



Public Policy Forum

Budget Outlook for 2008

**Presented by
Paul Francis**

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Robert Ward:

I'm Robert Ward, the deputy director at the Rockefeller Institute. We are very pleased this morning to have Paul Francis, the budget director and senior advisor to Governor Spitzer. One of the first major decisions the governor made after winning the election in November was that he wanted Paul Francis to serve in a key advisory capacity, although Paul's service to the incoming administration started long before the election. He was the policy director to the Spitzer campaign and has spent well over a year going around the state, talking to knowledgeable people, learning an awful lot about not only the state's fiscal practices, but also policy issues, such as workers comp and energy and many others. The idea was that when the administration took office, they really would be hitting the ground running. So, although it was quite unusual, it wasn't particularly a surprise when the governor did ask Paul to take on two major jobs, not just one — budget director and senior advisor to the governor.

Paul started his career as an attorney and then joined Merrill Lynch as an investment banker. His career in business and finance also included serving as CFO of Priceline.com with the company's formation in 1997 to early 2000. After leaving Priceline, he founded a small venture capital firm to invest in early-stage technology companies. So, while every modern budget director in New York has had to know a lot about Wall Street, Paul brought truly unique experience and expertise to the position in which he now serves. Please join me in welcoming Paul Francis.

Paul Francis:

Well, thank you very much, I'm really honored that so many of you have taken time to come out this morning. I also want to thank Dick Nathan, Bob Ward, and the Rockefeller Institute for everything they do for New York State.

As Bob mentioned, I had the privilege of spending two years working on Governor Spitzer's campaign as his policy director, and it was really an opportunity to travel around the state and learn a lot about the issues facing the state, and a lot of New York State government. One of the first places I went was to Bob Ward. I think I've probably bought more copies of his encyclopedia titled *New York State Government* and handed it out to the people that I work with, and drew on his writings and his knowledge. And so, I'm particularly honored to be introduced by Bob today.

Also, I'm honored and daunted that there are a number of SUNY presidents here. Higher education has been one of my passions, really, and something that I share with the governor. John Sexton, the president of NYU, where I served as a trustee for a number of years, always liked to say that higher education institutions are "in term." And I think that's how we should view our great SUNY institutions, as internal assets of the state.

One of the other things that John likes to use is the metaphor of the relay race. You know, in politics, the controlling metaphor is usually "The king is dead, long live the king." But what we need to do is adopt the metaphor of the relay race, where our responsibility is to run a good leg in the relay race, because to solve the problems of New York State, to build great institutions like SUNY, it would take many legs and it won't be done in one term or two.

The governor and I have both talked a bit about the budget over the last couple of months. If I go on too long, stand up and start to walk out, I'll take the message. But I do hope at the end you will have the time not just for questions, but for dialogue. Now, I really want to cover a lot today and I'll try to cover it quickly. I have six themes I want to address.

- First, what did we do in the 2007-2008 budget? One of our goals for the 2008-2009 budget is to consolidate gains from this year's budget. So it's important to review what I think we accomplished in that budget.

- I also want to talk about the early budget process that we're going to kick off on the 24th of October, and which I think will be an important change for the way we make budgets in New York.
- Our revenue and expense outlook for 2008-2009 is something that we've talked about before, but I want to briefly address today.
- Long-term fiscal goals: I think it's critical that we understand the long-term implications of our spending.
- And then, what are the principles that should guide the governor? Once we know the size of the envelope, what should be the philosophy that dictates how we spend money?
- Finally, I'm going to talk about what I think will be some of the main themes of the 2008-2009 budget.

What are the gains from the 2007-2008 budget that we're going to try to consolidate? There were four big issues in the political debate that reflect the core underlying policies that Governor Spitzer wanted to put in place.

First in healthcare: We were able to reduce the rate of growth in Medicaid spending from 8 percent a year over the previous five years to about 1 percent a year. We were able to do that while driving a number of very important policy objectives of our health team. And that included a significant restructuring of the reimbursement system. In short, we tried to redirect the reimbursement system from one that was, we thought, overly focused on providing subsidies to institutions, to a system that was more focused on directing the systems to patients for their needs. We'll talk about some examples and what that means later on.

We also were able to increase access to care. The signature proposal in this regard is the governor's proposal to expand the State Children's Health Insurance Program (SCHIP) to children and families up to 400 percent of the federal poverty level. So, literally, every child in the state will have access to care.

Now our consolidated gains in the next budget means doing more of the same in those years, continuing to hold down growth in Medicaid spending, continuing to reform the reimbursement system, and also continuing to expand access to care.

In education, the governor dramatically expanded funds for education, \$1.9 billion on a school year basis, and he did it in the context of a new school aid formula that we call the “Foundation Formula.” It essentially looks at the funding capacity of a locality, the educational needs of the school district, and then from that determining how the state aid should be utilized.

For 56 districts — which include 1.4 million students, almost half the students in the state — that additional aid was governed by something called the “Contract for Excellence.” The Contract for Excellence did a couple of things. First, it put in place a very strict accountability regime to ensure that the money being given to these districts was really being used on programs that we could demonstrate were things like paying teachers bonuses for teaching in hard-to-staff subjects or hard-to-staff schools. I’m very interested in the announcement today in New York City that they are going to be testing bonuses on a school-by-school basis.

We also required that all but 3 percent of all additional funds for Contract for Excellence schools will be used for new programs, to create a kind of maintenance of effort to really ensure that this money will get to kids.

We had other very important educational initiatives, including expanding pre-K. Many educators believe probably the single most effective remedy we can provide in pre-educational performance is to make it available to all kids in New York State. And we also dealt with the number of charter schools, something that is very controversial, particularly among many of our political friends, but something that the governor strongly believes is the right thing to do.

We will consolidate those gains this year by continuing the Foundation Formula and refining the Contracts for Excellence, and refining pre-K to maximize the uptake of this program by districts.

The third major initiative of the 2007-08 budget was to create a more progressive property tax relief system. Governor Spitzer proposed and had enacted what he called a “Middle

Class Star Program” that provides significantly more aid to middle class and working class families, provides much less aid on a sliding scale basis to families with higher income, and created a means test so that the wealthiest 5 percent of New Yorkers do not receive an increase in property tax relief. The money we saved from providing them with property tax relief enabled us to do more for those who needed it the most.

Closing corporate tax loop holes: The governor feels strongly that all taxpayers should pay their fair share of taxes. What we found when Governor Spitzer came to office is that a number of large corporations and banks were using very sophisticated tax planning techniques that were never really intended to substantially reduce the amount of tax they pay. So, we enacted a number of changes to corporate tax provisions to require those large banks and companies to pay more. At the same time, we reduced broad-based corporate taxes, so that the average company would actually pay less in taxes.

The failure of last year’s budget, in our opinion, was not the substance. We felt proud that the substance of the budget was fair. The failure was the process. We recognized that the budget happened in too short a time frame and too little public scrutiny. We vowed right after the budget was passed that we would do it differently this year.

We are unable to move the finish line of the budget, but we are able to move the starting line. So, shortly after the budget, Governor Spitzer articulated his intention to create an early budget process. And that’s what we are going to roll out now. What does an early budget process mean?

On October 24 and 25, we will be holding public agency budget hearings, for the major agencies: health, state education, social service, and criminal justice. In those meetings, which will be public and we hope will be attended by senior representatives of the legislature and their staffs, we’ll be talking about the major budget issues that these agencies face, as well as the major policy themes that they will be including in the 2008-2009 budget. A week later, we will be having capital budget hearings for the Department of Transportation, Empire State Development Corporation, and Parks.

So, before the end of October, there will be a clear understanding of what the key budget issues of all of our major agencies are and what the major policy themes that we are going to be advancing in our next budget are. Many of the policy themes we will be advancing into the next budget. We will put out our midyear update by October 30.

In the beginning of November, each house of the legislature, the comptroller, and the Division of Budget will put out a report of revenue and disbursements for major categories and the underlying assumptions. Ten days later, on November 15, there will be a public hearing addressing those reports. Out of that public hearing should come a joint report, which addresses revenue with detail on the tax revenue and assumptions and major disbursements. The significance of that is there should be a consensus of the gap that the state will face in 2008-2009 very early in the process. So, we won't go into the budget, hopefully, with a great deal of disagreement about the size of the problems that we face.

We will follow that with regional budget town hall meetings around the state. The Division of Budget and other senior members of the administration will explain the budget challenge that we face, based on a joint report from the legislature, DOB, and the comptroller, and we'll talk about the challenges we face. We'll then ask for public feedback from our citizens, from affected groups, budget watchdogs, and others to talk about where would the state want to place its priorities and redevelop the final budget.

We will follow those budget town hall meetings with what I'll call "key issue" town hall meetings on major issues like health care, perhaps school aid formula, and school aid shares. There will be an opportunity for the public to have input into the process and all of that will inform the budget for the governor.

As we look at the 2008-2009 budget, we are currently reviewing the numbers and we will have an update on October 30. It is likely that, because of reductions in anticipated revenue, we will forecast a larger gap for the 2008-2009 budget than we projected in the first quarter update a few months ago. What are the reasons for that?

First, anyone who is reading the paper knows it has been a very difficult three months for Wall Street and the real estate industry. Citibank, Merrill Lynch, and Bear Stearns have all announced multibillion dollar write-downs. This state gets about 20 percent of its revenue from Wall Street from corporate taxes, bonuses, and from large real estate transactions. When Wall Street gets a cold, New York State can get pneumonia. We won't know for some time exactly how much this will affect revenue, but we are preparing ourselves for the fact that it will not be as good a year as we had hoped for this year.



Also because of the way financial firms work, we had a very good first half of this year, but we're not nearly as optimistic for the prospects next year, as we were even three months ago.

In real estate, the megatransactions, the big commercial office towers in Manhattan that are sold, we earn a lot of tax revenue from that. Historically, we've gotten \$500 million a year from those transactions. Recently, we've been getting \$1 billion a year. With the credit markets so significantly impaired, the pipeline for those big transactions is drying up.

In addition, the general economy is softening. The economists in the Division of Budget are not projecting recession, but we are concerned. I heard the other night on the news that some economists are projecting 2 million home foreclosures next year, as a result of the subprime mortgage crisis. If there are 2 million or 2.5 million home foreclosures, as some people are saying, that's going to have an enormous impact on the lives of many individuals in New York. It's going to have a very large impact on the psychology of consumers, all of which makes us more cautious about revenues than we were before.

There are also what I'll call secular changes in our revenue forecasts. We've realized lower-than-expected revenues from the video lottery terminals. MGM terminated an agreement with the New York Racing Association to open up a video lottery racino at Aqueduct earlier this year. That cost about \$300 million in revenue from the 2007-2008 budget. So, there are a lot of things that are going against us. We believe that expenses will be about on track, but we know that the revenue will be challenging and that's going to make it a more difficult budget year.

When we approach the budget, whether it is in a relatively good year as the 2007-2008 budget was or a more challenging year like a 2008-2009 budget, you have to start with a framework. Governor Spitzer said yesterday in New York that Republicans since Ronald Reagan have viewed government spending, as the lawyers would say, "prima facie bad." On its face, it's bad.

Governor Spitzer actually approaches government spending from a different lens, like politicians and leaders from Franklin Roosevelt back to Alexander Hamilton. He believes that government can play a vital role in caring for the sick and needy, preparing children for a 21st century economy in a world-class education system, and helping support economic development. So, from Governor Spitzer's perspective, if you asked every spending question in the abstract, there would be a strong case for government spending. But we know that we need to balance the endless needs that government faces with the ability of taxpayers to support the tax burden and the ability of corporations to remain competitive in New York State.

So, we started out earlier this year to create a framework that will govern the amount of spending New York State should have, not just this year, but every year. We arrived on the metric of personal income growth. New York this year will have personal income growth — that's sort of our proxy for the gross national product — of about 5.3 percent.

Governor Spitzer, back in May, articulated his principle that we should try over an extended period of time to maintain spending within the range of personal income growth. Last year, state operating spending grew by about 7 percent, so 5.3 percent will involve significantly bringing down the rate of growth in government spending. But if we do that, it will allow us to build up reserves in good times, because in good times tax revenues are actually a little bit higher than personal income growth. In bad times, we will be able to use those reserves to cushion spending cuts.

If the state had followed this practice in the last five years, it would have had the effect of actually decreasing spending in some of the years right after 9/11, but significantly decreasing spending over the last couple of years. It would have left the state with \$3.5 billion more in reserves than we have available today to use to cushion the budget.

Our critics say that personal income growth is too high a standard and that we should hold state spending to the rate of inflation. But the reality is that 70 percent of New York's spending is really local assistance. Local school districts and municipalities have their own spending trends, which tend to be much higher than the rate of inflation.

So, if the state just holds spending to inflation, essentially, we will be pushing the tax burden down to the school districts and municipalities, and we think that's the wrong

balance to strike. So, personal income, about 5.3 percent, is our spending target this year and we hope for many years to come.

Once you decide the size of the spending envelope, what are the principles that should govern the spending? Let me propose three today. First, that it should be efficient; second that it should be fair; and third that it should be targeted.

What do I mean by efficiency? It means we get more for less and it means we try to increase productivity. I think there are a number of recent examples and, hopefully, we will have more to show as we go through this budget.

The Berger Commission, which will reduce hospital capacity by about 7 percent and nursing home capacity by 3 or 4 percent, is an example where, in classic economic terms, increasing utilization will be more efficient. Lower drug prices through a preferred drug listing and bulk purchasing in volume by state agencies is a way we can get more with less.

The Contract for Excellence is efficient because it requires that we only spend money on educational initiatives that have been proven to be effective. Having improved procurement practices at the Office of General Services (OGS) is a classic example of how we can get more for less.

Second, we should be fair. I think that coming from the private sector and being new to government, one of the things that I realized in listening to the many worthy proposals that come — and each one in the abstract sounds great — is that you need to have a system where you are able to compare apples to apples. And that's what the formulas do. That's why the Foundation Formula, we think, is a real improvement, because it looks objectively at all of the criteria that should determine how much aid a district should get, rather than having a system that is very politically based. So, in our judgment, all school aid should be done on the basis of the Foundation Formula, because it is fair.

With respect to the aid to municipalities program (AIM) in New York, we looked at an objective series of criteria for what constitutes a distressed city. Instead of basing the amount of additional aid that a city would get on the political influence of a particular area, we tried to base it on an objective standard of distress, so that we were being fair.

With respect to capital spending, the philosophy of the administration is that there ought to be an objective set of criteria from which projects from around the state would compete. The reality is in a political environment that making direct decisions, line item decisions, is something the legislature feels strongly about and we understand their point of view. Again, politics is often the art of compromise. So, we have conceptually embraced the idea that there will be a capital program that combines a kind of merit-based program that the executive would administer with line item programs which would reflect the best, but subjective, judgment of the two houses of the legislature.

Now is it a fool's errand to try to have this kind of objective sense of fairness in every case? Perhaps, but I think we can do more in this area. And when I look at budget problems, what I try to do is find what are the objective criteria that can help us better analyze these problems.

Finally, spending should be targeted. It should reflect our core priorities. We need to eliminate the nice-to-haves but not the need-to-haves that crop up over time. I hope you'll see some examples of that in this year's budget, where we eliminate some programs that are nice to have but are not central to the mission from the agency they are a part of.

Second, our spending should be targeted to serve its intended purpose. I'll give you an example from health care. Several years ago, the state created a program that provided a significant amount of money to hospitals for recruitment and retention of employees. But in the Medicaid program, instead of distributing that money based on a number of Medicaid patients, it distributed it on the basis on the number of employees. So we changed that. The middle-class Star program is a classic example, where we're targeting the spending on the people who need it the most.

And the last way in which spending needs to be targeted is to address unintended consequences. I learned an awful lot from Frank Mauro, as well from a different perspective on the political spectrum than from Bob Ward. And Frank has written very eloquently about the way in which we have unintended consequences in things like the Empire Zone Program.

My personal priority, I won't call it a peeve, is the brownfields program that the state put in place a couple of years ago to remediate sites of pollution, which has enormous unintended consequences. The state will provide up to 20 percent of the cost of development, not

the cost of remediation. So the state will be sending \$165 million to the IAC Corporation, which built beautiful headquarters designed by the famous architect Frank Gehry, in the middle of Manhattan. Can you imagine how far \$165 million would go in upstate New York? We will send \$100 million to the developers of the Ritz-Carlton condominium complex in White Plains. Can you imagine how far \$100 million would go in the Southern Tier? So, we have to address unintended consequences to make sure our spending is targeted.

Now, the main themes for the 2008-2009 budget: It is going to remain a difficult year, so consolidating the gains from the 2007-2008 budget will be our top priority. Secondly, we will need to do more with less. We're going to lower the rate of growth in spending from what it was last year. I still hope there will be room for some new program priorities.

Higher education: The governor created an exceptional commission, the Commission on Higher Education, that will report later this fall. I think we'll have some really exceptional ideas about how to make higher education even better in New York State, both public and private. If I look at one thing that I believe would be the safest bet and the smartest bet for economic development in upstate, it is building our institutions of higher education. If you look around the country and around the world, this is a strategy that works.

Finally, it will be a priority in this budget to close some gaping holes. We have to close the brownfields hole. We simply cannot afford to allow some of these gaping holes to remain open.

Now let me conclude. I appreciate the patience that you all have given me. Yesterday, I wrote one of my favorite lines that Governor Spitzer struck, and I'm going to use it here today. Mikhail Gorbachev famously said, "Before you can have perestroika (or restructuring), you have to have glasnost (or openness)." And so we are trying to have an open budget process.

And we look forward, because we do believe that part of openness and transparency is working with academic groups like the Rockefeller Institute, to better understand these budget issues and communicate it to the public. And we'll all need to take the time to learn more about these issues today. So thank you very much. I'm happy to take questions.

Robert Ward:

Thank you very much, Paul. At the end of the legislative session, some of the discussions that were going on for a while were about a number of issues that were outstanding, some of which had budget implications. Are those likely to be moved into next year's budget discussions, or do you expect them to go into the special session later this year?

Paul Francis:

My second favorite quote, after Mikhail Gorbachev, is from Chou En-Lai. They asked him in 1976 to describe the significance of the French Revolution, and he said, "It's too soon to tell."

Robert Ward:

If you missed it, we now have the special guests from State University, including Chancellor John Clark and others, so we do appreciate your being here with us today. You did touch on higher education, referring to the Commission. I guess, given the large number of our guests from the state universities, is there anything else you'd like to observe either with regard to this year's budget or the coming year's budget? Obviously, we all await the recommendations from the Commission because, as you said, I think there is a recognition that our institutions of higher learning are going to play an increasingly important role in economic development.

Paul Francis:

I think when people talk about higher education and economic development they actually miss the largest point, because it's not the companies that are spun off from higher education that are in and of themselves, in my opinion, the primary driver. These are, in many cases, the largest employers and, in many cases, essentially create the exporting income, bringing in tuition revenue from out of the region, out of the state, and out of the country.

So, again, I think when you talk about economic development, you shouldn't just focus on institutions involving nanotech, which have had an extraordinary success, but also on the ability of places like Binghamton University to attract people to that region and show

everything the region has to offer. So, I think there are a lot of ancillary benefits that come with building up these institutions.

Russ Haven:

I'm with the New York Public Interest Research Group (NYPIRG). Paul, I have two questions: one is a global and one is process. For the global question, *The New York Times* had a piece about 10 days ago about Wall Street and New York City's financial center, and how through the shorthand, a lot of those jobs are getting outsourced to other financial centers as part of a global economy. How is New York prepared to deal with that? You had mentioned that 20 percent of tax revenue was coming out of Wall Street.

Paul Francis:

I happened to have breakfast yesterday with a senior banker who I had worked with in my prior lives. She was telling me that she runs a worldwide business for this bank and in that particular area she's going to send 20 percent of her people to different parts of the world, to Asia and the Middle East in particular, because the economies are growing so rapidly. But that doesn't mean that New York has to fall behind. I think the way to address it is: Number one, make sure that New York State continues to be the place where people want to work. Second, ensure that we have a regulatory structure that doesn't hamper the way these institutions operate. Governor Spitzer has put together, again, another high level commission run by the insurance superintendent to look at those regulations. What I don't believe is that our tax systems is a big disincentive.

Russ Haven:

For the process question, you mentioned that you can't extend the budget deadline, but you could frontload the review process. The real criticism from my perspective was in the secrecy of the budget negotiations that expanded to six people in the room. How can we improve that, given the political process of Albany, the time constraints, and the pressure of the budget process?

Paul Francis:

It's a challenge. The governor, after the budget in this legislative session, held weekly public hearings. And I think it's a matter of how much came out of this. It was an effort to negotiate in public. I think we will try again to have as much openness as possible, candidly, to negotiate publicly as much as possible. It will certainly be more open than last year. But I think the public is really looking for a deeper understanding and it's our responsibility to make sure that happens.

Ray Schimmer:

I'm executive director of Parsons Child and Family Center here in Albany. You mentioned western New York and economic development. What's the governor's strategy for economic development in the suffering areas of the state?

Paul Francis:

It's a great question. And there actually is a very clear four-part strategy. The first part is to make businesses more competitive by changing regulations like Workers Comp that have made businesses noncompetitive.

The second part is to revitalize cities. The announcement in Buffalo about the harbor announcement and the one in Rochester about a new office tower are really part of the necessary strategy of ensuring that the upstate cities are vibrant places where people want to live and work.

The third part of the strategy is adapting to the innovation economy. I think a great example of that is what we've done in Albany Nanotech, where it is really working. Sometimes these are called the industry clusters, where and how critical mass is very important, getting more companies to handle linkage to higher ed. And, as with Albany nanotech, it is often a classic way to help build the support industry cluster. So, in each region, it's not just high technology. There are industry clusters that need support to grow.

The fourth part of the strategy is to strengthen the infrastructure, particularly downstate, where you've got a lot of organic economic growth, but unless you build more infrastructure you won't be able to support it.

Richard Nathan:

You mentioned, in talking about school districts, there is a focus on what you called the Contract for Excellence. One of the things that you have to do in government, it seems to me, is care about performance and take advantage of the moment when you have to press hard to spend every dollar in the best way that you can.

I know this is something that the administration is working on. They care about efficiency, you mentioned a couple of times, and showing an understanding of performance. So maybe you could say a little bit more about that, particularly New York's education system?

Paul Francis:

I think being able to really measure performance is one of the holy grails of educational reform. It was sometimes called a value-added report card, something that we embrace in the Contract for Excellence. And that's really to measure the kind of year-over-year progress of a student throughout their career from pre-K to 12. Frankly, in many cases, it should really be pre-K to 16.

I think one of the things that our colleges are trying to do more of is to look at some accountability measures. And also, you know, going back to higher ed, I was asked what were we trying to maximize here? Are we trying to maximize the best graduates or the best students? We don't have any data about what students do when they graduate. You are forced to make your entire focus on all the information about a student coming in, SAT scores, and grades, etc. So, again, I think there are a number of things that can be done and may be done to track progress over a student's whole program.

Chancellor John Clark:

First of all, thank you very much for your comments. About the State University of New York and economic development, the governor made a speech — and I think he was right on the mark — about the State University of New York, upstate New York, and our needed presence certainly in the urban areas. We do have a presence, but we need to do a much bigger job within the downtown areas and partner with economic development agencies and Empire State Development. My pledge to you is we will do that. We will create a task force. We will get together and map out a plan to do that and move forward.

So, thank you so much for your comments today. Believe me, with our SUNY presidents, this is a long legacy. We haven't heard this in a while, but this brings us back to Governor Dewey and Governor Rockefeller, and this is great news for the State University of New York. So, thank you so much.

Paul Francis:

Thank you very much.

Neil Murphy:

Paul, thank you very much for being here. I'm with the State University of New York College of Environmental Science and Forestry. With a barrel of oil breaking \$88 a couple of days ago, do you see the renewable energy area in the economic development policy and potentially even in the budget for the upcoming year being one of those items that's under stress?

Paul Francis:

Well, you know, it's a great question. Energy policy is something that the governor has been doing an enormous amount on below the radar screen. The so-called 15 x 15 Initiative that he announced earlier this year — to reduce energy usage by 15 percent by 2015 — is something that will involve really dramatic investments by the state. It won't be funded through the tax revenue. It will be funded by charges, like the systems benefit charge.

But the first thing we can do to have an efficient energy policy is to use what they call demand-side management. If you reduce energy usage by 15 percent, that takes away the need for a number of power plants. On renewable photovoltaic and wind power, there is an awful lot of wind capacity that will be coming on stream in the next two years. Your institution is a leader in that field and has really vast economic benefits from this. It truly will be one of the growth industries that are sometimes called clean-tech. This will be one of the world growth industries in the next 20 to 30 years and New York will be a part of that.

James Odató:

I'm with the *Times Union*. You are talking about how it's important to keep taxes in line in New York State. Do you think this next budget is going to increase or decrease any taxes?

Paul Francis:

Well, Governor Spitzer's been very clear that he does not intend to raise taxes. As with last year, when we closed corporate tax loopholes, we'll continue to look at the tax code. We believe, and I say this as someone who was a CFO of two public companies with 20 years in the financial industry, it is almost a duty of a chief financial officer to take advantage of tax planning to reduce the tax. It's not understood by the state how much tax many of the largest corporations in the state pay. There is an issue of fairness, when we have individuals paying almost 7 percent in income taxes but you have companies who can take advantage of these provisions paying 6.5 percent. So, we'll continue to look at corporate loopholes and make sure that all companies are paying their fair share.

Robert Ward:

We appreciate your presentation. Let me ask one final question. You referred to the Berger Commission. Does that model the governor and the legislature created — appointing a group of experts to use their best judgment and put together a plan for an intractable problem with somewhat limited room for tinkering, if you will, by the legislature, but an opportunity for the legislature to reject it if they want to — hold any promise for any of the other issues that are long-term in nature and more difficult to tackle?

Paul Francis:

Well, you know, it might. I don't think we have any plans for a commission like that in the legislature. We have enormous respect for the legislative process, and we negotiated with them very effectively last year. I'm hopeful we'll have that same effective negotiation in this year's budget.

Robert Ward:

On that note, please join me in thanking Paul Francis.