dangers that lie ahead, should Congress continue to ignore the problem.

Three of the tour stops—at Boston College, Princeton University and Rice University—were geared to reach

younger audiences. But Heritage went much further to spread our message of fiscal responsibility to the younger generation. We also spoke at events organized in conjunction with the Youth Entitlements Summit, a coalition of youth organizations working for entitlement reform. And Vice President of Domestic Policy Stuart Butler spoke about entitlements at the national meeting of the American Democracy Project, a network of 220 colleges and universities fostering informed civic engagement among young adults.

Despite all the road work, Heritage kept an eye constantly trained on Congress—an ever-flowing fountain of tax-hike proposals. Curtis Dubay, a tax expert in our Roe Institute for Economic Policy Studies, unleashed a barrage of papers criticizing attempts to gouge taxpayers further. The threats were many, ranging from a value-added



Photo: Chas Geier

Rep. Paul Ryan, R-Wis., previews his "Roadmap for America's Future: 2.0," a legislative proposal addressing unsustainable entitlements, a crushing tax code and out-of-control discretionary spending.

tax to a more "progressive" income tax, from a surtax on "the rich" to restoration of the Death Tax, from a "use tax" on financial transactions to higher taxes on dividends and capital gains.

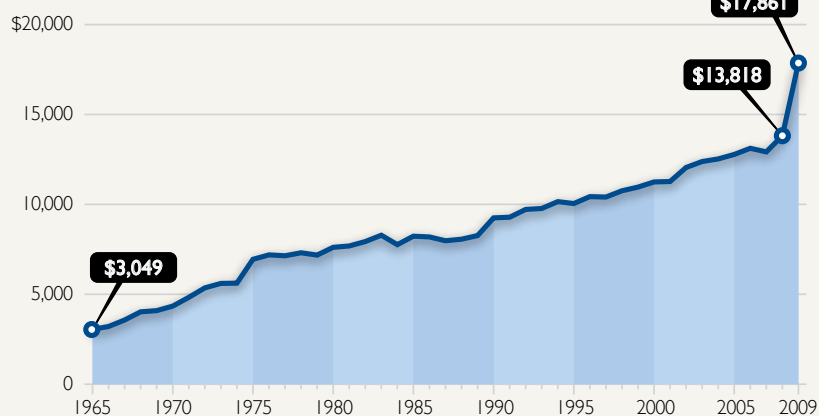
At the height of the "stimulus" debate, we led a nonpartisan coalition calling for sanity... and reform of the entire budget process. Before a standing-room-only crowd in the Capitol, Butler joined experts from the Progressive Policy Institute, The Concord Coalition, and The Committee for a Responsible Federal Budget—as well as three House members—to explain how the current process is hopelessly biased in favor of higher spending and higher taxes and what Congress must do to fix it.

And as Rep. Paul Ryan, R-Wis., began crafting his landmark "Roadmap" legislation to fix entitlements and reform the tax code, he turned to Heritage analysts for recommendations and sophisticated analysis of all its major policy prescriptions. 🏠

"MANDATORY" SPENDING SOARS NEARLY 30% IN 2009

Between 1965 and 2008, "mandatory" federal spending—driven primarily by Social Security, Medicare and Medicaid—more than quadrupled, to \$13,818 per household. In 2009, spending for the Troubled Asset Relief Program (TARP) and other "mandatory stabilization" efforts severely exacerbated the problem.

Mandatory Spending per Household in Inflation-Adjusted Dollars (2009)



Addressing HUMAN NEEDS Through CIVIL SOCIETY

Americans instinctively rush to relieve human need. Witness their response to earthquakes and hurricanes.

But to be effective, compassionate responses must begin with accurate diagnoses. That's where the Left misfires. They diagnose the problem of persistent poverty and need in the United States as systemic and primarily material. According to their vision, a just society — a *good* society — will distribute advantages and disadvantages equally among all members of society. Government, they say, should use all its power to make sure that happens.

Heritage rejects that view. We believe that a just society is not something to be imposed on the people. Rather, it should be allowed to grow out of the virtues of our Judeo-Christian heritage, which values highly the institutions of civil society. Families are essential to nurturing these virtues in individuals. And the institutions of religion and family best flourish under the principles of limited government, not intrusive and coercive government.

Under the direction of Jennifer Marshall, Heritage's Richard and Helen DeVos Center for Religion and Civil Society made special efforts throughout 2009 to convey these lessons to younger audiences motivated by religious and moral convictions.

We hosted conferences at Covenant College in Georgia and Houston Baptist University titled, "Seek the Welfare of the City: Effective Responses to Poverty and Human Need." This series of campus events challenges the Left's government-centered approaches to social breakdown, exploring how free markets, limited government, and civil society can respond more effectively to such problems.

We followed up by producing *Seek Social Justice: Transforming Lives*

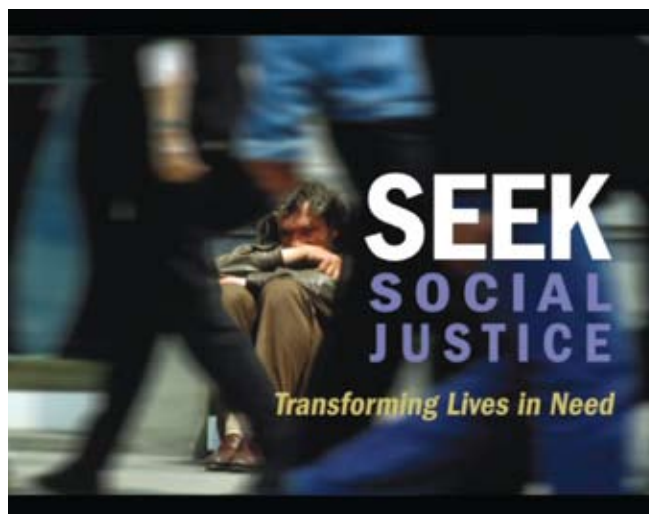
in Need, a DVD complete with study guide for use in small groups affiliated with churches and colleges.

Heritage also strove to help social and economic conservatives appreciate how their beliefs are often mutually reinforcing. We published a series of booklets titled *The Economy Hits Home*. Each booklet presents Heritage economic research that enlightens issues of concern to social and religious conservatives.

We also published "Indivisible." A masterpiece of conservative "fusion," it presents essays by top social conserva-

In September Heritage released a Special Report by Robert Rector, Katherine Bradley, and Rachel Sheffield detailing how President Obama's budget would spend \$10.3 trillion on welfare programs in the next 10 years—a massive redistribution to accomplish the Left's vision. The budget, they found, would expand almost all of more than 70 different programs for low-income people, increasing funding and further swelling the ranks of those dependent on government. In 2010 alone, they noted, federal and state spending on welfare would exceed the cost of the entire war in Iraq.


The DeVos Center also mounted a strong defense of traditional marriage—one that resonated deeply in the public debate. Visiting Fellow Thomas Messner published a seminal essay explaining how proposed "redefinitions" of marriage threaten religious



"Seek Social Justice," a six-lesson DVD and study guide, presents a conservative approach to understanding and addressing social problems such as poverty, addiction and homelessness.

tives on economic issues and top economic conservatives writing on social issues. Deeply impressed, editors of the McClatchy-Tribune news syndicate requested an eight-part series of commentaries based on the essays.

In October Heritage hosted the third annual conference on Religious Practice in America. Supported by a grant from the John Templeton Foundation, the 2009 conference focused on "Religious Practice and the Family" and featured 14 top scholars in the field.

liberty. He followed up with a paper documenting how opponents of traditional marriage had used harassment, intimidation, physical violence and economic pressure to punish citizens who disagree with them. This paper garnered wide media attention and played a central role in court pleadings that led to the 5-4 U.S. Supreme Court decision protecting the privacy rights of pro-marriage witnesses in *Perry v. Schwarzenegger*, the landmark federal marriage case in the 9th Circuit. 

BUILDING a BETTER FUTURE on ETERNAL TRUTHS

As 2009 wore on, more and more Americans told pollsters our nation seemed to be on the wrong track. They sensed the problem had something to do with deviance from America's founding principles.

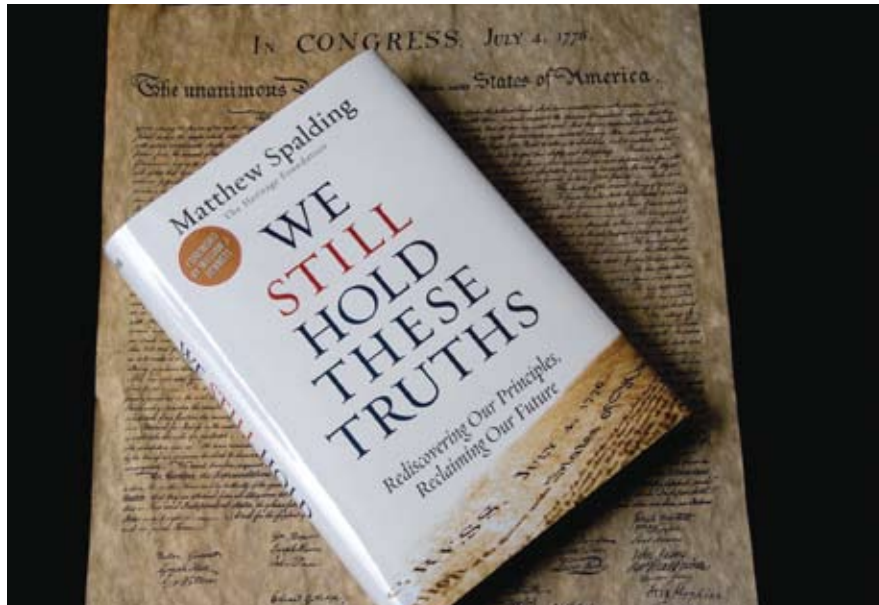


Photo: Andrew Blasko

"We Still Hold These Truths," a best-seller by Heritage's Matthew Spalding, explores the principles that secure our freedom and define us as Americans.

A June survey by CNN/Opinion Research Corp. found that 69 percent of Americans thought the signers of the Declaration of Independence would be disappointed in our country today.

Doubtless they're right. But Heritage was working hard to change that, and to steer America back on its course of greatness. That's the overarching purpose of our First Principles initiative—the keystone of our Leadership for America campaign. And in 2009, we made great progress in reviving understanding and respect for the genius of the Founding Fathers.

One highlight of the year was publication of Dr. Matthew Spalding's *"We Still Hold These Truths: Rediscovering Our Principles, Reclaiming Our Future."* In this seminal book, Spalding, the director of Heritage's B.

Kenneth Simon Center for American Studies, discusses 10 core principles that define us as a people and anchor us as a free nation. It documents how the Progressive Movement of the early 1900s rejected the Founders' wisdom and put the country on the path to increasingly centralized government. Most importantly, it presents a strategy for reclaiming the American vision of limited government, personal responsibility, civil society, and liberty and justice for all.


The book—and its themes—proved hugely popular. *"We Still Hold These Truths"* debuted at No. 2 on *The Washington Post's* list of nonfiction best-sellers. Within weeks, the publisher ordered a second printing.

Spalding himself became somewhat of a celebrity, discussing First

Principles on dozens of local and national radio programs and serving as Glenn Beck's "house expert" on the topic. Essays drawn from the book ran as a three-part series in the McClatchy-Tribune newspaper syndicate; another appeared in *National Review*.

Heritage commemorated the Abraham Lincoln Bicentennial with "Lincoln vs. Obama: Freedom vs. The Good," a lecture by Hoover Institution's Shelby Steele. The audience included our Spring 2009 class of Heritage interns. Throughout the year, Heritage interns benefited from a series of First Principles seminars and field trips organized by our American Studies program.

The James Madison Fellows Program—an educational program for senior congressional staffers jointly sponsored by Heritage, The Federalist Society and Hillsdale College—continued to thrive. Heritage speakers included Spalding, Vice President of Government Relations Michael Franc and Distinguished Fellow Ernest Istook. Joining them were intellectual luminaries such as Hillsdale College President Larry Arnn and Leonard Leo of The Federalist Society.

The Madison Fellows Program graduated a total of 98 senior congressional staffers in 2009. Our Congressional Fellows Program for junior Hill staff graduated 34. It all adds up to significant progress in giving the general public—and the next generation of leaders—a solid grounding in the eternal truths and constitutional principles that remain the source of our liberty. 

Heritage Fellows

DISTINGUISHED LEADERSHIP in the BATTLE of IDEAS

Heritage is home to scores of the nation's top policy experts. Six are honored as Distinguished Fellows in recognition of their profound scholarship, range of experience, and height of achievement.

Elaine Chao—The U.S. Secretary of Labor under President George W. Bush, Ms. Chao enlightened civic debate on job creation and labor issues throughout 2009 with insightful commentaries in such publications as *The Wall Street Journal*, *The Washington Post* and *Chicago Tribune*.

Lee Edwards—A leading historian of the conservative movement, Dr. Edwards completed his 20th book: a biography of William F. Buckley, Jr. As Chairman of the Victims of Communism Memorial Foundation, he also orchestrated the June launch of the online Global Museum on Communism (globalmuseumoncommunism.org).

Ernest Istook—A self-described “recovering congressman,” Mr. Istook penned weekly commentaries for *Human Events*




Distinguished Fellows (from left) Jim Talent, Ernest Istook, Elaine Chao, Edwin Meese III and Lee Edwards

and NewsMax.com, hosted “The Heritage Foundation Live” on XM Radio, and helped “translate” Heritage research into terms best calculated to make his former colleagues sit up and take notice.

Edwin Meese III—Our Ronald Reagan Distinguished Fellow in Public Policy works to preserve the legacy of freedom left by the president he served as White House Counselor and, then, Attorney General. In 2009, the

Alliance Defense Fund honored his “steadfast devotion to ... the responsible philosophy of jurisprudence envisioned by our Founding Fathers” and established the Edwin Meese III Originalism and Religious Liberty Award.

Jim Talent—In congressional testimony and articles for defense journals and policy magazines, this veteran of both House and Senate Armed Services Committees pressed continuously for a stronger defense. Mr. Talent also served as Vice Chairman of the national Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism. 

THE NAMED FELLOWS OF HERITAGE

In 2009, Heritage donors funded 13 fellowships to promote concentrated study of issues vital to restoring constitutional principles.

Bradley Fellow in Labor Policy
James Sherk

Marilyn and Fred Guardabassi Fellow in Media and Public Policy Studies
Kenneth McIntyre

Grover M. Hermann Fellow in Federal Budgetary Affairs
Brian M. Riedl

Chung Ju-Yung Fellow for Policy Studies
Peter Brookes

Jay Kingham Fellow in International Regulatory Affairs
Brett D. Schaefer

F.M. Kirby Research Fellow in National Security Policy
Baker Spring

Bernard and Barbara Lomas Fellow
Steven Groves

Herbert and Joyce Morgan Senior Research Fellow
Ronald D. Utt, Ph.D.

Ronald Reagan Distinguished Fellow in Public Policy
Edwin Meese III

William E. Simon Fellow in Religion and a Free Society
Ryan Messmore

Margaret Thatcher Senior Research Fellow
Ted R. Bromund, Ph.D.

Norman B. Ture Senior Fellow in the Economics of Fiscal Policy
J.D. Foster, Ph.D.

Jay Van Andel Senior Analyst in Trade Policy
Daniella Markheim

Membership

GROWING *the* LEGIONS of PRINCIPLED CONSERVATIVES

Many words can describe Heritage members—conservative, loyal, generous, committed, patriotic.... But in 2009, only one word could describe Heritage membership: *booming*.

As they turned against Washington's liberal agenda, more and more Americans turned to Heritage. Our membership rolls leaped to 582,000, a 45 percent increase in one year. That's more than 15,000 new members every month. Heritage has long enjoyed more broad-based support than any other think tank. In 2009 we left them in the dust as we accelerated toward our goal of 1 million members by 2017.

Americans are not only increas-

ingly eager to join the conservative cause, they're extraordinarily generous in supporting it. Contributions to Heritage reached a record \$72 million in 2009, a 14 percent increase over the previous year which, itself, had set a new record.

As Heritage grew, so we continued to expand activities at the local level. We added three new Community Committees—in Naples, Fla., Southeast Michigan, and the San Francisco Bay area—bringing the na-

tional total to 12. These committees hosted 44 events in 2009, reaching nearly 15,000 people. Featured speakers included Fred Barnes, Sean Hannity, Ed Meese, Stephen Moore and Karl Rove.

Heritage continued to reach out to younger conservatives through our Young President's Club, open to the under-40 crowd. YPC welcomed 626 new members, bringing total YPC membership to nearly 1,000. We also mentored 168 young people in our internship program. These efforts reflect our commitment to cultivate the next generation of conservative leaders.

Membership wasn't the only area experiencing rapid growth. Americans hungry for cutting-edge research

THANK YOU FOR YOUR LEADERSHIP

The Heritage Foundation is thrilled that more than 655,000 members have supported the Leadership for America campaign. Between the launch of the campaign in January 2007 and the end of 2009, we have received gifts, pledges and commitments totaling more than \$259,412,000.

We'd like to take this opportunity to especially thank those donors who have made particularly generous contributions and commitments totaling \$1 million or more, including:

Douglas and Sarah Allison

Cloyce K. and Barbara J. Avey

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*Five members have asked to
remain anonymous.*

and conservative solutions made our online properties hotter than ever:

- Our principal Web site, heritage.org, logged a total of 9,316,377 unique visitors during the year, a 22 percent increase over 2008.
- Our for-members-only site, MyHeritage.org, logged 1,037,919 visitors, nearly doubling the previous year's total.
- Subscriptions to Morning Bell, our daily wake-up e-mail for conservatives, grew to 140,000, a more than threefold increase.
- Our roster of Facebook "friends" soared from a few thousand to over 100,000, and our Twitter followers numbered 35,000. No other think tank comes close.

In January we launched AskHeritage.org, a talk-radio campaign to reach mass audiences through the Rush Limbaugh and Sean Hannity radio shows. This outreach effort alone attracted more than 40,000 new members.

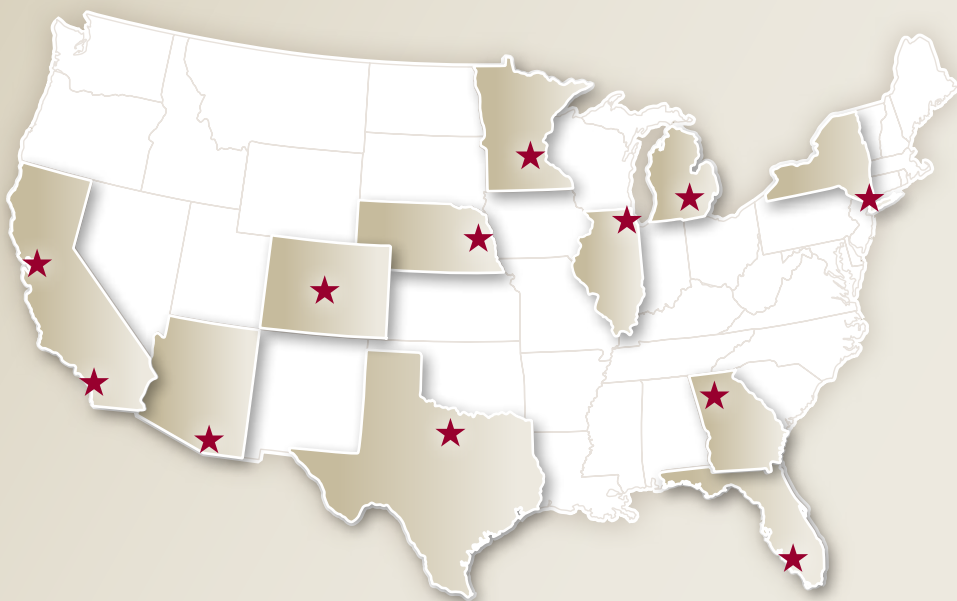
We're thankful we've been able to reach more Americans and enroll so many new members. But, ultimately, our Leadership for America campaign isn't about numbers or dollars: It's about *results*.

Americans aren't flocking to Heritage for companionship. They join because they are committed to America's founding principles, and they are deeply concerned about the determined effort to *fundamentally* transform this country into something the Founding Fathers never intended—a collectivist state.

We know that you trust Heritage to represent your beliefs *faithfully*, and we take that as our highest duty. Though politicians and political parties may compromise their principles out of expedience, you can be sure that The Heritage Foundation will remain true to conservative ideals.

If you plan to be in Washington, please call our membership office at (800) 546-2843. We'd like to meet you, show you around our headquarters and thank you personally for all you do to make Heritage the leading conservative organization in America. 🏠

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Six Founders have asked to remain anonymous.

HERITAGE LEGACY SOCIETY

The Heritage Foundation thanks the following Heritage Legacy Society members who made commitments in 2009. We are grateful for their leadership in creating a better America and leaving a legacy for freedom for future generations. The Heritage Legacy Society, whose members have made commitments through their estate or other planned gifts, is co-chaired by Rae and Belden Bell of Marshall, Va., and Marion Wells of Ft. Lauderdale, Fla.

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With gratitude, we honor the memory of those Heritage Legacy Society members whose gifts we received in 2009:

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Ms. Jane Hutzler Wolf

2009 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION*

As of December 31, 2009

ASSETS:

Cash & cash equivalents	\$ 7,949,281
Receivables	11,571,118
Prepayments	987,650
Contributed stock	19,547
Total current assets	20,527,596

Investments	109,866,744
Receivables, net	5,160,373
Plant, property & equipment, net	47,191,877
Other assets	389,844
Total long-term assets	162,608,838

TOTAL ASSETS	\$ 183,136,434
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LIABILITIES & NET ASSETS:

Accounts payable & accrued expenses	\$ 8,381,758
Notes payable	203,333
Total current liabilities	8,585,091

Notes payable	3,798,074
Deferred obligations & planned gifts	14,760,278
Total long-term liabilities	18,558,352

TOTAL LIABILITIES	27,143,443
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Unrestricted net assets:	
Board designated	89,589,611
Undesignated	44,292,023
Temporarily restricted net assets	20,911,357
Permanently restricted net assets	1,200,000
Total net assets	155,992,991

TOTAL LIABILITIES & NET ASSETS	\$ 183,136,434
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STATEMENT OF ACTIVITIES*

Year ended December 31, 2009

OPERATING REVENUE

Contributions:	
Individuals	\$ 52,479,061
Foundations	11,151,800
Corporations	1,967,965
Total contributions	65,598,826

Investment withdrawal	3,750,000
Program revenue	720,273
Other income	1,554,304
Total other income	6,024,577

TOTAL OPERATING REVENUE	71,623,403
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OPERATING EXPENSES

Program expense:	
Research	23,977,180
Education	14,870,514
Media & government relations	14,779,549
Total program expense	53,627,243

Fundraising	13,507,304
Management & general	1,908,138
Total administrative expense	15,415,442

TOTAL OPERATING EXPENSES	69,042,685
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OPERATING NET GAIN	2,580,718
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NON-OPERATING ACTIVITIES

Change in temporarily restricted net assets	3,657,152
Contributions-designated	4,152,464
Investment gain	16,136,519
Investment withdrawal	(3,750,000)

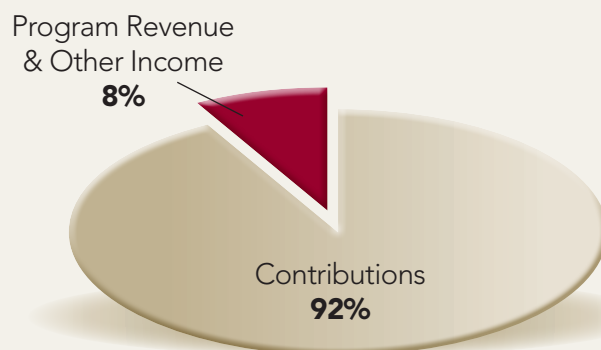
TOTAL NON-OPERATING ACTIVITIES	20,196,135
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INCREASE IN NET ASSETS	22,776,853
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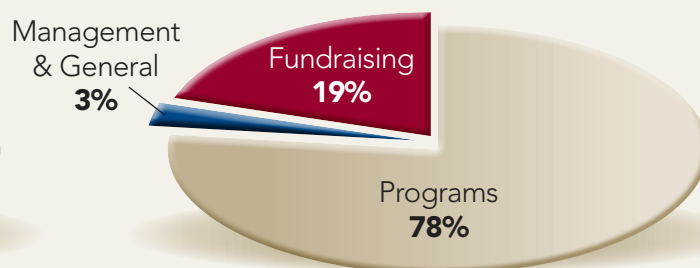
NET ASSETS-Beginning of year	133,216,138
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NET ASSETS-End of year	\$ 155,992,991
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2009 Operating Revenue



2009 Operating Expense



*Preliminary results. Audited financial statements will be available on or after May 1, 2010.

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Congress and Culture Watchers Club (\$100) – You get all the benefits above, plus regular updates on key issues before Congress. In 2009, 62,664 club members contributed \$11,852,441.

Young President's Club (\$250) – Those under 40 may join the President's Club for only \$250 – a 75 percent discount. YPC members get all President's Club benefits, including invitations to both President's Club meetings each year. In 2009, 929 Young President's Club members contributed \$247,322.

President's Club (\$1,000) – As a President's Club member, you can receive any or all of Heritage's issue papers, and are invited to two Club meetings in Washington. These events are a great way to meet conservative leaders from across America and hear from luminaries such as Rush Limbaugh, Sen. Jim DeMint and former Secretary of the Navy John F. Lehman—just some of last year's featured speakers. In 2009, 3,791 President's Club members contributed \$4,590,337.

Executive Committee of the President's Club (\$2,500) and Premier President's Club (\$5,000) – Members of these clubs receive all President's Club benefits, plus invitations to two private luncheons a year. In 2009, 920 members of the Executive Committee

and Premier President's Club contributed \$3,527,134.

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Founders (\$100,000), Trustees' Circle (\$500,000) and Chairman's Circle (\$1,000,000) – Membership includes all Associates benefits, plus invitations to private receptions and special events. In 2009, 58 Founders, Trustees' Circle and Chairman's Circle members contributed \$15,172,492.

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Forty-one Associates have asked to remain anonymous.

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From universities to charitable organizations, the philanthropic world is—most unfortunately—rife with organizations that have broken faith with their donors. It's a serious problem. But it's no problem here at The Heritage Foundation.

We know that when you contribute to Heritage, you expect your gifts to advance our mission: "to formulate and promote policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense." And everyone at Heritage, from the mailroom to the boardroom, understands that we have an obligation to respect your philanthropic intent.

That's why Heritage's Board of Trustees makes this formal pledge to our donors:

"We will always respect your philanthropic intent and always hold ourselves accountable to you in our use of your generous contributions."

For a free brochure about donor intent, and Heritage's strict adherence to this principle, please call our membership line at (800) 546-2843. Also, if you ever have any questions about your contributions or a complaint about the way we spend them, please contact us immediately. We will make sure your questions are answered and your problems resolved. 📞

Following a screening of 33 Minutes, Paul Wick, chairman of our San Francisco Bay Area Committee, discusses the group's next event with Jessica Dean, Heritage's regional manager of donor relations.



Photo: Chas Geer

Michael Jude, chairman of the Colorado Committee for Heritage, raises a question at Heritage's Founders Meeting.



Photo: Chas Geer

Vivian and Sam Dubose of Atlanta meet Bill Amos (right) of Amelia Island, Fla., at Heritage's Founders Meeting.

Terry Stokesbary (M. J. Murdock Charitable Trust) speaks with Heritage Trustee Barb Van Andel-Gaby and Rick Gaby of Duluth, Ga., at Heritage's Founders Meeting.



Photo: Chas Geer



George and Sally Mayer of Essex, Conn., chat with Heritage Vice President John Fogarty (left) at the November gathering of the President's Club.



Pedro Wasmer of Fairfield, Conn., talks things over with Karl Rove (right) during the Executive Committee luncheon at the November President's Club Meeting.



Heritage Executive Vice President Phil Truluck (left) greets Rudy Silc (Lake Worth, Fla.) and Sandra Blumel (Atlantis, Fla.) at the November President's Club.



Vicki Drummond of Jasper, Ala. (left), Gail Kozlowski of Harbor Springs, Mich. (center), and Renell Dubay of College Station, Texas, visit at the November President's Club Meeting.



Thomas Colbert of Flowood, Miss., speaks with Heritage Vice President and Treasurer John Von Kannon (right) at the November President's Club.

Photos: Chas Geer

BUILDING a BETTER FUTURE

Policy debates weren't the only thing Heritage upgraded in 2009. A generous donation from Lewis E. Lehrman enabled us to transform Lehrman Auditorium into a state-of-the-art lecture hall, complete with plasma-screen monitors, improved television lighting and all-new sound equipment and seating. Speakers in the new facility included Sen. Orrin Hatch ("Preserving Freedom and Federalism"), Rep. Eric Cantor ("Does Creating Jobs Have to Cost Money?"), Mississippi Gov. Haley Barbour ("Tort Reform in the States") and Dr. Liam Fox, the UK's Shadow Secretary of State for Defense. 📞



Photo: Chas Geer

After receiving a complete makeover, Lehrman Auditorium reopened with a ribbon cutting celebrated by (from left) Heritage President Edwin Feulner, Founder Lewis E. Lehrman, former Vice President Dick Cheney and Heritage Chairman Thomas Saunders.

Heritage moved forward with establishing a physical presence on the House side of the Capitol. We gutted and expanded the fire-damaged building we acquired last year at 227 Pennsylvania Ave., SE, only blocks from the House office buildings. The new facility, complete with meeting rooms and office space, will open for business within months, giving House members and staffers even easier access to Heritage experts. 📞



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— Rep. Paul Ryan, R-Wis., speaking at The Heritage Foundation, Jan. 28, 2010

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—Robert and Ruth Small, Executive Committee Members

“A powerhouse of conservative ideas, [The Heritage Foundation] had considerable influence during the Bush years when many of its scholars entered government. If anything, its influence has grown in ‘opposition’ with its analyses of the social and economic effects of Democratic healthcare proposals.... As conservatism rebuilds itself, Heritage will be designing the foundations.”

—Toby Harnden, Daily Telegraph (UK), Jan. 14, 2010

“The Heritage Foundation is truly a major source of national wisdom and hope in these troubling times. What a wonderful team of individuals you are!”

—Harold A. Richard, President’s Club Member

“Thank you from the bottom of my heart for your contribution to save America, to build on moral strength and decency. There are millions upon millions of us here looking for your exact type of leadership.”

—Elizabeth Ann Ownbey, Member

*“We believe our only voice in Washington, D.C., is The Heritage Foundation.
Thanks for all your hard work.”*

—Peter and Mary Burgess, President’s Club Members

“Now, you name another group of conservative, thoughtful, smart researchers looking out for the nation the way Heritage does. I mean, a lot of people are trying, but The Heritage Foundation, they do it the best.”

— Rush Limbaugh, “The Rush Limbaugh Show,” Dec. 7, 2009

