



THE HERITAGE FOUNDATION

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JOYCE BOGHOSIAN

Heritage members welcome incoming President Jim DeMint after a "Presidents' Tour" meeting Jan. 24 in San Francisco.

RIGOROUS RESEARCH, MAXIMUM IMPACT

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

It was a major turning point in world history. The American Revolution marked the start of a novus ordo seclorum—a new order for the ages—one in which the blessings of freedom were recognized as the birthright of all, rather than the entitlement of a privileged few.

Ronald Reagan called it “the only true revolution,” because instead of simply exchanging one set of rulers for another, “for the first time in all the thousands of years of man’s relation to man...the Founding Fathers established the idea that you and I had within ourselves the God-given right and ability to determine our own destiny.”

But as Reagan also observed, “Freedom is never more than a generation away from extinction. We don’t pass it on to our children in the bloodstream. It must be fought for, protected, and handed over for them to do the same, or one day we will spend our sunset

years telling our children and our children’s children what it was like in the United States when men were free.”

The Heritage Foundation’s mission is to defend the legacy of the American Revolution as embodied in the Declaration of Independence and the Constitution. We stand for limited government, individual liberty, free markets, traditional American values, and a strong national defense.

These principles transformed a weak confederation of former British colonies into the mightiest and most successful nation on earth. They are as valid today as they were in the 18th



CASI LONG



ROB CANNON

Team Heritage was thrice honored at the 2013 Weyrich Awards Dinner. Heritage Founder Ed Feulner (left) received the Enduring Impact Award; Distinguished Fellow Emeritus Ed Meese (center) accepted the Conservative Hall of Fame Award and congratulations from M.C. Cleta Mitchell, and Heritage Action for America—represented by CEO Mike Needham—was named Outstanding New Organization of the Year.

century. But they are under constant attack, and defending them requires eternal vigilance.

When The Heritage Foundation first opened its doors 40 years ago, the Soviet Union posed the greatest danger to the survival of liberty. The policy of “containment” had failed to stop Soviet expansionism; Soviet-armed proxies were on the offensive across the globe, and Soviet leaders boasted that “the correlation of forces” had shifted irrevocably in favor of the “socialist camp.” Rolling back the Soviet juggernaut became a top priority for our fledgling think tank.

It was Heritage who sponsored the new space strategy called “High Frontier,” which included the bold recommendation that America develop a global missile defense system able to knock

out ballistic missiles headed toward the U.S. and our allies. The Reagan Administration embraced that idea, and its Strategic Defense Initiative (SDI) brought an end to the Cold War.

We remain proud of the role Heritage played in reviving America’s spirit and winning the Cold War. We still treasure Reagan’s words at our 1990 Board Meeting: “You [were] an invaluable resource on key issues such as tax cuts, reducing government spending, SDI, supporting freedom in Grenada, Nicaragua, Eastern Europe—wherever I needed Heritage, you were there.”

Today, the Cold War is over, but our freedom remains under siege. This time, however, the principal challenge comes from within the United States—from the so-called “progressive” movement. Progressives value equality over liberty, reject the



need to limit government, and demonize “the rich.” Most troublingly, they tempt the masses with promises of security and “fairness” while pressing for policies that would transform them and all free citizens into docile subjects of the state.

Progressive rule ultimately leads to what Alexis de Tocqueville called a “soft despotism” that reduces humanity to “nothing more than a herd of timid and industrious animals of which the government is the shepherd.” Such despotism might provide cradle-to-grave security, but only at the cost of our freedom.

Heritage believes that leftists have their history backwards. That free markets and free peoples—not government—are what generate opportunity and uplift lives.

Our campaign to rally Americans to the conservative cause took a major step forward in 2013, when Heritage launched the American Perceptions Initiative (API). Through focus groups, online forums, and detailed surveys of how Americans perceive specific policy issues, Heritage is getting an exact snapshot of the values, assumptions, and perceptions that shape the views of Americans from far left to far right. In the process, we are learning what it takes to move Americans of all stripes toward supporting conservative policies.

There is more about these studies and how they informed our work in 2013 later in this report. But just as important is how we are building on those early, API-fueled successes with an ongoing communications campaign—one crafted to unite Americans behind a commonsense, conservative policy agenda.

Other planned research and communications projects for 2014 include new investment in our Center for Data Analysis, so we can remain the nation’s leader in economic analysis of public policy proposals. We are also preparing to launch two

IN MEMORIAM

*Defenders of Liberty and Faithful Friends
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DR. KATHRYN DAVIS

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CHAS GIFF

ABITUS SED NON OBLITUS

new indices to complement our globally acclaimed Index of Economic Freedom. One will objectively measure our nation’s military power; the other will measure our cultural health.

We will continue to challenge President Obama’s emphasis on “correcting” income inequality, knowing that income inequality must exist if a society is to offer opportunity and economic mobility—the real keys to the American Dream.

THE HERITAGE FOUNDATION BOARD OF TRUSTEES

(From left): Anthony J. Saliba, Chicago, Ill.; Meg Allen, Geneva, Switzerland; Robert Pennington, Darien, Conn.; Brian Tracy, Solana Beach, Calif.; Kay Coles James, Fairfax Station, Va.; Larry P. Arnn, Hillsdale, Mich.; David R. Brown, Chairman Emeritus, Oklahoma City, Okla.; Nersi Nazari, Atherton, Calif.; Douglas F. Allison, Bloomfield Hills, Mich.; Edwin J. Feulner, Alexandria, Va.; Thomas A. Saunders III, Chairman, New York, N.Y.; Jim DeMint, Greenville, S.C.; Jerry Hume, San Francisco, Calif.; Phillip N. Truluck, Bethesda, Md.; J. Frederic Rench, Secretary, Camden, S.C.; Barb Van Andel-Gaby, Duluth, Ga.; Abby Moffat, Bethesda, Md.; J. William Middendorf II, Little Compton, R.I.; Richard M. Scaife, Vice Chairman, Pittsburgh, Pa.; Belden H. Bell, Marshall, Va.; Todd W. Herrick, Bay Harbor, Mich.; Marion G. Wells, Ft. Lauderdale, Fla.; Steve Forbes, New York, N.Y.; Midge Decter, New York, N.Y. (Not pictured: William E. Simon, Jr., Los Angeles, Calif.)



DAVID HILLS PHOTOGRAPHY/FRASER PHOTO

And, of course, we will promote our new book, “Falling in Love with America Again,” which explains how our nation’s “little platoons”—the families, churches, and voluntary associations that stand between the individual and Big Government—are the true wellsprings of America’s freedom and prosperity, and why Washington needs to stand back and let states, localities, and individuals make more of their own decisions.

While we ramp up our efforts to communicate directly with the American people, our focus on educating Capitol Hill will not waver. After all, ensuring that lawmakers act in accordance with our nation’s founding principles is why we launched Heritage Action for America in 2010. Its 501(c)(4) status gives Heritage Action the freedom to advocate or oppose legislation before Congress in ways that The Heritage Foundation cannot.

Heritage Action acts as a principled advocate for the American people, and in 2013 it won notable victories. This report describes how the “one-two punch” of superb Heritage research and insistent Heritage Action advocacy prevented Congress from passing gun-control legislation, a new Internet sales tax, a badly flawed U.N. Disability Treaty, and an unfair and costly amnesty for illegal immigrants.

HONORS GIVEN...

In April, Heritage awarded its 2013 Salvatori Prize for American Citizenship to the Claremont Institute, a California-based nonprofit dedicated to restoring the principles of the American founding in the life of the nation. Claremont President Brian T. Kennedy accepted the award at Heritage’s 36th annual Resource Bank—a gathering of more than 500 movers and shakers in the conservative movement.

In addition to publishing the Claremont Review of Books, the institute runs the Center for Constitutional Jurisprudence and the Center for Local Government and sponsors fellowships for rising young conservative leaders. The \$25,000 prize, given in honor of the late entrepreneur and philanthropist Henry Salvatori, recognizes an individual or organization for outstanding work in advancing the principles and virtues of the nation’s Founders.

In October, Heritage presented its Defender of the Constitution Award to Judge Diarmuid O’Scannlain. The distinguished jurist has been a force in the conservative movement since 1960 when, upon the founding of Young Americans for Freedom, he was elected to the Board of Directors. In 1986, President Reagan nominated O’Scannlain to serve on the U.S. Court of Appeals, Ninth Circuit. One of the most famously liberal courts in the land, O’Scannlain has distinguished himself by holding firm to the principles of freedom and limited government articulated by the Founders.



YOUNG CONSERVATIVES COALITION

In November, the Young Conservatives Coalition named Heritage Fellow Ryan T. Anderson a Buckley Award winner.

...HONORS RECEIVED

Honors rained on Heritage leaders and scholars in 2013. The deluge began at the Weyrich Awards Dinner in February. These awards recognize “those who have made a major contribution to advancing the cause of liberty through organizations and media.” The Heritage juggernaut nabbed three prizes. Dr. Edwin Feulner received the Enduring Impact Award; Feulner and long-time Heritage colleague Edwin Meese III won the Conservative Hall of Fame Award, and Heritage Action was named Outstanding New Organization of the Year.

At the Conservative Political Action Conference in March, Meese was honored anew, as Heritage’s Ronald Reagan Distinguished Fellow Emeritus received the Defender of the Constitution Award.

In October, the Intercollegiate Studies Institute gave Dr. Lee Edwards its highest honor, the Charles H. Hoeflich Lifetime Achievement Award. Heritage’s Distinguished Fellow in Conservative Thought, Edwards is a leading historian of American conservatism and the author or editor of more than 20 books.

In November, the Young Conservatives Coalition named Ryan T. Anderson a Buckley Award winner. The award recognizes individuals aged 21-40 for outstanding contributions to the conservative movement in the last year. The 31-year-old Anderson is Heritage’s William E. Simon Fellow in Religion and a Free Society.

At year’s end, Meese and Heritage Vice President Becky Norton Dunlop were both honored with the Libertas Award, presented by the Adriatic Institute for Public Policy. Based in Croatia, the Institute is a think tank promoting economic freedom, democracy, and the rule of law throughout the post-Communist countries of Southeastern Europe. Its recognition of Dunlop and Meese shows once again that Heritage is truly a global “force for good.”

In 2014, Heritage Action will continue to draw on Heritage Foundation research to advance policies that keep America free, prosperous, and strong. Our agenda includes proposals to cut federal spending to no more than 18 percent of GDP, replace Obamacare with a patient-centered health care system, reduce government meddling in the marketplace, and protect American sovereignty and national security. And, as always, we will support policies that lift up the family, civil society, and traditional American values.

Of course, nothing Heritage has done or plans to do is more important than our commitment to maintaining the highest standards of scholarly research. Intellectual integrity is the very essence of our “brand,” and we will never sacrifice scholarly standards to the needs of “political correctness” or electoral politics.

On the day after the disappointing 2012 elections, Dr. Edwin J. Feulner, the long-serving President of Heritage, called a meeting of the entire staff. “Many of you,” he told them, “may be looking around in despair and asking—where is the cavalry that can come galloping to the rescue?

“Well,” he continued, “I’ve got news: We are the cavalry. We are the organization that carries on the Reagan Revolution and stops the Obama Revolution in its tracks.”

Then, reflecting on the four decades since Heritage opened its doors, Feulner said, “It seems to me that everything we have built up, slowly and sometimes painfully, has led us to this defining moment—for the great battle in which we are engaged.”

Today, Heritage has new leadership, but the battle remains the same, and our resolve to uphold the cause of freedom is as firm as ever. Our first 40 years were indeed marked by greatness—but with the continued support of you, our members, the best is yet to come! 



THOMAS A. SAUNDERS III

Chairman



JIM DEMINT

President

DAVID HILLS

HERITAGE IN 2013...BY THE NUMBERS

112 **201** **304**

Backgrounders

public lectures
and seminars

Issue Briefs

34

Special Reports

17

Legal Memoranda

38

Congressional testimonies

1,100

television interviews

2,700

radio interviews

1,400

commentaries in major print outlets

14.8 MILLION

visitors to Heritage.org

7.7 MILLION

unique visitors to “The Foundry”

1.1 MILLION

Facebook “likes”

190,000

“Morning Bell”
e-newsletter subscribers

400,000

Twitter followers

282 STAFF MEMBERS

and **OVER A HALF-MILLION MEMBERS**
who make all this possible

THANK YOU!

TEAMING UP FOR MAXIMUM IMPACT

Imagine a policy-driven “flying squad,” a small group of experts from various disciplines, on call and able to strike fast—as a team—at crucial junctures of public debate. In 2013, Heritage not only imagined having that capability, we built it—several times.

We call them Impact Teams. They’re designed to give an extra push to high-priority policy proposals, and we form one whenever we spot an opportunity to achieve an immediate policy victory.

An Impact Team combines the talents of one or two experts from every department at Heritage—research, strategic communications, external relations, and development—as well as a representative from our political action affiliate, Heritage Action for America. The team quickly crafts a plan of action, then carries it out. Once the policy outcome is decided—win, lose, or draw—the team disbands.

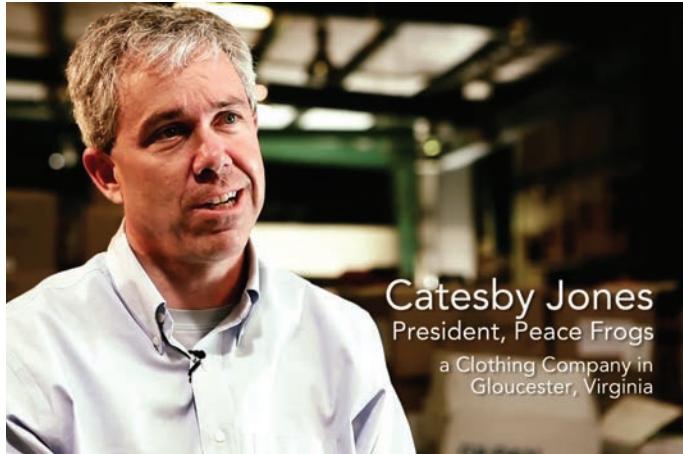
A major strategic innovation for Heritage, the Impact Team approach allows us to marshal our experts’ time and talents in concentrated doses for maximum effect. And in 2013, they had tremendous impact indeed.

CHANGING THE CULTURE IN WASHINGTON

Heritage is dedicated to changing the culture in Washington. When it comes to budgeting, for instance, we believe the question should be “What can be cut?” not “How much more can we spend, tax and borrow?” And we don’t believe the federal government should automatically assume it must solve every problem in America. Civil Society and Federalism can handle most of those problems much better.

And Washington has taken notice. *BusinessWeek’s* Sept. 26 cover story was titled “Jim DeMint, Congressional Republicans’ Shadow Speaker.” The article highlights Heritage’s work to change the culture on Capitol Hill, as exemplified by its campaign to turn off the funding spigot for Obamacare.

It’s a long, hard road to culture change. But when a major news outlet like this considers Team Heritage’s effort to be cover-story worthy, it indicates that we’re making significant progress.



Catesby Jones
President, Peace Frogs
a Clothing Company in
Gloucester, Virginia

Thanks to a Heritage YouTube video, Catesby Jones became the face of small-business owners who would be hit hard by a proposed requirement that they collect state and local sales taxes on all online transactions.

INTERNET SALES TAX

On May 6, the Senate approved overwhelmingly (69-27) the Marketplace Fairness Act. The next day, Heritage stood up its Internet Sales Tax Impact Team.

The Senate-passed measure would have required all online retailers grossing more than \$1 million to collect sales taxes for jurisdictions in which they had customers. Consumers would wind up paying an additional \$23 billion in taxes, and small online businesses would face an accounting and administrative nightmare. (Nearly 10,000 state and local jurisdictions levy sales taxes, with various rates, reporting requirements, and deadlines.)

Onerous? Yes. But the bill was considered a shoo-in for passage in the House. After all, it was backed by an army of lobbyists representing cash-hungry states and big retailers—e.g., the National Retail Federation, big-box stores and even e-commerce giant Amazon.com. Still, the Impact Team managed to stop this juggernaut in its tracks.

Multinational corporations and millionaire “gentleman farmers” collect the vast majority of farm subsidies. Heritage drove that point home in this entertaining graphic which appeared in our May 30 “Morning Bell” and garnered 9,000 shares on Facebook—a new record for long infographics.

Heritage hit hard at the bill’s fundamental policy problems. We stressed two major points: It would skew the free market and violate the principle of “no taxation without representation.” Why, we asked, should online businesses be forced to serve as unpaid tax collectors and accountants and remit money to jurisdictions that provide them no services whatsoever?

Those arguments gave policymakers pause. So did our economic analyses. These showed that the tax would harm a still shaky economy, hitting small businesses the hardest.

The team didn’t just “talk numbers,” though. We also gave voice to some of the e-entrepreneurs whose very livelihoods stood at risk. Our video interview with Catesby Jones, proprietor of Peace Frogs apparel, allowed him to tell his story to more than 60,000 viewers on YouTube.

Recognizing that lawmakers from states with no sales tax would have little interest in forcing local business owners to spend resources collecting taxes for others, we made sure our research and personal stories made their way into every office on Capitol Hill, regardless of party affiliation.

Within a month, the tide turned. On June 18, *US News & World Report* reported that the “sales tax bill that sailed through the Senate looks to be floundering in the House of Representatives.” Days later, we received word from the Hill that the “unstoppable” bill was dead for the year. The Internet Sales Tax Impact Team then disbanded.

FARM BILL

It’s a misnomer. By all rights, the Farm Bill should be called the Food Stamp Bill. After all, 80 percent of its spending goes toward the burgeoning Supplemental Nutrition Assistance Program (SNAP). In 2013, more than 23 million households—one of every five—were on food stamps.

For years, Heritage has urged Congress to split the bill in two—thus breaking the unholy alliance between farm state pork-barrelers and urban welfare enthusiasts. Were lawmakers to consider agriculture and welfare policy separately, we reasoned, there would be greater opportunity to pursue intelligent reforms in both areas.



In 2013, the Farm Bill Impact Team got us partway there.

On June 19, the impossible happened. The House of Representatives rejected the Senate-passed, \$940 billion farm bill on a 195-234 vote. And the coordinated efforts of the Farm Bill Impact Team were a big reason why.

Heritage regulatory expert Diane Katz and agriculture policy analyst Daren Bakst produced revelatory research and briefing materials for the Hill. They also took their case to the people, penning numerous commentaries for newspapers and online outlets. In essays such as “20 Completely Unjustified Programs in the House Farm Bill,” the duo explained how the bill continued to bankroll bloated programs that ill-served their supposed beneficiaries, while needlessly emptying taxpayers’ wallets.

The public education campaign provoked outrage in many quarters, and helped change minds on Capitol Hill. Even though House leadership backed the measure, conservative members refused to go along. With the federal debt at \$17 trillion and rising, they simply could not justify spending so much money so unwisely. Their opposition, combined with that from liberals upset by a modest cut in food stamps, was enough to sink the bill.

Within a week, House Leadership announced it would split the farm bill into two parts, so that the food stamps funding could be considered separately. It was welcome news for reformers. And a huge victory for the Impact Team.

Unfortunately, it was short-lived. In the new year, Congress returned to its old tricks. The House-Senate conference committee folded food stamps back into the farm bill. In consequence, the final bill trimmed only \$16.5 billion over 10 years. Better than nothing, but still a reminder that there is no such thing as a permanent victory—or defeat—on Capitol Hill.

IMMIGRATION IMPACT TEAM

The Gang of Eight’s “comprehensive” immigration reform bill was another supposedly unstoppable proposal that found itself going absolutely nowhere once a Heritage Impact Team swung into action.

The 844-page bill—hammered out behind closed doors by eight Senators—was unveiled on April 14. Given its bipartisan sponsorship and the eagerness of a liberal press corps to promote any measure offering illegal immigrants a “pathway to citizenship,” passage seemed to be a foregone conclusion.

But our Immigration Impact Team had other ideas. For starters, we thought politicians should know how much the amnesty



Senior Research Fellow Robert Rector’s meticulous analysis of the fiscal costs of granting amnesty to illegal immigrants proved a game-changer in the public debate and made him, in the words of the National Journal, “the most influential outside player on what is perhaps the defining issue of the 113th Congress.”

provisions would wind up costing the federal purse. And so, on May 6, Heritage released “The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer,” by Senior Research Fellow Robert Rector.

The paper examined four types of benefits and services the bill would have made available to those on the “pathway.” Rector calculated that providing direct benefits, means-tested welfare benefits, public education, and population-based services to approximately 11.5 million illegal immigrants would cost American taxpayers \$6.3 trillion.

The Impact Team made sure the paper got the attention it deserved, in the media as well as on Capitol Hill. The day before the study came out, Heritage President Jim DeMint previewed the findings on ABC’s “This Week with George Stephanopoulos.” This generated tremendous “buzz” that we amplified the next day with a full-blown press conference, a *Washington Post* column by DeMint and Rector and an extensive interview with DeMint on Fox News’ “America’s Newsroom.” Fox News also taped a special report with Rector. On each occasion, Heritage drove home the message that “amnesty and the welfare state don’t mix.”

Our education efforts on Capitol Hill were even more intense. Indeed, the *National Journal* characterized Rector’s presence there as “ubiquitous.”



NICK MONTALVO

Heritage took its “Stop Obamacare” public information campaign to the streets, with this six-story-tall billboard just off New York’s Times Square. The billboard garnered national media attention, as well as the eyes of millions of passersby.

In a profile entitled “Who Is Robert Rector, Conservative Immigration Whisperer?” the magazine observed:

In the seven weeks since Rector released his Heritage study, he has spent hundreds of hours roaming the corridors of the Capitol. He has met with dozens of senators and scores of House members—the views of whom span the ideological divide—to discuss the findings of his report.... And in the process, Rector has become the most influential outside player on what is perhaps the defining issue of the 113th Congress.

Armed with Heritage’s impeccable research, opponents of amnesty fought the immigration bill to a standstill in the House. Amnesty advocates planned to use the August congressional recess to build momentum for a renewed push in the fall. But that never happened.

Why? Because Heritage’s Obamacare Impact Team completely changed the topic of recess discussions.

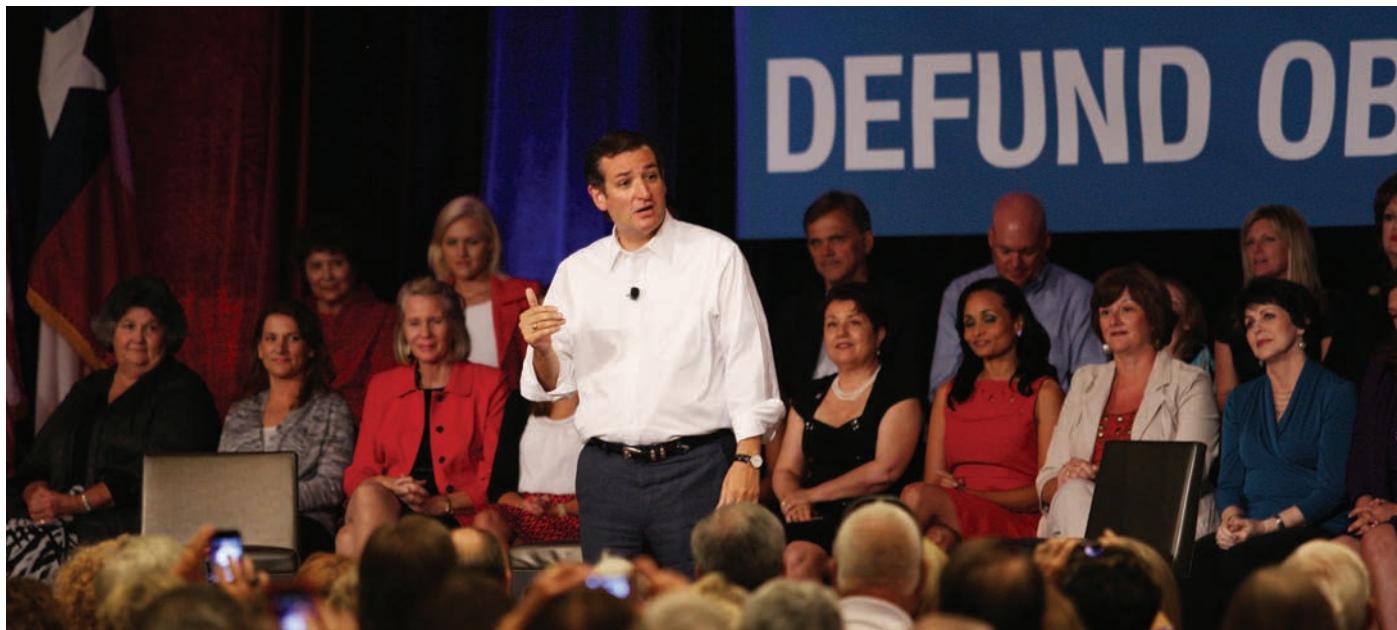
STOP OBAMACARE IMPACT TEAM

In the battle over government-run health care, Oct. 1, 2013, was D-Day. The start of the new fiscal year, it was also the date when the Obamacare health exchanges would open for business.

Heritage saw this as an opportunity to focus attention on all the problems with Obamacare—from the patently false promises made to “sell” the program, to the extraordinary expense, to the unworkable policies at its core.

The campaign began with the “Defund Obamacare Tour,” a series of town hall meetings organized by Heritage Action and featuring Jim DeMint. The tour coincided with the congressional recess, when lawmakers were back in their districts and more accessible to constituents.

And following the town halls, those lawmakers got an earful. Each event drew hundreds of people and scads of media coverage, delivering the message that Congress should spend not one penny more on implementing the program in 2014.



PATRICK FRANK

Sen. Ted Cruz (R-Texas) addresses a packed hall in Dallas—just one of the stops on the “Defund Obamacare Tour” organized by Heritage Action for America. The Dallas event alone drew more than 1,000 people.

The tour became a national phenomenon—the subject of water cooler conversations in newsrooms across the country. Immigration reform disappeared from the front pages, replaced by stories about the grassroots revolt against Obamacare.

When Congress returned to work, Heritage used a variety of tactics to keep the drumbeat going. For example, we took out a six-story-tall billboard just off Times Square. Echoing the old Surgeon General’s cigarette advisory, it said simply and starkly, “Warning: Obamacare may be hazardous to your health.”

The billboard—a first for Heritage—received an estimated 1.5 million local impressions daily for 13 weeks. It sparked national media attention as well, including coverage from *The Wall Street Journal*, MSNBC, CNBC, and FOX News, as well as a two-night Lou Dobbs interview with DeMint. New media communications—text messaging, “tweeting,” and Facebook posts—extended the billboard’s reach even further. It also earned us our first-ever “Tweetie.” Twitter honored us with that award in the category: “Best Use of Rich Media in a Promoted Tweet.”

The disastrous roll-out of HealthCare.gov provided our Impact Team with even more fuel for the anti-Obamacare fire. Within days we produced “More Than a Glitch,” a parody ad for Obamacare. “The Heritage Foundation puts a comedic spin on all the glitches, endless wait times, and premium rate increases that are now associated with Obamacare,” reported *The Blaze*, which hailed the video as “hilarious yet scathing.”



TWITTER DC

Heritage’s public information and education programs employ all forms of communication, including social media, for maximum impact. Here, Heritage Digital Media Associate Alicia Cohn accepts Twitter’s highest honor for Best Use of Rich Media in a Promoted Tweet.”

While the Impact Team continued to press its case that Obamacare was irredeemably “unworkable, unaffordable and unfair,” it also promoted Heritage’s vision of a consumer-driven alternative to government-run health care.

This second phase of the campaign began in earnest with the Oct. 15 publication of “After Repeal of Obamacare: Moving to Patient-Centered, Market-Based Health Care.” The paper articulated a set of principles to guide policymakers as they ponder how to get America’s health care system back on track.

As the year drew to a close, public support for Obamacare and its architects had cratered. And Congress was turning to Heritage for advice on how to dig out of the hole. ▀

CRAFTING AND DELIVERING THE CONSERVATIVE MESSAGE

In 2013, Heritage launched the American Perceptions Initiative. Its goal: to expand and energize the Conservative Movement and lead it to public policy success—through more effective communications.

This project hinges—as do all Heritage initiatives—on rigorous research. Our market research team works with outside experts to determine exactly what Americans think about big-picture issues—such as the proper role of government in their lives—as well as current legislative issues such as immigration reform, Obamacare, and the federal debt.

We've learned that the majority of the American people share conservative values and actually embrace conservative policy proposals—when properly presented. That's an important caveat, because many people who share our views can be put off by the label "conservative" or when we use terms or arguments that simply don't resonate with them. The American Perceptions Initiative works to identify the arguments, language, tone, and media best calculated to rally a "critical mass" of Americans in support of Heritage policy recommendations.

Early returns suggest this disciplined, research-based approach works well. For example, multiple rounds of market research indicated that unhappiness with Obamacare proceeded from concerns that the scheme was "unworkable, unaffordable, and unfair." Sound familiar? It should.

Sharing our research findings with lawmakers and activists across the Conservative Movement, we urged them to join us in using that phrase when speaking or writing about the failed health program. It became a catch-phrase of Obamacare opposition. A year-end survey of 1,099 registered voters found fully two-thirds remembered hearing that Obamacare was "unworkable, unaffordable, and unfair." More importantly, most shared that view. A CNN poll found opposition to the President's signature legislation had risen to a record 62 percent.

In addition to helping us develop more effective messages, American Perceptions research helped us identify more effective messengers. For example, it revealed that, when people seek a straight answer about the legitimacy of government-run



PATRICK FRANK

Heritage President Jim DeMint (left) seeks clarification of some market research findings at a September staff briefing by Heart + Mind Strategies on Americans' perceptions of Obamacare. Also pondering the implications of the research: Vice President of Communications Mike Gonzalez (center) and Executive Vice President Phil Truluck (right).

health care, the person they most want to hear from is their own doctor. Acting on that insight, Heritage created a graphic featuring noted neurosurgeon Dr. Ben Carson and his assessment of Obamacare:

We keep delaying things. Why not just delay the whole bill permanently and come up with a solution that really is affordable and that really will take care of everybody?

This simple image became a Facebook sensation. "Liked" and passed along from friend to friend, it was seen by some 3.5 million people within a matter of days.

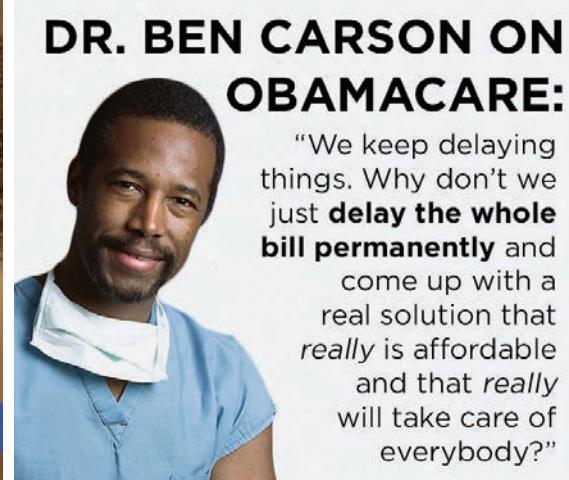
Similarly, our research on the Internet Sales Tax found that people were far more interested in learning how the levy would

affect small-business owners than in hearing philosophical arguments about tax equity and the locus of business operation. (Go figure!) So Heritage went to Gloucester, Va., and interviewed Catesby Jones, the owner of an online clothing shop. His calm, heartfelt explanation of how this tax would crush his plans to expand his business and create jobs became one of our most widely viewed videos on YouTube. It also helped sway fence-sitters in Congress to back away from the tax.

Our market research team plans to make an even bigger difference in 2014. They are building the Heritage Insights Panel, a

pool of 5,000 Americans willing to participate in quick-response online surveys. The Panel comprises three distinct audiences: conservative activists, Congressional staff, and members of the “moveable middle” (i.e., Americans who do not self-identify as conservatives, but who are open to our solutions).

Success hinges on persuading more and more people in all three categories to get behind our policy recommendations. Throughout 2014, we’ll learn more about—and *from*—these Americans, as we search for the best messages, messengers, and media to advance our policy recommendations. ▀



STRAIGHT TALK: TAKING OUR IDEAS DIRECTLY TO THE PEOPLE

Other think tanks have long envied Heritage’s ability to get its findings and views out to the American people via “earned” media. Our communications team is second to none in booking print and broadcast interviews and placing commentaries in the nation’s editorial pages.

But Heritage now has an even bigger competitive advantage in its use of digital media. Our social media accounts, combined with our online “properties” (Heritage.org and The Foundry), allow us to connect—instantly—with vast numbers of people. The ability to bypass the traditional news media and provide supporters with timely, persuasive information is a huge asset.

Those assets increased significantly in 2013. The list of online subscribers to The Morning Bell, a daily dose of penetrating conservative commentary and news, grew to nearly 200,000. Our Twitter followers numbered 400,000. Our Facebook “fans” doubled in number, giving us nearly twice the Facebook fan base of *The Washington Post*.

Those numbers matter, because most successful news websites rely on social media like Facebook and Twitter to attract readers. And Heritage has every intention of turning The Foundry into a robust news property that will rival the leading online outlets of the Left.

Already, The Foundry receives half of its visitors from Facebook alone, and we will continue to grow that fan base. Social media applications are key to promoting the increasing number of videos and graphics produced by Heritage.

For example, our YouTube parody of an actual commercial promoting Obamacare became Heritage’s most-watched video ever—more than 500,000 views—after we distributed the link through Facebook and Twitter.

Similarly, our virtual poster of Dr. Ben Carson’s call for a permanent moratorium on Obamacare profited greatly from social media promotion. It became the first Heritage graphic to be seen by more than 3.5 million people. Several other graphics released in 2013 received more than a million views, thanks to social media.

To put that in context, consider this: Heritage online graphics now consistently generate at least three times more engagement than those produced by any other public policy organization. And digital media engagement, persuasion, and activation will help us win the policy battles of the future.



At Heritage's all-staff meeting in September, Board Member Abby Moffat announces an amazing gift from the family of Kathryn and Shelby Davis: a \$26 million endowment of our Davis Institute for International Studies. Looking on are Heritage Founder and Trustee Ed Feulner and Diana Davis Spencer, Kathryn and Shelby's daughter and the President of the Diana Davis Spencer Foundation.

STEVEN E. PURCELL

HERITAGE'S CENTERS OF EXCELLENCE: WHERE RESEARCH REIGNS SUPREME

While Impact Teams now temporarily “surge” research and marketing assets when the opportunity for an immediate policy victory presents itself, Heritage remains a “full-service” think tank. Day in and day out, our researchers engage on all issue areas. It’s why policymakers know that, whatever the topic, they can turn to us for rigorous analysis and creative policy solutions grounded in conservative principles.

The bulk of Heritage research proceeds from a dozen distinct centers and institutes. In 2013, each of these research “hives” celebrated some major milestones and scored impressive policy victories of their own.

THE KATHRYN AND SHELBY CULLOM DAVIS INSTITUTE FOR INTERNATIONAL STUDIES

It was the largest gift in Heritage's 40-year history. On Sept. 6, the family of the late Kathryn and Shelby Cullom Davis announced a \$26 million donation to endow the work of the Davis Institute for International Studies. The institute oversees all Heritage research on foreign policy and national security issues.

The gift memorializes Shelby Cullom Davis and Dr. Kathryn Davis, both staunch supporters of Heritage for decades. In 1991, the couple received the very first Clare Boothe Luce Award, Heritage's highest honor, in recognition of their enormous achievements in promoting the Conservative Movement.

“This magnificent gift assures that the Davis Institute can further Shelby and Kathryn's legacy of advancing conservative principles through scholarship and action,” noted Heritage President Jim DeMint.

In a move that would have delighted the Davises, the institute stepped up its strategic outreach to foreign governments that have been largely ignored by the Obama Administration. Through a series of public events and roundtables with



TOP DAVIS CENTER RESEARCH PAPERS:

A Strong and Focused National Security Strategy

Jim Talent and The Honorable Jon Kyl

60 Terrorist Plots Since 9/11: Continued Lessons in Domestic Counterterrorism

Jessica Zuckerman, Steven P. Bucci, Ph.D., and James Jay Carafano, Ph.D.

Beyond the Plateau in U.S.–India Relations

Sunjoy Joshi, C. Raja Mohan, Vikram Sood, Rajeswari Pillai Rajagopalan, Ph.D., James Jay Carafano, Ph.D., Walter Lohman, Lisa Curtis, and Derek Scissors, Ph.D.

Sexual Assault in the Military: Understanding the Problem and How to Fix It

Charles Stimson

Rebound: Getting America Back to Great

Kim R. Holmes, Ph.D.



STEVEN E. PURCELL

Former U.S. Representative Allen West keynotes our Sept. 10 seminar on “Benghazi—Another Tragic 9/11 Anniversary” in Lehrman Auditorium. The following panel discussion explored how far diplomatic security and intelligence sharing had improved since the fatal 2012 attack on our diplomatic compound.

embassy staff, Davis scholars encouraged the efforts of former Soviet states trying to resist Russian domination. The initiative included nations from the Balkans, Baltics, and Asia, as well as those with interests in the Arctic.

Under the leadership of Dr. James Jay Carafano, Vice President for Defense and Foreign Policy Studies, Davis experts fought against additional debilitating reductions in the Pentagon budget. Ill-considered cuts have already undermined near-term

military readiness and hobbled the military’s ability to defend against long-term strategic threats.

And to help assure that taxpayers get true value for their homeland-security dollars, Davis researchers produced *The Second Quadrennial Homeland Security Review*. The analysis noted that 10-year-old Department of Homeland Security has become an “all hazards” bureaucracy, dealing with natural disasters and technological accidents as well as terror threats. The report called for a rigorous prioritization of missions and recommended that top priority be given to modernizing the severely deteriorated Coast Guard fleet.

“Today, America is less united, and less prepared to meet the [national security] challenges of the future, than at any other point since the end of the Cold War.” So concluded Heritage Visiting Fellow Jim Talent and American Enterprise Institute Visiting Fellow Jon Kyl in *A Strong and Focused National Security Strategy*.

The Special Report was a manifesto of sorts for the “Project for the Common Defense,” an initiative jointly sponsored by the Davis Institute and the American Enterprise Institute. Dedicated to promoting a 21st century agenda of peace through strength, the project sustains an informal network of seasoned policymakers and defense experts.

DOUGLAS AND SARAH ALLISON CENTER FOR FOREIGN AND NATIONAL SECURITY POLICY

Led by Dr. Steven Bucci, a former Army Special Forces officer and top Pentagon official, Allison Center staff made preserving a strong national defense their top priority for 2013. A strong military keeps our nation safe and free. Yet too often, politicians treat the defense budget as a cookie jar to be raided for pet domestic projects. Rather than spend “whatever it takes” on special interests and send the Pentagon whatever’s left, Heritage advocates needs-based defense budgeting sufficient to overcome the threats facing us now and in the foreseeable future.

Three consecutive years of dwindling investment has “hollowed out” the U.S. military. Allison Center researchers prepared a strength and forces handbook to help Capitol Hill staff understand the parameters of current and future threats, the force and material needed to defeat them, and the resources needed to build and maintain an effective defense.

When Congress turned to the 2014 National Defense Authorization Act (NDAA), legislation that sets defense funding levels and the policies under which those funds will be disbursed, Heritage Action staff made sure the Allison handbook



JAMIE MONTYRE

A dozen of the nation's top national security experts and a dozen leading journalists gather in Colorado Springs for Heritage's annual workshop on defense. Co-sponsored by El Pomar Foundation, the annual day-and-a-half long seminar for journalists facilitates well-informed press coverage and commentary on issues vital to national security.

got into lawmakers' hands. Several Members of Congress complimented the Heritage team on the usefulness of the report, and Rep. Michelle Bachman (R-Minn.) singled out the cyber security section for special praise.

House Members drafted 12 amendments reflecting recommendations in the handbook, and all 12 amendments passed. Ultimately, all 12—including a directive to establish a missile defense site on the East Coast—gained Senate approval as well.

Allison analysts also carried the day at the State Department, which finally designated Boko Haram as a terrorist organization. An Islamist militant group trying to impose Islamic law on northern Nigeria, Boko Haram has been blamed for thousands of deaths.

Heritage had pressed for this official designation since 2009. Now, it is illegal to provide material support to the group, and U.S. regulatory agencies can block business and financial transactions with these terrorists. It's some long overdue progress in The Long War and will also help strengthen our relationship with Nigeria, a strategic partner of the United States.

Unfortunately, the Administration did not heed our advice on how to handle the chaotic situation in Syria. Rather than rally our allies in coordinated support of non-Islamist factions opposing Assad's regime, the President's "lead from behind" approach wound up bolstering Islamist extremist groups within Syria, exacerbating tensions between rival opposition groups and weakening the insurgency. When an emboldened Assad resorted to chemical warfare, Mr. Obama then announced he would use military force—acting unilaterally if necessary.

Heritage analysts strongly advised against unilateral military intervention in Syria. It is never wise, they noted, to exercise military power divorced from strategic interests and a long-range strategy. That argument carried the day in Congress, which refused to endorse the President's call for military action.



TOP ALLISON CENTER RESEARCH PAPERS:

Advancing the Immigration Nation: Heritage's Positive Path to Immigration and Border Security Reform

The Heritage Foundation Immigration and Border Security Reform Task Force

A Congressional Guide: Seven Steps to U.S. Security, Prosperity, and Freedom in Cyberspace

Steven P. Bucci, Ph.D., Paul Rosenzweig, and David Inserra

Congress Should Pave the Way for a U.S.-Africa Free Trade Agreement

Brett D. Schaefer, Anthony B. Kim, and Charlotte Florence

Top 10 To-do List for the National Defense Authorization Act

Michaela Dodge

Plotting a more Confident Course: Rethinking Oversight of the Electric Sector and Critical Infrastructure Cybersecurity

Steven P. Bucci, Ph.D., and Anyd Bochman



BENJAMIN MYERS

At a March 19 event commemorating the 30th anniversary of Ronald Reagan's ground-breaking "Star Wars" speech, Sen. Kelly Ayotte (R-N.H.) discusses the principles underlying the Strategic Defense Initiative. Other presenters included Heritage Distinguished Fellow Kim Holmes (center) and former SDI Director Henry Cooper (right).

MARGARET THATCHER CENTER FOR FREEDOM

Under the direction of Dr. Nile Gardiner, the Thatcher Center for Freedom led the charge against several international treaties that threatened to undermine American sovereignty. Dr. Theodore Bromund sounded the alarm over the “magical thinking” behind the UN Arms Trade Treaty (ATT). The feel-good pact is supposed to regulate the behavior of nations so that weapons don’t fall into the hands of terrorists or dictators. But, as Bromund pointed out, a treaty does not constitute a meaningful enforcement mechanism. Moreover, the ATT treats democracies and dictatorships the same—thereby affirming the right of tyrannies to import guns with which to oppress their people.

Bromund’s lucid critiques of the treaty, issued throughout the drafting process, led House and Senate offices to seek his advice in preparing a concurrent resolution opposing the pact. Introduced in March, the resolution quickly attracted 122 co-sponsors in the House and 28 in the Senate. In October, the Senate decisively rejected the treaty when fully half of the upper chamber signed onto a bipartisan letter formally pledging to oppose ratification. At year’s end, the National Defense Authorization Act (NDAA) included a Heritage-inspired amendment that bans funding for the ATT.

Steven Groves, Thatcher’s Bernard and Barbara Lomas Senior Research Fellow, led a coalition of NGOs opposing another UN pact—the Convention on the Rights of Persons with Disabilities. Woefully nebulous, the treaty refuses even to define “disability.” Rather, it asserts the term is “an evolving concept.” (In other words: “Ratify the treaty; we’ll tell you what it means later.”) Moreover, while supporters insist the pact would protect the rights of disabled Americans overseas, it contains no mechanism to make good on that promise.

Ultimately, Groves’ intellectual and pragmatic case against ratification carried the day. On Dec. 20, Sen. Bob Corker (R-Tenn.), ranking member of the Senate Foreign Relations Committee, announced his firm opposition to the treaty—effectively sinking its chances for 2014, and possibly for many years to come.

Margaret Thatcher Fellow Luke Coffey had a productive year as well. He briefed scores of Hill staffers on the risks attendant to a wholesale closure of U.S. military bases in Europe. His analysis helped turn the tide against a proposed amendment to the NDAA that would have withdrawn all U.S. troops from the continent, severely restricting America’s ability to project power globally.

Brett D. Schaefer, our Jay Kingham Senior Research Fellow in International Regulatory Affairs, continued to be a most effective watchdog, closely monitoring and exposing a variety



Dr. Nile Gardiner, Director of Heritage’s Margaret Thatcher Center for Freedom, discusses the Iron Lady’s legacy at a Sept. 24 book event in Lehrman Auditorium. Robin Harris, author of “Not for Turning: The Life of Margaret Thatcher” keynoted the event.



TOP THATCHER CENTER RESEARCH PAPERS:

The United States Should Recognize British Sovereignty Over the Falkland Islands

Luke Coffey, Theodore Bromund, Ph.D., and Nile Gardiner, Ph.D.

EU Defense Integration: Undermining NATO, Transatlantic Relations, and Europe’s Security

Luke Coffey

The U.S. Cannot Fix the UN Arms Trade Treaty

Theodore Bromund, Ph.D.

Ratifying the Disabilities Convention Will Not Help Americans with Disabilities at Home or Abroad

Steven Groves

U.S. Must Enforce Peacekeeping Cap to Lower America’s UN Assessment

Brett D. Schaefer

of shenanigans at the United Nations. Armed with Schaefer’s research on UN waste and malfeasance, the U.S. delegation pressured the General Assembly into adopting a 2014-2015 budget that is actually smaller than that of the previous biennium. The UN also implemented a pay freeze and, for the first time in its history, cut the size of its staff—both key Heritage recommendations.

Schaefer was also instrumental in working with Congress to block Administration efforts to change U.S. law that bars funding UN organizations that grant full membership to the Palestinians.



BENJAMIN MYERS

Thunderous applause greets Chinese human rights crusader Chen Guangcheng (in glasses) on his Jan. 30 visit to Heritage. Chen's dramatic escape from house arrest in Beijing made international headlines in 2012.

ASIAN STUDIES CENTER

Heritage's oldest research center, the Asian Studies Center (ASC), celebrated its 30th anniversary by engaging in the kind of substantive public diplomacy too seldom supplied by the Administration, for all its talk of "pivoting" to Asia.

ASC scholars travelled to Australia to hold the first Quad-Plus Dialogue on Asian regional security issues. The meeting, co-hosted by prominent think tanks from Australia, India, Japan, and the Philippines, focused on the common security challenges in the Pacific. Earlier, Heritage had co-hosted a conference on issues facing the U.S.-Korea Alliance. More than 300 academics and Korean officials attended those discussions in Seoul.

In January, North Korea announced that its new leadership would continue to develop its nuclear and long-range missile programs in preparation for an "upcoming, all-out action" against the U.S. Less than three weeks later, Pyongyang conducted its third nuclear test. Heritage immediately arranged a teleconference for reporters trying to make sense of the action. By day's end, Korea expert Bruce Klingner had briefed 59 journalists—including reporters from *The Wall Street Journal*, *Newsweek*, Agence France Presse and the *Yomiuri Shimbun*.

The Center's influence was felt on Capitol Hill as well. The North Korea Nonproliferation and Accountability Act of 2013 included

TOP ASIAN CENTER RESEARCH PAPERS:

China Global Investment Tracker

Multiple authors

A New View of Asia: 24 Charts that Show What's at Stake for America

Walter Lohman, John Fleming, and Olivia Enos

Time to Get North Korean Sanctions Right

Bruce Klingner

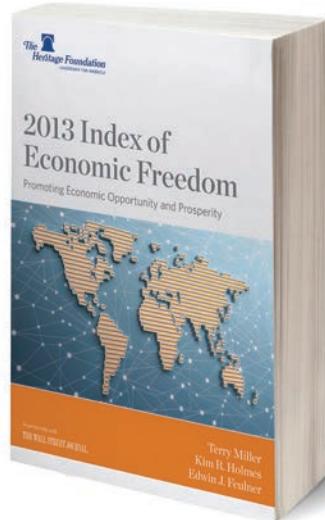
F-16C/D Fills Taiwan's Fighter Need

Dean Cheng

Beyond the Plateau in U.S. - India Relations

Sunjoy Joshi, C. Raja Mohan, Vikram Sood, Rajeswari Pillai Rajagopalan, James Jay Carafano, Ph.D., Walter Lohman, Lisa Curtis, and Derek Scissors, Ph.D.

language that captured many of Klingner's policy recommendations for dealing with the rogue regime. Additionally, a multi-year effort by the Center finally came to fruition when Congress approved funding for the realignment of U.S. forces in Japan. Heritage was the only think tank advocating for the construction necessary to fulfill critical U.S. security objectives in the Asia-Pacific.



Heritage Founder Ed Feulner reveals key findings of the “2013 Index of Economic Freedom” at a Jan. 10 press conference in Hong Kong. An internationally acclaimed resource for economists as well as policymakers, the 2013 Index received more than 5.3 million page views online.

CENTER FOR INTERNATIONAL TRADE AND ECONOMICS (CITE)

“The global advance toward economic freedom has ground to a halt.” That was the dispiriting finding of the “2013 Index of Economic Freedom,” published jointly by Heritage and *The Wall Street Journal*. The news for the U.S. was even gloomier: economic freedom had declined for the sixth straight year, placing us in the second-tier classification of “mostly free” economies. The continuing deterioration in the ratings—fueled largely by increasing regulatory intervention, excessive taxation, and even more excessive government spending—left “The Land of the Free” on the verge of falling from the ranks of the world’s 10 freest economies.

The good news was that people here and abroad paid attention. Easily Heritage’s most widely read piece of research, the Index garnered more than 5.3 million page views online. More than a dozen publishers asked permission to reprint Index chapters, charts, and tables for college textbooks and other curriculum resources.

Under the direction of Ambassador Terry Miller, Heritage’s Mark A. Kolokotrones Fellow in Economic Freedom, CITE also published its annual Special Report on trade freedom, *Congress Should Get Smart and Cut Tariffs to Boost Trade Freedom*. It is important research, not just for its valuable policy recommendations, but because the U.S. Millennium Challenge Corporation uses the findings to help determine which nations are the best candidates for aid compacts.

TOP CITE RESEARCH PAPERS:

2013 Index of Economic Freedom

Multiple authors

2013 Global Agenda for Economic Freedom

The Heritage Foundation Economic Freedom Task Force

How Economic Freedom Promotes Better Health Care, Education and Environmental Quality

James M. Roberts and Ryan Olson

Congress Should Get Smart and Cut Tariffs to Boost Trade Freedom

Bryan Riley and Ambassador Terry Miller

Promoting Economic Freedom: Key to Realizing the World Bank’s Mission

Ambassador Terry Miller and Anthony Kim

CITE teamed with the Thatcher Center to inject greater economic freedom in the “special relationship” between the U.S. and the United Kingdom. Bryan Riley, CITE’s Jay Van Andel Senior Policy Analyst in Trade Policy, and Thatcher’s Ted Bromund met with high government officials in London to lay the groundwork for a future U.S.-UK Free Trade Agreement. It has been two generations since Britain negotiated a trade agreement on its own. But in 2017, UK voters are expected to vote to discontinue membership in the European Union. Were that to happen, it would open the door to inking a bilateral trade pact that would advance economic freedom in both countries.



JOHN HARRINGTON

Sen. Mike Lee, R-Utah, outlines “What Conservatives Are For” in an April 22 address in Allison Auditorium. One of those things conservatives seek is collegiate accreditation reform, and in addressing that topic, Lee’s Higher Education Reform and Opportunity Act incorporates several innovative ideas from Heritage.

CENTER FOR POLICY INNOVATION

While the Left bemoaned income inequality and wanted to discuss how best to redistribute wealth, Heritage’s Center for Policy Innovation (CPI), led by Dr. Stuart Butler, focused its research program on ways to expand opportunity and economic mobility for all Americans.

Butler’s *Can the American Dream Be Saved?* appeared in *National Affairs* and immediately reframed the terms of debate. This was followed by a paper suggesting innovative ways to boost savings in poor communities—an essential step for amassing the capital needed to rise to the next rung of the economic ladder. One of Butler’s intriguing ideas—allowing financial institutions to offer raffle tickets as an inducement to savings—was subsequently incorporated in the bipartisan American Savings Promotion Act.

At the request of Congressional Budget Office Director Doug Elmendorf, Butler and Will Skillman Fellow in Education Policy Lindsey Burke briefed agency officials on their paper “Accreditation: Removing the Barrier to Higher Education Reform.” Elmendorf was so impressed with their outside-the-box recommendations, he had all of the agency’s remote offices teleconference into the discussion.

Lawmakers were impressed by their higher education work, too. Sen. Mike Lee (R-Utah) asked Butler and Burke to work with his staff on reform legislation and included Heritage ideas on accreditation reform in his Higher Education Reform and Opportunity Act.



TOP CPI RESEARCH PAPERS:

Boosting Economic Mobility Through Prize-Linked Savings

Stuart Butler, Ph.D., David John, and Sean Rust

Rebuilding Social Capital Through Community Institutions

Mary Clare Reim

A Guide to Understanding International Comparisons of Economic Mobility

Donald Schneider

How to Think About Long-Term Care

Robert Moffit, Ph.D.

Why Congress Needs a New Budget Process

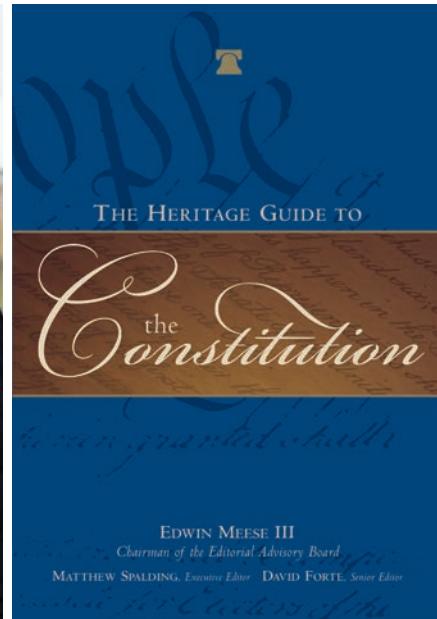
Patrick Knudsen

Dr. Robert E. Moffit produced two landmark papers for CPI. His blueprint for replacing Obamacare with a market-based alternative appeared in the prestigious *Journal of Law, Medicine and Ethics*. So much for the Left’s claim that conservatives have no positive solutions for the nation’s health policy ills!

A second major think-piece from Moffit addressed the disturbing trend of transferring governance authority from elected officials to unelected bureaucrats. His provocative discussion paper—“How to Roll Back the Administrative State”—outlined what Congress must do to regain control of federal rule-making. CPI followed up with a lively colloquium on the topic, co-hosted by our Simon Center for Principles and Politics.



UNIVERSITY OF KANSAS



David Azerrad, Director of our Simon Center for Principles and Politics, continues the discussion following his presentation of the Vickers Memorial Lecture, Oct. 17 at the University of Kansas School of Business. Azerrad spoke on “The Contested American Dream: Reflections on Opportunity, Prosperity, and Income Inequality.”

B. KENNETH SIMON CENTER FOR PRINCIPLES AND POLITICS

Heritage's Simon Center for Principles and Politics got a new Director in 2013. Formerly the Associate Director, David Azerrad moved up when long-time Director Matthew Spalding moved across the street and into a new position as Associate Vice President and Dean of Educational Programs for Hillsdale College. Spalding retained ties with the Simon Center, however, in the capacity of Henry Salvatori Visiting Fellow.

Azerrad conducted a year-long series of public lectures to push back against the Left's misguided focus on income inequality and to denounce corporate cronyism and the entitlement mentality. He argued instead for the good old American Dream, anchored in economic freedom and a culture that celebrates hard work. Azerrad carried his message from Harvard to the University of Kansas, as well as to gatherings of business leaders, civic leaders, and political activists.

Azerrad had more than ideas to offer. He had a plan. "America's Opportunity for All," published by Heritage in January, mapped out a practical approach for getting federal spending under control, balancing the budget, shrinking the debt, and limiting the size of government. By removing those barriers, policymakers could free the American genius for creating jobs, opportunity, and wealth. In effect, "America's Opportunity" set forth a conservative agenda for the new Congress.

TOP SIMON CENTER RESEARCH PAPERS:

 Makers of American Political Thought Series
Multiple authors

Liberalism Radicalized: The Sexual Revolution, Multiculturalism, and the Rise of Identity Politics
Kevin Slack

The True Origin of Society: The Founders on the Family
Scott Yenor

Remaking the World: Progressivism and American Foreign Policy
Christopher Burkett

The Myth of American Isolationism: Commerce, Diplomacy, and Military Affairs in the Early Republic
Marion Smith

The Center's education programs enjoyed a banner year. The Congressional Fellows Program—a seven-month course on the Principles of the Founders open to junior staff members on Capitol Hill—boasted a graduating class of nearly 80. That shattered the previous class record of 58. The Madison Fellows Program for senior Hill staff also attracted a large number of enthusiastic participants, many of them on the fast track to leadership positions in the policy world.

EDWIN MEESE III CENTER FOR LEGAL AND JUDICIAL STUDIES

In February, Edwin Meese stepped down as Director of the Legal Center that now bears his name and stepped into his new role as Ronald Reagan Distinguished Fellow Emeritus. He still co-hosts regular meetings of both the Religious Liberty Forum and the National Security Law Working Group, where legal strategies in defense of constitutional rights and responsibilities are developed and refined.

John G. Malcolm, Heritage's Ed Gilbertson and Sherry Lindberg Gilbertson Senior Legal Fellow, now leads the Center on its mission to preserve and promote Constitutional principles and the rule of law.

Two "behind the scenes" initiatives conducted by the Center are its Moot Court program and amicus conferences. In 2013, the Center organized nine amicus conferences to help attorneys handling Supreme Court cases solicit "friend-of-the-court" briefs on issues of tremendous public interest.

The Moot Court sessions—in which Supreme Court litigators and scholars play the role of justices—help conservative advocates hone the oral arguments they will make in landmark cases before the High Court. It's intense training, and the advocates often sing our praises. Texas Attorney General Greg Abbott declared that his day in the Supreme Court defending



STEVEN E. PURCELL

Judge Diarmuid O'Scannlain delivers the sixth annual Joseph Story Distinguished Lecture in Allison Auditorium. Following the Oct. 23 speech, Distinguished Fellow Emeritus Ed Meese (background) presented O'Scannlain with Heritage's Defender of the Constitution Award.



EXPOSING THE EVILS OF OVER-CRIMINALIZATION

Heritage carried its ongoing campaign against over-criminalization from Capitol Hill to the national media. To foster greater understanding of the problem and potential solutions, Meese Center scholars briefed dozens of lawmakers and staff members. Our Over-criminalization 101 briefing alone drew more than 70 House staffers in January.

That spadework paid off in May, when the House Judiciary Committee formed a bipartisan Over-criminalization Task Force. Meese Center Director John Malcolm testified at the Task Force's first hearing in June and helped coordinate a later hearing that featured testimony from some of those victimized by over-criminalization.

To alert the broader public to this problem, our scholars reached beyond the Beltway. In addition to producing *USA vs. You: The Flood of Criminal Laws Threatening Your Liberty*, they penned numerous newspaper columns exposing outrageous cases such as those of:

- Jeff and Jennifer Councillor, charged with "unlawful possession of a deer." The Councillors had found an injured fawn on their neighbor's porch and nursed it back to health. Possible penalty: up to 60 days in jail and \$2,000 in fines.
- Alison Capo, whose 11-year-old daughter rescued an endangered woodpecker from the family cat. U.S. Fish and Wildlife fined Alison \$535 and threatened jail for violating the Federal Migratory Bird Act.

In 2013, the Meese Center publicized 11 over-criminalization incidents in which authorities had charged individuals with crimes, but not yet decided whether to prosecute. Uncomfortable in the sunlight, authorities ultimately dropped the charges in nine of those cases.

the display of the Ten Commandments on state property was “mild compared to what [he] had to encounter at Heritage.” Said Jordan Lorence, Senior Counsel at the Alliance Defending Freedom: “These practice sessions at Heritage have become over the years a must stop for anyone arguing a case before the Supreme Court promoting limited government, ordered liberty, and a proper interpretation of the Constitution.”

The Meese Center was also active at the state level. Senior Legal Fellow Hans von Spakovsky, our lead analyst on election law reform, helped states stand their ground in defense of voter identification laws and other efforts to preserve the integrity of elections.

In 2013, von Spakovsky testified on behalf of voter identification laws in North Carolina and Kentucky. Several other states, including South Carolina, Texas, and Florida, used von Spakovsky’s research to respond to legal objections raised by Eric Holder’s Department of Justice in opposition to voter ID and other security measures, such as procedures to verify the citizenship of voters.

Von Spakovsky was also a leading voice in the debate that followed the Supreme Court decision in *Shelby County v. Holder*, which struck down the coverage formula of Section 5 of the Voting Rights Act (VRA). In testimony before the House Judiciary Committee’s Subcommittee on the Constitution and in numerous columns, he explained why Section 5—which was based on 40-year old data—was no longer relevant to today’s electoral process and how other sections of the VRA can easily remedy any future instances of voting discrimination.



TOP MEESE CENTER RESEARCH PAPERS:

The Newtown Tragedy: Complex Causes Require Thoughtful Analysis and Responses

John Malcolm and Jennifer Marshall

Protecting the First Amendment from the IRS

Hans von Spakovsky

The Need for a Mistake of Law Defense as a Response to Overcriminalization

Paul Larkin

Mandatory Voter Registration: How Universal Registration Threatens Electoral Integrity

Hans von Spakovsky

How to Spot Judicial Activism: Three Recent Examples

Elizabeth Slattery



Jennifer Marshall, Director of the Richard and Helen DeVos Center for Religion and Civil Society, welcomes attendees to a spirited panel discussion of “The Marriage Debate: What’s At Stake,” March 25 in the Allison Auditorium.

RICHARD AND HELEN DEVOS CENTER FOR RELIGION AND CIVIL SOCIETY

Led by Jennifer A. Marshall, Heritage’s Director of Domestic Policy Studies, the DeVos Center for Religion and Civil Society concentrated on three key initiatives: fighting poverty, defending religious liberty, and communicating why marriage matters.

Marshall and the DeVos team organized conservative efforts to fight poverty and reform welfare to promote self-sufficiency rather than government dependence. To build momentum, Heritage hosted its third annual Anti-poverty Forum in the Capitol. The event drew 100 “influentials” and major attention from the media. Powerful remarks by Sen. Mike Lee (R-Utah) and Rep. Paul Ryan (R-Wis.) received national coverage.

Throughout the year, the team also hosted an anti-poverty working group with House and Senate staffers to educate lawmakers about effective policy approaches. Field trips introduced Members of Congress to private ventures such as D.C.-based Central Union Mission and, along with Bob Woodson of the Center for Neighborhood Enterprise, to the City of Help/House of Hope—private organizations that are transforming lives daily.

The DeVos team promoted effective anti-poverty proposals based on proven reform strategies. *The Unfinished Work of Welfare Reform*, a *National Affairs* essay by Marshall and Heritage Senior Research Fellow Robert Rector, charted the direction for the conservative reform initiative. As the year drew to a close, Rep. Jim Jordan (R-Ohio) and Sen. Lee were poised to introduce legislation based on Heritage research and policy work to cap the explosive growth of welfare spending and to convert food stamps to a work-activation program.

The DeVos Center continued to co-host the Religious Liberty Forum (RLF), which brings together more than 50 policy experts, religious leaders, and conservative litigators to strategize how best to thwart threats to domestic religious freedom. A key focus in 2013 was the Obamacare rule forcing religious employers, both nonprofit and for-profit, to provide employees with health coverage for abortion-inducing drugs and contraception or face ruinous fines.

Marshall and Policy Analyst Sarah Torre penned dozens of commentaries explaining why Americans shouldn't be forced to leave their faith at the church door. In concert with other RLF participants, their work encouraged hundreds of religious employers to file suits challenging the mandate. At year's end, the Supreme Court consolidated two cases (filed by Hobby Lobby and Conestoga) and agreed to hear arguments. Its ruling is expected in June 2014.

Anticipating two marriage cases heard during the Supreme Court's spring session, the DeVos Center developed and coordinated a public education campaign to explain what marriage is and what would be the consequences if policymakers redefined the institution. The DeVos team briefed Members of Congress on the issue and trained allies to discuss the issue persuasively. Partnering with five allied organizations, we also published and distributed the enlightening, plain-language booklet *What You Need to Know about Marriage*.

One of the year's most pleasant developments was the "overnight" success of Ryan T. Anderson, Heritage's William E. Simon Fellow in Religion and a Free Society. In the often-strident national debate over same-sex marriage, Anderson emerged as a sensitive and sensible voice. Co-author with Robert George and Sherif Girgis of the book "What is Marriage," Anderson's arguments defending traditional marriage won plaudits in academic as well as legislative circles.

But it was a March 26 appearance on CNN's "Piers Morgan Live" that earned him popular accolades. Morgan seated Anderson in the audience so he and guest Suze Orman could look down on him from a stage. The elevated pair then proceeded to hector, lecture, and insult the Heritage scholar for his "uneducated" views on same-sex marriage. Anderson remained civil, stuck to the facts... and won the argument. Media pundits discussed his stellar performance—and the disgraceful conduct of his "host"—for days afterward.

Anderson went on to write commentaries on the marriage debate for CNN, *The Washington Post*, and dozens of other major media outlets. In November, the Washington-based Young Conservatives Coalition presented Anderson with its "Buckley Award" in recognition of his significant contribution to the conservative movement.



STEVEN E. PURCELL

SLOWING THE RUSH TO COMMON CORE

On July 1, Oklahoma State Superintendent Janet Barresi announced the Sooner State would be downgrading its involvement with a multi-state consortium working to develop standardized tests based on the Common Core Standards.

Barresi's announcement came as no surprise to Lindsey Burke, Heritage's Will Skillman Fellow in Education Policy (above). With research reports, testimony in state capitols, and hundreds of media interviews across the country, Burke and her Heritage colleagues have encouraged lawmakers, educators and parents to take a closer, critical look at Common Core since 2009.

And that closer look has led to increasing disenchantment with the program. In addition to Oklahoma, at least half a dozen other states have pulled out of the testing consortia, and others are considering following suit.

TOP DEVOS CENTER RESEARCH PAPERS:

Marriage: What It Is, Why It Matters, and the Consequences of Redefining It

Ryan Anderson

Obamacare's Many Loopholes: Forcing Individuals and Taxpayers to Fund Elective Abortion Coverage

Sarah Torre

The Unfinished Work of Welfare Reform

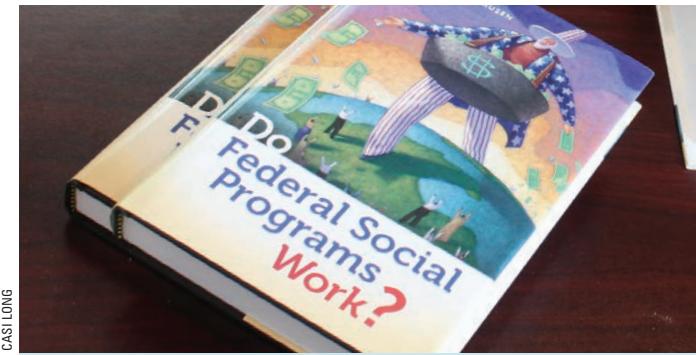
Robert Rector and Jennifer Marshall

ENDA Threatens Fundamental Civil Liberties

Ryan Anderson

Adoption, Foster Care, and Conscience

Sarah Torre and Ryan Anderson



CASS LONG

"DO FEDERAL SOCIAL PROGRAMS WORK?"

That question was asked and answered decisively in 2013 by Dr. David B. Muhlhausen, CDA's Research Fellow in Empirical Policy Analysis.

An academic tour de force, Muhlhausen's book reviews a wealth of large-scale, scientifically rigorous evaluations of social programs intended to help American children, families, and workers. Almost unanimously, he reports, those evaluations show the programs just don't work.

Syndicated columnist George F. Will praised the book for presenting what he called "an avalanche of inconvenient evidence." And Charles Murray, the American Enterprise Institute's W.H. Brady Scholar, called the book "an invaluable service" adding: "Anyone who wants to dispute [Muhlhausen's] conclusion that federal social programs have failed must confront the evidence he presents—and that evidence is overwhelming."

TOP CDA RESEARCH PAPERS:

How Will You Fare in the Obamacare Exchanges?

Drew Gonshorowski

Heritage Contributes to the Reopening of the White House's Social Cost of Carbon Discussion

Kevin Dayaratna and David Kreutzer, Ph.D.

Europe's Fiscal Crisis Revealed: In-Depth Analysis of Spending, Austerity, and Growth

Alberto Alesina, Ryan Bourne, Salim Furth, Ph.D., David Howden, Filip Jolevski, Derrick Morgan, Miguel Marin, Matthew Melchiorre, Dalibor Rohac and Veronique de Rugy

What is Minimum Wage: Its History and Effects on the Economy

James Sherk

Productivity and Compensation: Growing Together

James Sherk

CENTER FOR DATA ANALYSIS

In his 2013 State of the Union Address, President Obama proposed raising the minimum wage. James Sherk promptly dismantled the President's arguments. Heritage's Senior Policy Analyst in Labor Economics, Sherk fired off a paper demonstrating that most minimum-wage earners are young people just entering the job market as part-timers—not single parents working full-time jobs.

Sen. Lamar Alexander (R-Tenn.) was among those citing Sherk's data to argue that artificially raising the wage would actually "hurt the people we want to help." The President's proposal went nowhere.

Later in 2013, Sherk worked closely with Michigan's Mackinac Center for Public Policy to educate state lawmakers about the economic advantages of expanding worker freedom. The effort paid off when Michigan passed a right-to-work law.

That type of applied economic research is the bread-and-butter of Heritage's Center for Data Analysis. The CDA boasts one of the nation's largest privately held collections of public databases. Using an integrated set of state-of-the-art econometric models, CDA analysts are able to calculate how proposed changes in tax, health, energy, education, entitlements, and welfare policy will affect the federal budget, taxpayers' wallets, and the national economy.

In 2013, Lazof Family Fellow Rea S. Hederman, Jr., took the helm of the CDA when his predecessor, William Beach, was named a Chief Economist for the Senate Budget Committee. Under Hederman's leadership, CDA scholars had an extraordinarily successful year, producing timely economic analyses that weighed heavily in some of the year's most critical policy decisions.

For example, as states pondered whether or not to expand their Medicaid programs (as desired by the architects of Obamacare), Policy Analyst Drew Gonshorowski produced a state-by-state cost analysis. It showed that, even with Obamacare's promise of billions more dollars in federal aid, the expansion would—within 10 years—raise Medicaid costs dramatically in 40 states.

The Wall Street Journal brought national attention to the findings. And state think tanks used the study to fight Medicaid expansion in their jurisdictions. Ultimately, 20 states resisted the temptation of accepting "free" Medicaid expansion.

The CDA also actively combatted the Left's brash contention that "debt doesn't matter." While *The New York Times'* Paul Krugman assured Washington's big-spenders that "a debt crisis can't happen to a country like the United States, which has

its own currency and borrows in that currency,” Dr. Salim Furth, CDA’s Senior Policy Analyst in Macroeconomics, penned “High Debt Is a Real Drag.” This Issue Brief reviewed the research that demonstrates how excessive government debt wreaks severe economic damage. Budget Committee staff distributed the paper to the entire Senate Republican Caucus, calling it one of the best summaries of the issue ever.

Also impactful was a paper by Dr. David W. Kreutzer and Kevin Dayaratna. They had already started analyzing how the Administration’s push to reduce coal-generated electricity would affect the economy when the President announced he would have a “major policy announcement” regarding climate change later that week. The pair quickly shifted into overdrive and were able to release some of their findings the day before the President’s speech. The full report, published just a few days later, was the only on-topic economic impact study to appear that week. Their timely work generated far-flung print and broadcast media coverage, including a debate appearance for Kreutzer on NPR.

Later in the year, Dayaratna proved the utility of rigorous research in keeping the regulatory regime in check. Puzzled by the Administration’s outlandish estimates of the societal costs of carbon dioxide emissions, he put the Environmental Protection Agency’s model of the Social Cost of Carbon (SCC) under the microscope... and found an error. The EPA was forced to adjust its model and redo its analysis. Its subsequent report lowered the estimated SCC by 2.6%—a difference of hundreds of millions of dollars over the next few years. Because of Dayaratna’s eagle eye, the EPA now has far less leverage in its campaign to punish carbon emitters with even more expensive regulations.

CENTER FOR HEALTH POLICY STUDIES

Throughout the year, scholars in Heritage’s Center for Health Policy Studies (CHPS) watched the Obamacare debacle unfold precisely as they had predicted. Under the direction of Preston A. Wells, Jr. Fellow Nina Owcharenko, CHPS analysts patiently explained why the approach did not and could not work, how state governments could limit the damage, and what lawmakers should do next to help make high-quality, affordable health-care available to all Americans.

Senior Research Fellow Edmund F. Haislmaier showed how expanding Medicaid beyond its current reach would only exacerbate the difficulties that the troubled program already has in providing access to care and improving health outcomes. He also warned of the impractical demands and constraints Obamacare imposes on states inclined to create their own health insurance exchanges.



SHEALAH CRAIGHEAD

TOP: Alyene Senger, a Research Associate in our Center for Health Policy Studies (CHPS), became a regular in discussions about Obamacare on FOX News Channel’s “Sean Hannity Show.” ABOVE: At Heritage’s January Policy Retreat for conservative Members of Congress, CHPS Director and Preston A. Wells, Jr. Fellow Nina Owcharenko discusses “Conservative Solutions to America’s Health Care Challenges.”

Haislmaier became a frequent visitor to statehouses across the country where he testified before lawmakers and advised public health officials as they struggled to come to grips with the health law. Working in concert with Heritage’s Coalition Relations team, CHPS scholars provided original research and shared the findings of allied state-level think tanks with local policy organizations and the Republican Governors

Association as they considered how best to cope with implementation of the federal law.

Ultimately, a score of states limited their liability by declining to expand Medicaid. Another 34 opted to let the federal health exchange handle enrollments, rather than try to create their own exchange. By year's end, many more states were doubtless wishing they had taken that route, as well.

Senior Policy Analyst Chris Jacobs was seemingly omnipresent—online, in newspapers, and on the airways—warning about additional Obamacare-sparked problems lurking in the not-too-distant future.

Refuting the Left's claim that opponents of government-managed health care have nothing constructive to offer, CHPS published "After Repeal: Moving to Patient-Centered, Market-Based Health Care." The paper delineated five core principles to drive successful health reform:

- Let individuals choose, control, and carry their own health insurance;
- Let free markets provide the health care services and insurance that people want;
- Encourage employers to provide a portable health insurance benefit to employees;
- Assist those who need help through civil society, the free market, and the states, and
- Protect the right of conscience and unborn children.



TOP CHPS RESEARCH PAPERS:

After Repeal of Obamacare: Moving to Patient-Centered, Market-Based Health Care

Multiple authors

Health Insurers' Decision on Exchange Participation: Obamacare's Leading Indicators

Edmund Haislmaier

Congress in the Obamacare Trap: No Easy Escape

Robert Moffit, Ph.D., Edmund Haislmaier and Joseph Morris

Defunding Obamacare: The Next Best Option

Chris Jacobs

Ten Broken Obamacare Promises

Alyene Senger



FACE TO FACE PHOTOGRAPHY

James Gattuso, our Senior Research Fellow in Regulatory Policy, testifies March 5 before a subcommittee of the House Judiciary Committee as it considers H.R. 367, the REINS Act. The proposal is designed to strengthen Congressional oversight of the regulatory process.

THOMAS A. ROE INSTITUTE FOR ECONOMIC POLICY STUDIES

Heritage's Roe Institute has always been a high-energy research shop. And in 2013, Roe analysts were highly successful in the energy policy arena.

For years, Heritage has urged the Nuclear Regulatory Commission to complete its review of the Energy Department's application to build a nuclear-waste repository at Yucca Mountain. Federal law sets a time-period for completion of the review, but in deference to the Administration's opposition to the repository, the NRC simply ceased all work on its nearly-finished review and let the deadline pass.

Opponents thought they had killed the project, but Heritage refused to let it die. Roe scholars were among the first to argue that the President acted in violation of the law by trying to withdraw the application from the NRC. Digital Media Director Robert Bluey aided the cause by filing a Freedom of Information Act request that extracted documents from the Commission that proved invaluable in the subsequent legal challenge. Meanwhile, Roe analysts prepared in-depth policy analyses showing that finishing the Yucca permitting process was critical to America's nuclear energy future.

In August, the U.S. Court of Appeals for the D.C. Circuit issued a writ compelling the NRC to complete its review of the application. In addition to paving the way toward construction of America's first long-term storage site for high-level radioactive waste, the ruling guarantees that \$15 billion worth of knowledge accumulated during project development will not go to waste.

Roe scored a second nuclear waste victory in November when a federal appeals court panel ordered the Energy Department

to zero out its nuclear waste fee until the Yucca Mountain project is reopened or some other waste disposal program is established. Heritage scholars have argued for years that the fee should be permanently removed or at least suspended until the government actually starts providing waste services. The court decision does the latter.

In July, Energy Secretary Ernest Moniz folded two offices into one. It was a reorganization recommended one month earlier in “Turning the Page: Reimagining the National Labs in the 21st Century Innovation Economy,” a report prepared by Heritage and two other think tanks. Moniz’s announcement came just days after Roe Institute Director Jack Spencer testified in support of the reorganization—and several other recommendations for reducing duplication and inefficiencies in the department—before the Energy Subcommittee of the House Committee on Science, Space, and Technology.

Heritage was also the first think tank to analyze the Consumer Financial Protection Bureau’s initial foray into promulgating regulations. Its findings were summarized well in the report title: “The CFPB in Action: Consumer Bureau Harms Those It Claims to Protect.”

Throughout the year, Heritage documented how the bureau—created by the Dodd-Frank Act of 2010—was fulfilling our prediction that it would become one of the most powerful and unaccountable federal agencies ever created. Diane Katz, the Roe Institute’s Research Fellow in Regulatory Policy, capped this remarkable series of reports with “Dodd-Frank Mortgage Rules Unleash Predatory Regulators,” a December Backgrounder that soon had pundits talking about the CFPB’s “predatory practices.”



TOP ROE CENTER RESEARCH PAPERS:

House Water Resources Development Act: Ditch Senate Bill Blunders, Reform the Army Corps

Emily Goff

EPA Power Plant Regulations: A Backdoor Energy Tax

Nick Loris, Kevin Dayaratna and David Kreutzer, Ph.D.

Red Tape Rising: Obama Era Regulation at the Three Year Mark

James Gattuso and Diane Katz

Proposed New Farm Programs: Costly and Risky for Taxpayers

Daren Bakst

Debt Limit: Options and the Way Forward

Romina Boccia



Diane Katz discusses costly overregulation of the energy sector in a Sept. 12 appearance on FOX Business Channel. Throughout the year, Katz repeatedly blew the whistle on excessive regulation in her continuing series: “Tales of the Red Tape.”

HERITAGE EXPOSES OVER-REGULATION OF... WABBITS??

For years, Diane Katz, the Roe Institute’s Research Fellow in Regulatory Policy, has penned “Tales of the Red Tape,” a series of hair-raising stories of regulatory excess. The July 2 installment told the hare-raising tale of Marty the Magician. Like any self-respecting magician, Marty Hahne uses a rabbit in his act. And, thanks to the U.S. Department of Agriculture, Marty has had to write up and file a “contingency plan” detailing the steps he will take to assure the rabbit’s well-being in the event of a natural or man-made disaster.

Why, you ask? According to the USDA, the rule aims to “increase the regulated community’s awareness and understanding about their responsibilities to protect their animals in emergency situations.” This cotton-tale was so ludicrous, *The Washington Post* gave Marty’s plight front-page play two weeks after Katz broke the story.

A FELLOWSHIP OF SCHOLARS

Heritage boasts six Distinguished Fellows. This designation recognizes individuals who, in addition to their profound scholarship, bring a wealth of experience and achievement to the table.

DISTINGUISHED FELLOWS—2013



STUART M. BUTLER, PH.D.

*Distinguished Fellow
and Director, Center for
Policy Innovation*



ELAINE CHAO

Distinguished Fellow



LEE EDWARDS, PH.D.

*Distinguished Fellow in
Conservative Thought*



KIM R. HOLMES, PH.D.

Distinguished Fellow



EDWIN MEESE III

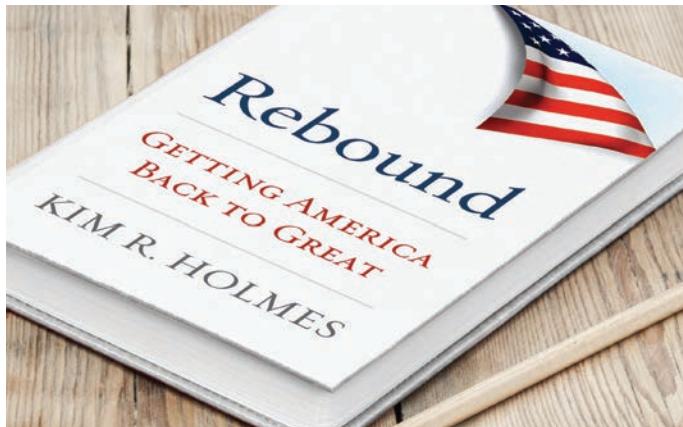
*Ronald Reagan Distinguished
Fellow Emeritus*



JIM TALENT

Distinguished Fellow

PHOTO: DAVID HILLS



GETTING AMERICA BACK TO GREAT: HOLMES CHARTS THE WAY

More and more Americans worry that ours is a nation in decline. And with good reason.

In 2013, Heritage's newest Distinguished Fellow wrote the book on this topic—literally.

In "Rebound: Getting America Back to Great," Kim R. Holmes traced how our nation has strayed from the principles and practices that made it the envy of the world. But the book doesn't dwell on the negative.

Holmes goes on to present a plan to revitalize our economy, reclaim civic virtue, and restore American strength. The key: restoring the natural connections between morality and freedom, between civil society and limited government.

"Rebound" found a wide audience and many admirers. Among the latter was Arthur Brooks, President of the American Enterprise Institute. "Contrary to the pessimists," Brooks wrote, "Holmes argues that America's greatest days remain ahead—if we build on the values and freedoms that have made us great."

That belief, shared by all Heritage researchers and analysts, is reflected in every Heritage policy recommendation.

2013 NAMED FELLOWS:

Heritage is home to some of the brightest minds in the nation. And we have been blessed with many donors who are committed to making sure we can continue to attract and retain top-flight scholars. In 2013, we were able to offer two new fellowships:



**CHUNG JU-YUNG FELLOW
FOR POLICY STUDIES**

Edwin J. Feulner, Ph.D.



**MARK A. KOLOKOTRONES FELLOW
IN ECONOMIC FREEDOM**

Ambassador Terry Miller



**WILL SKILLMAN FELLOW
IN EDUCATION**

Lindsey Burke



**DAVID L. COFFEY FELLOW IN
GOVERNMENT STUDIES**

Danielle Doane



LAZOF FAMILY FELLOW

Rea Hederman



**MARGARET THATCHER SENIOR
RESEARCH FELLOW**

Luke Coffey



**ED GILBERTSON AND SHERRY
LINDBERG GILBERTSON SENIOR
LEGAL FELLOW AND DIRECTOR OF
RULE OF LAW PROJECTS**

John Malcolm



**BERNARD AND BARBARA LOMAS
FELLOW**

Steven Groves



**NORMAN B. TURE SENIOR
RESEARCH FELLOW**

J.D. Foster, Ph.D.



**MARILYN AND FRED
GUARDABASSI FELLOW IN MEDIA
AND PUBLIC POLICY STUDIES**

Kenneth McIntyre



**HERBERT AND JOYCE MORGAN
SENIOR RESEARCH FELLOW**

Nicolas Loris



**JAY VAN ANDEL SENIOR ANALYST
IN TRADE POLICY**

Bryan Riley



**GROVER M. HERMANN FELLOW IN
FEDERAL BUDGETARY AFFAIRS**

Romina Boccia



E.W. RICHARDSON FELLOW*

James Jay Carafano, Ph.D.



**PRESTON A. WELLS, JR.
FELLOW IN HEALTH POLICY**

Nina Owcharenko



**JAY KINGHAM SENIOR FELLOW
IN INTERNATIONAL REGULATORY
AFFAIRS**

Brett D. Schaefer



**HENRY SALVATORI VISITING*
FELLOW**

Matthew Spalding, Ph.D.



**JOHN, BARBARA, AND VICTORIA RUMPEL
FELLOW**

Open



**F.M. KIRBY RESEARCH FELLOW IN
NATIONAL SECURITY POLICY**

Baker Spring



**WILLIAM E. SIMON FELLOW IN
RELIGION AND A FREE SOCIETY**

Ryan Anderson

*NEW FELLOWSHIPS IN 2013
PHOTOS: DAVID HILLS



BENJAMIN MYERS

Media Trainer Beverly Hallberg debriefs Margaret Thatcher Senior Research Fellow Luke Coffey following a satellite interview in Heritage's Elmore Family TV Studio.



Heritage Action for America CEO Mike Needham kicks off a June 5 Sentinel Town Hall meeting in Virginia Beach, Va.

HERITAGE ACTION: FIGHTING TO HOLD CONGRESS ACCOUNTABLE

“The evolution for Heritage Action, which was founded in 2010 and functions as the political arm of the Heritage Foundation, has been slow and steady. What started as another pressure group among hundreds has now become, in essence, the conservative movement’s daily whip team....”

—Robert Costa, “Action Figure,” *National Review Online*, Oct. 30, 2013

President Obama’s reelection led many pundits to suggest that America had become a center-left country. Political strategists advised conservatives to “reevaluate” their principles.

Heritage Action’s response: “No way.”

Instead, Heritage Action encouraged politicians to eschew shortsighted political gimmicks and unprincipled deals. Aided by an army of savvy, committed grassroots activists, our professional government relations team urged lawmakers to block destructive policies and advance a truly conservative agenda.

In a city flooded with special-interest lobbyists and rent-seeking associations, Heritage Action’s 30-person team proved a counterforce to be reckoned with. As *The Washington Post* put

it: “Think of Heritage Action as the Clark Kent of the conservative think tank world.” Even when the odds seemed insurmountable, Heritage Action’s unique formula was able to secure important legislative victories and rebuff what Washington’s conventional wisdom suggested were inevitable defeats.

In the immigration battle, *National Review* characterized Heritage Action as “David against the Gang of Eight’s Goliath,” adding “Heritage Action is basically it” — conservatives’ last line of defense against amnesty. The line held. The Senate amnesty bill limped to passage in the upper chamber. With support there falling far short of prediction, the measure moved to the House with zero momentum.

As a bipartisan gun control measure started to move in the Senate, Heritage Action’s knowledge of the intricacies of

Senate procedure came into play. Conservative allies in the Senate were able to delay a crucial vote on the bill, while Heritage Action built intense grassroots pressure. Washington insiders admired the two-front strategy, with *National Journal* calling Heritage Action a “political force to be reckoned with” on Second Amendment issues.

The White House fumed as three United Nations’ treaties, including the Arms Trade Treaty and the Law of the Seas Treaty, hit a brick wall on the road to Senate ratification. In each instance, Heritage Action had convinced Senators to commit publicly to opposing the pact. This ensured there would be no backroom deals that undermined America’s sovereignty.

Heritage Action also blocked House consideration of the Senate-passed Marketplace Fairness Act by working with House Judiciary Committee Chairman Bob Goodlatte (R-Va.) to develop a set of principles that all but preclude any Internet Sales Tax. And for the second year in a row, Heritage Action led the effort to stop the passage of a \$1 trillion food stamp and farm bill.

On every issue, Heritage Action made the superior policy argument. But that’s not always enough to guarantee victory. Given the misaligned incentives in Washington, success requires more than facts and moral persuasion. Lawmakers must feel constant pressure to do the right thing, even if they do it for political ends. To create that dynamic, Heritage Action continued to grow its grassroots infrastructure.

Heritage Action is recruiting and training an activist army that has already made its voice heard in Washington. Just as many Members of Congress know their Heritage Action Legislative Scorecard score, they know the names of their local Heritage



MIKE TOPHAM

Sentinel John Brill discusses strategies for expanding Heritage Action’s army of grassroots activists at a June 7 meeting in Roanoke, Va.

SENTINEL IN THE SPOTLIGHT: HOPE FOULDS



Like many Americans, policy and politics was mostly an afterthought for Hope Foulds. That changed in 2003 when, caught up in a massive layoff, she lost her job of seven years. Hope began asking how this could happen to her and, more importantly, what she could do about it.

After a slew of unrewarding temp-to-hire jobs, Hope decided at the age of 43 to take these questions to a bigger playing field. Reluctantly, she left the workforce—of which she had been a part of since age 18—to pursue a degree in International Studies and Political Science. As her passion for American politics grew stronger, Hope realized she had to be a part of the solution, that she could play a meaningful role in bringing America back to its core values and principles.

It was during that time that Hope found The Heritage Foundation. As she became more familiar with Heritage, “something clicked” and Hope became involved with Heritage Action for America.

In June 2013, Hope connected with one of Heritage Action’s Regional Coordinators and became intimately involved in the fight to hold Congress accountable. “I finally saw my opportunity to get in the game in an even bigger way,” she says.

That afternoon, Hope went home and started the Heritage Sentinel Coalition of Tennessee for like-minded citizens in Knoxville, Tenn.

Since that time, Hope has been working with a small, but growing number of dedicated Tennesseans to build awareness and develop a unique plan to hold their Members of Congress accountable. In the past year, Hope met with her Representative to, in her words, “discuss his commitment to conservative policy.”

In addition to attending numerous local Tea Party and GOP meetings to promote conservative accountability and Heritage Action, Hope has spent hours researching what effective measures are being utilized across Tennessee and the country to build a grassroots army dedicated to passing conservative policy solutions through Congress.

Why does she do it? “This is my passion,” Hope explains. “I hope that my small part will help to leave this great country a better place for my daughter and future generations.”



MIKE TOPHAM

At a Young Professionals “meet-up,” Heritage Foundation President Jim DeMint (far left) stresses the need for young conservatives to make lawmakers aware of their policy views. Among those listening: Andrew Hemby (left center), Mark Early (right center) and Dan Abebeyehu (far right). Heritage Action sponsored the June 6 meeting in Richmond, Va.

Action Sentinels. Heritage Action’s legislative success depends on this growing group of 6,000 Sentinels. Highly motivated and informed, they ask tough questions at town hall meetings, write well-timed letters to their local editors, and use social media to apply pressure to their Members of Congress.

In 2013, Heritage Action expanded its field program to 180 strategically selected congressional districts. In each district, Regional Coordinators identified, trained, and deployed conservative activists.

Just as Heritage Action’s inside-outside approach to Capitol Hill led to stunning defeats for President Obama’s legislative agenda, so it advanced conservative policy in Washington’s hostile political environment. On two of the year’s most important issues—spending and Obamacare—Heritage Action was at the forefront.

Early in the year, Heritage Action and other conservative groups urged the House to pass a budget that balanced in 10 years without raising taxes. Within days, House Speaker John Boehner (R-Ohio) publicly embraced the idea. Months later, after the House passed a budget that would balance in a decade, *Politico* reported that “it was a winning argument across a broad swath of politically moderate—and nearly split—districts.”

Later, Heritage Action’s push to defund Obamacare altered the political landscape. While Congress was on August recess,

Heritage Action launched a nine-city tour featuring Heritage President Jim DeMint and Sen. Ted Cruz (R-Texas) to focus the nation on Obamacare’s failures. According to *The Wall Street Journal*, the defund strategy was “deployed with precision.”

The effort, which ultimately coincided with the law’s disastrous rollout, painted President Obama and many of his congressional allies as uncompromisingly loyal to a demonstrably unworkable, unaffordable, and unpopular law.

Heritage Action also helped introduce numerous pieces of legislation modeled on Heritage Foundation ideas. These included Sen. Mike Lee’s (R-Utah) higher education reform bill, Rep. Jeb Hensarling’s (R-Texas) bill to end Fannie Mae and Freddie Mac, and Rep. Raul Labrador’s (R-Idaho) bill to protect religious liberty.

“Since its founding in 2010, Heritage Action has worked aggressively to influence lawmakers on issues from immigration to agriculture to the budget,” *Time* magazine wrote. “It uses a three-pronged strategy to twist arms on Capitol Hill: lobbying members on hot-button issues, ranking them publicly on how they vote, and getting word out far and wide when lawmakers buck the conservative line.”

That combination, *Time* concluded, is “unparalleled in either party.” And very, very effective. ☒



ROB CANNON

Class of '13—Heritage summer interns gather round President Jim DeMint for their class photo.

DEVELOPING CONSERVATIVE LEADERS FOR THE NEXT 40 YEARS

The conservative movement is here to stay. And Heritage is fully committed to ensuring that it can draw upon a wealth of principled, intelligent leadership for years—and generations—to come.

That's why we run the largest internship program of any think tank in the nation. In 2013, this rigorous program selected 185 young people and gave them graduate-level instruction as well as real-world experience working shoulder-to-shoulder with our researchers, policy analysts, and marketing professionals.

Under the direction of Heather Pfitzenmaier, Heritage's Young Leaders Program welcomed 110 delegations of students and young professionals to our D.C. headquarters and briefed them on conservative principles and Heritage policy recommendations. Her staff also spent significant time "circuit riding" among the nation's college campuses. Often in partnership with local conservative groups, they spoke with students at 87 events on campuses in 25 states, voicing conservative

principles and viewpoints that are too seldom presented in academic circles today.

State, local, and foreign think tanks waving the conservative banner thirst for continuing education as well. That's why Heritage hosts the annual Resource Bank meeting. Organized by Bridgett Wagner, Director of Coalition Relations, the 2013 meeting in Orlando drew nearly 500 conservative think tank executives, policy experts, and activists for three days of policy symposia, strategy sessions, "best practices" management training, and coalition building.

Recognizing that no place stands in greater need of education than Capitol Hill, Heritage conducts three programs to serve that student body. Over the course of 20 training sessions, our

Congressional Fellows program gives junior congressional staff members the tools needed to defend conservative principles and to develop and promote sound public policy. In 2013, we graduated a record 78 Congressional Fellows.

In conjunction with Hillsdale College, we offer more advanced instruction for our Madison Fellows—senior Hill staffers committed to advancing the conservative agenda. The Madison Fellows meet monthly for roundtable discussions with national policy, political and opinion leaders.

Heritage also conducts a program to prepare selected young professionals—both on the Hill and off—for future leadership roles in the arenas of national security and foreign policy. Running from March to September, the program incorporates lecture programs, educational field trips and social networking events. Thirteen Marshall Fellows completed the program in 2013. ☀



JOHN HARRINGTON

Heritage interns have lots of questions for Brian Gunia, an Assistant Professor at Johns Hopkins' Carey Business School, during a workshop on conflict resolution in the workplace.

2013 NAMED INTERNS

H. N. AND FRANCES C. BERGER FOUNDATION INTERNS

Sarah Wallace, *Charleston Southern University*
Nicholas Dau, *Pennsylvania State University*
Courtney Murphy, *Baylor University*
Stevan Novakovic, *University of South Carolina*
Joseph Griffith, *Ashland University*

JOHN AND BARBARA BRUNING INTERN

Drew Ringley, *Clemson University*

MARY H. CAMPBELL FOUNDATION INTERN

Ariel Rigdon, *Hillsdale College*

RICHARD EARL CARTER MEESE CENTER INTERN

John Gormally, *Georgetown University*

GENE D'AGOSTINO MEESE CENTER INTERN

Philip Hammersley, *Hillsdale College*

KANTNER FOUNDATION INTERN

Ashlee Smith, *George Mason University*

BERNIECE AND WILLIAM GREWCOCK INTERNS

Melika Willoughby, *Hillsdale College*
Aaron Sandford, *Hillsdale College*
Robert Geringer, *University of Illinois – Urbana Champaign*
Benjamin Frizzell, *Oklahoma State University*
Grace McElhenny, *Georgetown University*

DAVID A. KING INTERN

Michael Cirrotti, *Providence College*

KEVIN KLINE INTERN

James McGlone, *Harvard University*

KEVIN KOOKOGEY MEESE CENTER INTERN

Alisan Van Fleet, *The College of William and Mary*

ROBERT MAIR MEESE CENTER INTERNS

Morgan Bennett, *Belmont University*
Kyle McCollum, *Eastern Illinois University*

ROBERT S. AND JANET L. MILLER FOUNDATION INTERNS

Phillip Shattan, *University of Rochester*
Elizabeth Henry, *Yale University*
Kathryn Freedman, *Duke University*
Daniel Huizinga, *Baylor University*

CARTER AND MOYERS INTERN

Riley Westmoreland, *Vanderbilt University*

NICHOLSON FOUNDATION INTERNS

Gerardo Cruz, *University of Puerto Rico*
Jessica Cruzan, *Centre College*

FULA AND ENRICO PELITTI INTERN

Yvette Betonce, *Miami University at Ohio*

PILGRIM FOUNDATION INTERNS

Sophie Giberga, *University of Georgia*
Seth McKinnes, *Patrick Henry College*

DORIS AND RICHARD PISTOLE INTERN

Kelsey Warner, *Duke University*

RAY FOUNDATION INTERN

Katy Doran, *University of Florida*
Christopher Bilezian, *Southeastern University*
Claire McMullen, *Princeton University*

HAMILTON RODDIS FOUNDATION INTERNS

Mr. Andrew Scarpitta, *Boston University*
Sally Platt, *Washington and Lee University*
Elizabeth Simson, *Boston University*
Stefan Gochev, *Washington and Jefferson College*
Grace Pyo, *Wheaton College*

JORDAN SAUNDERS INTERN

Eugenia Purcar, *Pepperdine University*

GREG SHEEHAN MEESE CENTER INTERN

Michael Flynn, *University of Wisconsin*
Yaniv Nahon, *American University*

COL. CHARLES B. AND SALLY G. STEVENSON INTERN

George Davis, *Virginia Military Institute*

GEORGE W. TIPPINS INTERN

Noelle Suarez-Murias, *Vanderbilt University*

TOM TRACY INTERN

Tyler Becker, *Swarthmore College*

RON WEINEL INTERN

Sarah Edwards, *University of Georgia*

SAMUEL L. WESTERMAN FOUNDATION INTERNS

Luke Beckmann, *University of Maryland*
German Larraín, *University of Wisconsin*

WILLIAM M. YOUNG INTERN IN THE MEESE CENTER

Thomas Bower, *Virginia Military Institute*

THE ROBERT ZINSER MEESE CENTER INTERN

Melissa Burgess, *Southern Methodist University*



RICHARD GREENHOUSE

HERITAGE MEMBERS: SUSTAINING THE AMERICAN SPIRIT

No matter how far away they may be, Heritage members feel close to the foundation. Perhaps it's because they know they are always welcome. If you plan to visit D.C. for whatever reason, please call our membership office at 800-546-2843. We would love to give you a tour of our offices and to thank you personally for helping make Heritage the leading conservative organization in America.

At The Heritage Foundation, we make every effort to meet with members, wherever they may be—to tell you of our plans and to hear your ideas about how best to build an America that offers freedom and opportunity to all.

It was no fluke that the first order of business for incoming President Jim DeMint was to meet with as many members as possible as quickly as possible. Hence, “The Presidents’ Tour,” an 11-city pilgrimage with outgoing President Edwin Feulner.

At every stop along the way, the two Presidents met with hundreds of members, talking about the challenges facing our nation and discussing new strategies for winning the most critical policy debates ahead. More than 4,800 members turned out for that tour.

Within weeks, DeMint followed it up with smaller, more informal meetings in cities such as Milwaukee, Pittsburgh, and Raleigh, N.C. During the congressional recess in August,

DeMint was on the road again, meeting with members in nine cities while on the “Defund Obamacare Tour.”

Keeping in touch with members is part of the institutional culture at Heritage. It’s why senior headquarters staff and regional representatives make the time to visit with hundreds of donors, one-on-one, throughout the year. And it’s part of the reason why Heritage is not only the nation’s most broadly supported think tank, but also one of its most trusted non-profits.

Heritage Foundation members demonstrated that trust in 2013 by donating in record amounts—some \$101.9 million. Heritage Action for America received record-setting contributions as well: \$8.7 million in total.

Such generous support is humbling as well as gratifying. We know that you have joined with us out of a shared commitment to this nation’s founding principles and a determination to restore her to greatness. We will continue to do everything in our power to justify the trust you have placed in us. ■



JOYCE BOGHOSIAN

Attendees at the Dallas Presidents' Tour Event rise to recite the Pledge of Allegiance.

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11 Founders have asked to remain anonymous.

JOYCE BOGHOSIAN



SHEALAH CRAIGHEAD



TOP: Among those gathered at the table for the Presidents' Tour dinner in Chicago were (from right to left) Heritage Founder Michael Grebe, outgoing President Ed Feulner, Founder Mike Keiser, incoming President Jim DeMint and Trustee Tony Saliba. **MIDDLE:** Young President's Club members attend a panel discussion at the annual President's Club Meeting in Washington, D.C. **BOTTOM LEFT:** Trustee Brian Tracy and his wife Barbara in deep conversation with Heritage Vice President John Von Kannon at the Presidents' Tour event in Los Angeles. **BOTTOM RIGHT:** Nathaniel Ellis (far right) of Heritage Action for America talks with supporters between sessions at the President's Club Meeting.

SHEALAH CRAIGHEAD



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TORI SOPFER

Left: Heritage Associate Wendy Damron and Legacy Society Member Suzanna Thieblot socialize during Heritage's 40th Annual Leadership Conference in April. Right: Attendees enjoy catching up over coffee at Heritage's annual Chicago Luncheon.

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Heritage Associate David Erickson (left) and Legacy Society Member James McGinley share a laugh during a Presidents' Tour reception in Los Angeles.

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Heritage welcomed more than 112,000 new members in 2013. Our range of membership levels and benefits can accommodate all.

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Founders Janet and Robert Miller, longtime supporters of Heritage's intern program, joined Ed Feulner (far left) and Jim DeMint (far right) on stage during the 2013 Presidents' Tour.

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36 Associates have asked to remain anonymous.



STEVEN E. PURCELL

Founders Carolyn and Dick Randall visit with fellow Heritage supporter Vivienne Fisher (right) during a reception at the Fall Annual Leadership Conference.



SHEALAH CRAIGHEAD



STEVEN E. PURCELL

Left: Founders Robert and Star Pepper grace the halls of the Library of Congress to join a dinner honoring Ed Feulner's 37 years of service as Heritage President. Right: Sen. Ted Cruz (R-Texas) huddles with Heritage supporter Joanne Cheung and Associate Tom Gordon at the Annual Leadership Conference.

A LEGACY OF OPPORTUNITY FOR FUTURE GENERATIONS

In writing the Constitution, America's Founders were consciously establishing a legacy for future generations. Their explicit purpose, stated in the preamble, was to "secure the blessing of liberty to ourselves and our posterity."

Members of the Heritage Legacy Society share the Founders' concern for future generations. In 2013, HLS members apprised us of estate plans that include more than \$39 million in new commitments to Heritage. Co-chaired by Rae and Belden Bell of Marshall, Va., and Marion Wells of Ft. Lauderdale, Fla., the Heritage Legacy Society welcomes members who wish to contribute to our cause through their estates or other planned gifts.

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STEVEN E. PURCELL



STEVEN E. PURCELL

Heritage Legacy Society members Skip and Martha Ann Hunter connect with President Jim DeMint during a reception at the Fall Annual Leadership Conference. Right: Also in San Diego for the Annual Leadership Conference: Founders Robert and Mary Lou Parrish.

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Mr. and Mrs. Richard W. Kurtz		Mr. and Mrs. Goodrich R. Simmons	<i>Ten Heritage Legacy Society members wish to remain anonymous.</i>
Mr. and Mrs. Roy E. Landstrom		Mr. Kirby Simmons	

WITH GRATITUDE, WE HONOR THE MEMORY OF THOSE HERITAGE LEGACY SOCIETY MEMBERS WHOSE GIFTS WE RECEIVED IN 2013:

Mr. John Anderson	Mr. Henry E. Haller, Jr.	Dr. John D. Milburn III	Mrs. Carol Ann Sulau
Mrs. Lenore C. Anderson	Mr. John A. Hoopes	Ms. Sandra J. Miller	Mr. Pike H. Sullivan
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Miss Ethel M. Bein	Mr. Bruce Jacobs	Mr. Rodney M. Norris	Mr. Thomas Tipi
Mr. Guenther W. Bizer	Mr. Arnold H. Johnson	Mr. Richard L. Oldham	Mr. Bart J. Twomey
Mr. Neil W. Butler	Mr. R. Howard Johnston, Jr.	Mr. Geraldine L. Payne	Ms. Christina F. Vanderwende
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Mrs. Lucille D. Eisenhower	Mr. Walter K. Klaus	Mr. C. Dwight Reese	Mr. Thomas R. Zucker
Miss Dorothy M. Engle	Mrs. Maxine Kortlever	Mr. Francis G. Shepardson	<i>Five Heritage Legacy Society members wished that their gifts remain anonymous.</i>
Ms. Virginia A. Fairfield	Mrs. Nancy Lagrande	Mrs. Natalie Sirkin	
Mr. Edward M. Foley	Mr. Frederick W. Laver	Mr. John D. Sitterson	
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SHEALAH CRAIGHEAD

Founders Ron and Chenza Lazoff find themselves flanked by the two Presidents—Ed Feulner (left) and Jim DeMint.



STEVEN E. PURCELL

President's Club member George Hermann gets the lowdown on what Congress is up to during the President's Club meeting in Washington, D.C.

HONORING DONOR INTENT

When giving to any nonprofit organization, you should be able to count on three things:

- Your gift will be used to advance the organization's mission.
- Any restrictions you place on your gift will be honored.
- You will be treated with respect.

Unfortunately, many philanthropic organizations have broken faith with their donors.

At The Heritage Foundation, we regard your support as a trust. We hold ourselves strictly accountable to you, and we pledge always to respect your philanthropic intent. Indeed, our Articles of Incorporation demand it. Should any major donor desire a written contract clearly stating the purpose and intent of the donation and how it shall be spent, we will gladly sign it. Moreover, we make the President of Heritage personally responsible for answering donor questions and reporting expenditures of donor funds.

This is our solemn pledge to you: When you contribute to The Heritage Foundation, your intent as a donor is always honored, never forgotten.

THE HERITAGE FOUNDATION

2013 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION*

As of December 31, 2013

ASSETS

Cash and cash equivalents	\$4,841,314
Receivables	6,138,893
Prepayments and other assets	833,388
Total current assets	11,813,595

Investments	160,554,346
Receivables, net	3,440,454
Property and equipment, net	62,204,027
Other assets	650,373
Total long-term assets	226,849,200

TOTAL ASSETS	\$238,662,795
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LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$9,621,002
Notes payable	503,752
Total current liabilities	10,124,754

Notes payable	18,068,237
Deferred obligations and planned gifts	16,219,141
Total long-term liabilities	34,287,378

TOTAL LIABILITIES	44,412,132
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Unrestricted net assets:	
Board designated	106,349,354
Undesignated	44,452,852
Temporarily restricted net assets	40,048,457
Permanently restricted net assets	3,400,000
Total net assets	194,250,663

TOTAL LIABILITIES AND NET ASSETS	\$238,662,795
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STATEMENT OF ACTIVITIES*

Year ended December 31, 2013

OPERATING REVENUES

Contributions:	
Individuals	\$60,899,282
Foundations	12,941,097
Corporations	2,283,723
Total operating contributions	76,124,102

Investment withdrawal	4,933,005
Program revenue	196,598
Rental and other income	3,686,842
Total other operating income	8,816,445

TOTAL OPERATING REVENUES	\$84,940,547
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OPERATING EXPENSES

Research	25,064,810
Education	22,786,191
Media and government relations	11,393,096
Total program services	59,244,097

Fundraising	15,190,794
Management and general	2,693,504
Total supporting services	17,884,298

TOTAL OPERATING EXPENSES	\$77,128,395
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NET GAIN FROM OPERATIONS	7,812,152
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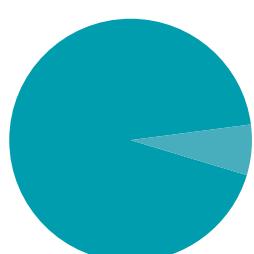
NON-OPERATING ACTIVITIES	
+ Net investment gain	16,081,807
+ Restricted contributions	29,156,244
(-) Depreciation	3,105,907
(-) Interest Expense	477,385
(-) Investment withdrawal	4,933,005
(-) Change in restricted net assets	4,560,535
TOTAL NON-OPERATING ACTIVITIES	32,161,219

CHANGE IN NET ASSETS	39,973,371
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NET ASSETS - Beginning of year	154,277,292
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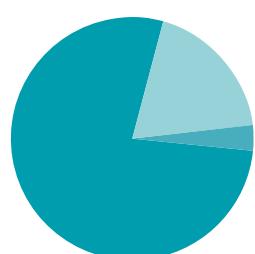
NET ASSETS - End of year	\$194,250,663
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2013 OPERATING REVENUES



90% Contributions
10% Program Revenue and Other Income

2013 OPERATING EXPENSES



20% Fundraising
3% Management and General
77% Programs

*Preliminary results - final audited financial statements will be available on or after July 31, 2014

THE HERITAGE FOUNDATION

RIGOROUS RESEARCH / MAXIMUM IMPACT / HERITAGE AT 40 AND BEYOND

OUR MISSION: *To formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values and a strong national defense.*

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WHAT THEY'RE SAYING ABOUT HERITAGE AND ITS LEADERSHIP...

"The Heritage Foundation didn't invent conservative principles, but since 1973 the Washington-based think tank can take credit for providing the salt to the life of the modern conservative political movement.... Rest assured that under DeMint's leadership Heritage and Conservative Principles will continue to advance and America and Freedom will be the better for it."

—FORMER CONGRESSMAN BOB BEAUPREZ, TOWNHALL.COM, JAN. 21, 2013

"The evolution for Heritage Action, which was founded in 2010..., has been slow and steady. What started as another pressure group among hundreds has now become, in essence, the conservative movement's daily whip team, with Needham often competing directly with Boehner's whips to kill bills, amend legislation, and woo the right flank."

—NATIONAL REVIEW ONLINE, OCT. 30, 2013

"Heritage Action, the advocacy arm of the Heritage Foundation think tank, has been a key player in rallying support for the 'Defund Obamacare' movement."

—THE WASHINGTON POST'S "POST POLITICS," OCT. 3, 2013

"When it comes to influence, Heritage routinely ranks as the single most popular right-wing think tank in the country among the media. In its annual 2012 think tank survey, media watchdog FAIR found Heritage topped the partisan ranks again with 1,540 press citations, a figure, it should be noted, that outnumbered the combined citations of the top two most-cited left-wing groups."

—THE NATION, MAY 10, 2013
