

Transcript: Rethinking Tax Policy  
 New Strategies for Southern Progress conference  
 Feb. 25, 2005  
 Carolina Inn, Chapel Hill, N.C.

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MS. BUTTS: We are going to start whether you're ready or not. We're going to start. Good morning. My name is Cassandra Butts. I'm the senior vice president for the Center for American Progress, and I am also a very proud graduate of the University of North Carolina Chapel Hill.

(Applause.)

We are going to get started and talk about tax reform. I think the last panel did a great job of setting the table for us for this discussion, talking about some of the politics that have been involved in the tax reform debate in the South. And I'm going to go directly to our panel as we are -- we're going to be a bit truncated in time, and we just need to be prepared because Governor Easley may come in and we may have to interrupt our panel, but we're going to push forward.

I'd like to start by introducing our panelists. We have Iris Lav, who is

Deputy Director of the Center on Budget and Policy Priorities. We've got Bob Ebel, who's the Senior Fellow of the Urban-Brookings Tax Policy Center. Tom Ross is the executive director of Z. Smith Reynolds Foundation and Chairman of the Commission on Modernizing State Financing in North Carolina. And we've got Sid McAnnally who's a partner in Harris, Caddell and Shanks of Alabama. And Frank Shafroth, who is a professor at George Mason University and a columnist for State Tax Notes and Director of Intergovernmental Relations for Arlington County, Virginia.

And we're going to start with Iris.

MS. LAV: Thank you, Cassandra. And I'm delighted to be here this morning. Last night at the panel, I think it was Governor Winter who gave my favorite definition of what government's all about when asked what -- what progressives really are, what progressives believe. That government is the way that we can

together collectively solve problems, and the way we express that very often in terms of what problems we want to solve and how we're going to solve them is through budgets. And of course, budgets have to be paid for, which brings us to taxes.

Now, there are a number of characteristics that when public finance experts, like some of us up here, think about good tax systems, there are a number of characteristics that they think of. And probably the most important four are the ones I have here, which is what's called vertical equity. Basically the fairness of the tax system. So basically is the tax system based on ability to pay? Does it treat people at different income levels fairly? Horizontal equity means, do taxpayers, be they corporations or individuals, who are -- have similar circumstances, are they treated in similar ways and fairly by the tax system? Competitiveness. Does a tax system -- is it relatively neutral perhaps for competitiveness? Maybe it helps a little bit, certainly not hurt it. And finally adequacy. Does the tax system raise enough money to do those things that are the expression of our collective will through the budget?

And I'm going to focus today -- all of these are important, but I'm going to focus on adequacy in my brief time. But luckily adequacy has a lot to do with the other things as well. So when you fix adequacy, you very often fix some of these other problems.

Now, right this minute there are sort of -- states have three problems with adequacy. One is there's still an overhang from the state fiscal crisis. That even though the national economy recovered a very long time ago, and officially in 2001, we still have problems with job growth and we

still have deficits and gaps that must be closed in about half the states for 2006 including a number of Southern states.

It's also the case, and what I've been talking about most lately, is the cost of various federal policies, be they mandates or basically federal tax policies that hurt state taxes, as well as the fact that the new budget that the administration has just put out proposes cutting grants to the states and localities very sharply over the next five years.

On both of those things, we can talk about, and those would be worth talking about, but what I'm going to talk about today is the fact that something states themselves can do something about, and that is that they have structural deficits to keep them perennially short of funds.

Now, what's a structural deficit? A state has a structural deficit when the normal growth of revenue each year is not sufficient to cover the normal growth of costs. If you leave spending on autopilot and you leave taxes on autopilot, you end up with gaps that you don't have enough revenue to cover the ongoing cost of spending let alone improve anything. And one of the reasons a structural deficit exists is because states have not modernized their tax systems for 50 or 100 years. I mean tradition is wonderful, but maybe not within the tax systems.

So what are some of the issues in structural deficits? Well, some of them are sales taxes that mostly focus on taxing tangible goods and don't tax services and can't tax most e-commerce, most sales over the Internet. So, for example, the economy is more and more one in which we are producing and consuming services, the sales tax only taxes goods, it's going to grow more slowly than the economy. This is a problem. The declining

corporate income taxes, I'll talk about that. Some problems in the income tax, the loss of state estate taxes because of federal action and failure of states to overcome that federal action and overreliance on sin taxes and gambling which also don't grow with the economy.

Now, structural deficits are a substantive problem, but what happens when you have a tax system that you leave the rates the same as they were, you don't cut taxes, but each year you have a slightly less adequate amount of revenue to fund just the same services people have been getting. So if you can't fund the services each year without raising rates or without cutting those services somehow, what do people think? People think that you are inefficient, right? They're still paying the same taxes but they're not getting the same services. They think some politician's putting the money in their pocket. They think that you have decided to fund that famous line item that's known as waste, fraud and abuse.

So basically that's the problem -- one of the problems with structural deficits is that it causes a political problem for people's perception of how government works. I've given you a lot of information with a lot of detailed comments about what state has what. I'm not going to do all of it here because we don't have enough time, but let me talk about corporations.

Corporations have been paying a declining share of their profits in state and local taxes. Mostly state taxes. And just their effective rate, how much they pay has been going down. That's the case because there are a lot of loopholes or there are a lot of structures in state tax systems which allow corporations to hide their profits in some other state and basically pay it to no state. It's a big shell game. For this state

the profits are over here, but for this state the profits are over there, and nobody gets the revenue. And you can see the manifestation of this is that the share of state taxes provided by corporations has been going down, and some states here, for example, in South Carolina, it's gone down from 9.2 percent in 1979 to 2.6 percent of revenue in 2002. In Georgia the drop was 9.2 percent to 4.1 percent. You can see the various drops.

So that is one kind of problem that the fixes to this are very well-known. You can close off these ways that corporations can move their profits around, if you decide to do it. And maybe that fits with some of what we heard in the last panel in terms of people may very well be willing to go for these kinds of fixes because they already believe the corporations are ripping off the wealth.

I also want to talk a little bit about the personal income tax for those states that have the personal income tax. The -- one of the big problems that's looming out there in the personal income tax is the way the tax treats elderly people. In the South it is very common to give nonmeans-tested breaks for the elderly. Basically they have the elderly pay a lower tax just because they're old. It doesn't matter if they're a millionaire elderly person, they still pay lower tax because they get all these extra breaks. And particularly in Kentucky Georgia and South Carolina are among the 10 states in which the gap between the effective rate of income tax for the elderly and nonelderly is the greatest.

Well, if you give breaks to elderly people who can afford to pay taxes, then you don't have the money to devote to Pre-K or other kinds of things that you may think is a more important value, you should give the breaks to people who

need the breaks, be they elderly or nonelderly. I mean people struggle because they're elderly, people struggle because they have families with children, and it really is about income. It shouldn't be about age.

Now, states in the South are going in two different directions on this and we're going to hear a little bit later about what Virginia did last year when they made their tax changes. And Virginia was among those 10 states that I mentioned that had the biggest gaps. But in last year's tax changes, they decided -- they made a change and they are only going to give these breaks for the elderly to people with incomes below \$75,000 for couples, less for an individual. So they moved to means testing on those. Georgia on the other hand enacted new retirement income exclusions, nonmeans-tested that are phasing in. So as the baby boom generation retires, as the population of this country ages, this is going to undermine your revenue.

Now, of course, that assumes you have an income tax in the first place. Florida, Tennessee and Texas, of course, do not have income taxes. The income tax is the only tax that can grow at a rate -- at the rate of economic growth or even a little bit higher. It can make up for other kinds of taxes that don't grow with the economy. If you don't have an income tax, you're always going to have a structural deficit, you're always going to be behind the eight ball.

But in fact, a lot of Southern states, they have an income tax, but one of the problems is that income tax has been eroded. About 50 years ago they set the top rate of the income tax -- the top bracket started at \$30,000 and it's still at \$30,000. You were rich a few years ago if you made \$30,000. And taxes, if a tax

system progresses, if it doesn't have higher rates for higher income people, it grows more slowly. And almost all of the income growth over the last 20 years has been at the top of the income distribution. So if you're not going to cap for that, you're not going to have a growing tax.

Now, we have a forthcoming study on structural deficits. It's going to be out within the month. Our analysis shows that six of the 10 states at most risk for structural deficits are in the South. They're Arkansas, Georgia, Kentucky, Mississippi, South Carolina and Tennessee. And in the second ring we have Alabama, Florida, Oklahoma and Texas which just about gets most. A few left out there.

So what's happening now? What about the proposals governors are proposing for this year? Well, in Oklahoma the Governor proposes cutting taxes for retirees, doing just what I said, nonmeans-tested breaks for people just because they're old, cutting corporate taxes, and expanding the estate tax assessments, which I hadn't had time to talk about. So that will increase their structural deficit.

In South Carolina, the Governor proposes cutting the top individual income tax rates. That will make their revenue system grow more slowly, that will increase their structural deficit. In Kentucky, you have a mixed bag. The Governor proposes fixing some of these corporate loopholes that make the corporate income disappear, but he also wants to take down the top individual income tax rate. And here in North Carolina, I understand the proposal is -- I haven't actually seen it myself yet because I was traveling, but I understand it is to eliminate the -- take down the top rate of the income tax while maintaining an increase in the sales tax

which again shifts the tax system to slower growth.

So just to summarize -- I know this was a lot of wonk stuff I just gave you, but I think that it is both -- if we want to have a progressive agenda, we have to figure out ways to pay for it. And if we have, instead, a struggle each year, if the tax system is set in a way that you have to repeatedly raise taxes -- and that's one of the reasons sales tax keeps going up so much because they keep declining relative to the economy so people raise sales tax rates.

If we want -- if we have to keep doing that just to stay even, it's very hard to make room for a progressive agenda and it's very hard to get people to think that government is efficient because we have all of these sort of hidden problems and that people translate into inefficiency or waste. Thanks.

(Applause.)

MS. BUTTS: Thank you, Iris. We actually are going to take a break from the panel discussion because Governor Easley is here and we are being fluid. If everyone will stay seated, the Governor is coming in, and I think that Ferrel is going to introduce him.

(Discussion interrupted by welcome of North Carolina Gov. Mike Easley; resumed after his remarks)

MS. BUTTS: Why don't we resume the panel discussion and thank Governor Easley. I didn't mean to offend him. Iris did a really good job of kind of giving us a sense of the landscape of the tax and budget issues in the South. And I think Bob is going to go next and kind of pick up on some of the issues that Iris touched on and give us kind of a sense of where

some of the next battles might be in the South.

MR. EBEL: I'm going to take about 10 minutes. We're back in tax now. We'll pick up on what Iris said earlier, to keep in mind that taxes and budgets are about the relationship between the community and its government. And I want to make a point about tax values, and the values that -- this is a conference that's been looking at values. So let me talk to you a little bit about tax values and in important terms, I hope. And then get us into and introduce some of the very key issues that Iris also touched upon.

I've just joined the Urban Institute for Taxes. I've been out of state and local taxes for a while. The last few years I've been working at other jobs. And among other things Iris said -- and this is relevant to our taxes -- I was at the what was called wealth sharing protocol discussions as the technical representative for the well-banked Sudan peace talks. And on one side of these peace tables we had four or five members of Southern People's Liberation Movement and the other side we had the government of Sudan in Khartoum.

And there was -- we started out for -- it went for a year-and-a-half with some very contentious issues. One of the big issues, for example, was just how to do oil. We were going through the issue, and SPLM was saying one thing, the government was saying another thing about all this idea about how you're going to split up the oil.

We got to a point not too far in the talks when someone just asked a question, the International Monetary Fund representative, and he said, do you know what an oil revenue is? Neither side knew what an oil revenue was. So we got into a technical discussion of oil revenues and

what the net oil revenue was. We brought knowledge to the discussion, and in this case to a peace table, but it could be a legislative committee. We brought knowledge to the table. And they came to a decision. There was one side that wants Shira banking. There was another side that wanted conventional banking. The conventional side said, you can't have a bank without an interest rate. And the other side said, this is an Islamic country. We're going to have Shira law.

Someone else said -- Bill Armstead (ph) said, you know, I'm from Virginia. He lived in South Sudan and in Fairfax County, Virginia. It turned out we went where Wachovia is and where Bank of Virginia is. The South got its conventional banking, the North got its Shira central bank.

The point is -- and I'm going to go back to this again and again, if not now, other times -- that those kinds of things, if you bring knowledge to the table, if you bring knowledge to the tax fiscal table, you can get solutions. You can get people who you think might disagree at the beginning and they'll end up agreeing. I'll bet -- Tom, I'll bet that was not unlike your experience with the North Carolina commission.

The reason you have Iris Lav here is because of this kind of thing. Iris is a good advocate, but, you know, she publishes in one of the world's leading tax journals. And that's why you have Mike Ettlinger out there who does some of the best tax modeling. And was talking to Representative Insko last night at the reception who wants to talk about North Carolina taxes, and Mike's going to help her with a simulation model.

So my point is, if you want to talk about tax values, the way you're going to do that

is to bring knowledge, knowledge to the table. And that's in the short time I have I want to make that plea and tell where you it leads because I think it does lead to a progressive tax policy. By the way, you don't need to go to Khartoum. You can go to Kentucky, and you see the same thing again in state after state. I can give you examples in South Carolina and North Carolina. I see Jane Patterson back there. I hadn't seen her for a while. Texas, where liberals and conservatives come together on tax policy.

Iris listed certain kinds of criteria, and the Governor just said, you appeal to the good people's motives. And you can do that in tax policy. You can talk about fairness. You can talk about efficiency. You can talk about things like simplicity. And, again, as I get to -- I think that does say something about the progressive agenda.

To be candid, I work less in the national congressional arena. I think it's fair to say that -- at least I would argue that in the national arena, that the policy discussions aren't quite as informed. It doesn't mean there's a great research and a great knowledge being brought to that. And we still have the Social Security debate. I think you're going to see that here's where a case where knowledge might make a big difference.

But somehow I think that -- I think you can argue -- when you get to state and local systems, you bring folks together who are on different sides of a political spectrum to begin with, you start bringing knowledge to the table. Oscar Wilde asked once about -- he was charged, in fact, with the fact that he wrote immoral things. And his response was, there's no such thing as moral versus immoral literature. There's either good or there's bad literature. And I think that's true of

tax policy as well.

I remember -- and the Governor's point was just fantastic, I thought, about the distractions and the death penalty. And I believe it was one of our panelists, I can't remember, last night made the point about the reason that President Bush is not pushing the constitutional amendment on marriage is that it leads to more antigay ballot initiatives. And I remember when I was an assistant professor -- by the way, I used to live in the most Southern state in the United States, and that was Hawaii. I don't know if you remember, but that was the most Southern state. I remember when I was working there with the legislature. And they were stopping the clock one night, and there were big debates going on about pro-choice and pro -life, and they stopped the clock. And everyone was there. All the TV cameras were there.

And I was standing there talking to a reporter, who's now a judge, by the way, in Hawaii. And she turned to me and she said, you know why they stopped the clock? It's because the tax committee hasn't finished its work. And she said something that always stuck with me, and the Governor just said it. She says, remember the sideshows. This is a sideshow. She was talking in this case about abortion and pro-choice. And that's the God, gays and guns. This is not to say that's not important. I'm not telling you that's not important. But I'm telling you, what Iris says to you when she says, you want to find out what your community's doing, you watch the budget, you watch the taxes. And these are the sideshows. And so it's important, yes, to talk about the Gods, gays and guns. But I'll tell you the sideshow takes away from what's going on in those tax committees, and you've got to watch it.

I mentioned a minute ago that you can get folks together who seem very different -- by the way we got a peace agreement. January 13th in Sudan. You know what the first thing that just happened last week? The first thing the government of Sudan, the new government has done? They held a conference, a national dialogue, they called it, on decentralization. They brought together Darfur, the people from the Bezhta regions and the people from the south and the people from the north. And they talked about tax powers. That's what they talked about. And they talked about the intergovernmental grants and taking the money and the hard budget constraints, moving it from Khartoum and Al Jazirah states, the wealthy states along the Nile, to Darfur. There was a peace deal a week ago in Darfur (inaudible). The point is, people are bringing knowledge, and the first kind of knowledge they wanted to talk about was tax policy.

In Bosnia-Herzegovina, when that war was going on, you know the first folks that got together to talk about it were the mayors, the mayors for the Republic of Skirtsken (ph) -- it's now the Republic of Skirtsken (ph) -- and from the confederation got together because they had something in common. They understood education. They understood taxes.

It's always amazing to me why someone who wants to run for mayor worried about whether or not the trash is picked up. But, you know, that's the common factor to find.

So in the United States, why does tax policy matter? The same kind of reasons. Four out of every five nondefense dollars on what we think about is important in the social contract, as we say we think, things like education, things like the roads,

things like clean water, things like Medicaid and the like. Water, up to \$5 is spent by state and local governments. That's where the action is. That's why people like Jane Patterson and Tom Ross and Representative Insko, that's why they're on the frontlines. Okay? And that's why this stuff matters.

Now, countries that have strong state and local systems are the ones that grow faster. It's true in the United States. It's true elsewhere. They're the ones that are more fiscally stable, they're the ones that have smaller, not larger public sectors, and those are the countries by weight, if you look at the indexes on freedom, it's the ones that have strong state and local governments that are the free parts of the world. This country is certainly right at the top of the list on that. By the way, Russia is being dropped off that list.

Now, what does that mean for state and local tax policy progressives? Well, I think it goes to something that Iris touched upon. We do need to have good tax policy, but under the current situation -- and this is why I think the progressives do seem to have the upper hand in this discussion -- it isn't the whole question of the viability of federalism and the whole viability of state taxes and state spending policies are under incredible fire. Iris mentioned the studies that are coming out about structural deficits.

If you care about poor people, if you care about the soviet contractor you're going to have to care about that kind of stuff and the structural deficits.

But we get sideshows again. I'll give you a good example of sideshows. Economic development. You know the argument. It starts out that -- basically the argument is, you have a high tax burden on say business, it's antibusiness -- another two

minutes here -- you have a high burden on taxing businesses and therefore there ought to be a system where you start cutting those taxes. And you hear the same thing on the personal income tax. When I was leading a tax study in Minnesota, by the way, one of our studies (inaudible) progression analysis and that's what I'm talking about, the knowledge, led to the discussion of personal income taxes were too high. They had to be cut because they were reducing job growth to certain key industries. So this is not always a plea for higher taxes.

But let me give you the ranking game. I'll give you one of the examples of one of the worst ranking games. It comes out every couple of years. Ernst and Young published it most, on ranking business taxes. And you can get the states' ranks. State are ranked, for example, by business taxes. And again the argument goes, the state is ranked very high and therefore it's overtaxed. The state tax in those communities is very high so therefore it's overtaxed. If you go from step one to step two, you've lost the argument.

The rankings don't show, but you have these ranking games all the time. It's the Tax Foundation, it's the group after group of the different ranks. The ranks just don't show you an awful lot. And if you get into this game, you're going to be in big trouble. The cap on the case of the business taxes, I just saw an issue, by the way, in Ohio. I knew this was a subject of discussion. Governor Taft came out on an increase in taxes on businesses. The businesses came after him because they're saying, look, we pay the greater share of taxes in Ohio. But if you look at why businesses, for example, are high in those ranks, it's because of two reasons. There's a capital intensity in the state, they're high business tax states, or there is -- or and/or they're extracting industry. It's quite

simple. If I have more money, I'm in business, certainly I have more net profits than you have (inaudible) as a household sector to have net income, I'm going to have -- and you introduce this flat rate, I'm going to pay the higher tax.

So those ranks don't tell you anything about the effective rate or the effective profits or (inaudible) for growth. On these ranks. Let me tell you -- let me show you some examples. I just got to looking at the numbers in preparation here. On the state business taxes, what are the high business tax states in the United States? Well, here you go. Alaska, Wyoming, New Hampshire, South Dakota, Louisiana. Those are the high business tax states. Where are the low ones? Maryland -- by the way DC is the lowest business state tax. It shows you it's a conservative state. Utah, Oregon, Wisconsin, North Carolina. Those are the low business tax states. It doesn't tell you a thing, and yet people buy into this kind of argument again and again that ranks matter.

I just compared these ranks to -- and you can get all kinds of rankings. And I'm just going to pick two numbers here very quickly. The top -- ranking in terms of taxes to personal income and then a business tax rank. If you are in Florida, you are -- in personal income, now business -- if you are in Florida, you are the 46th ranked state. In other words, you're a low tax state, personal income, total percentage of personal income. But if you're a business tax, you're number 13, you're a high tax state. Tennessee is 50th in terms of the first number and 11th in terms of the second number. We can go on, Louisiana 21 and 5; the most northern state, Minnesota, 8 and 14, my old home. Other old home of Hawaii has 7 and 35.

Watch out. If you get into that argument,

that's one of the tax sideshows is the economic development game and the ranking game. Let me quickly conclude by -- she says quickly conclude.

MS. BUTTS: Thank you, Iris. I'm the moderator down here, but that's all right.

MR. EBEL: Here's where the sideshows are not -- where the sideshows -- don't lose your eye on these games. We've got an issue on base property tax. We've got issues on remote selling over the Internet. We have simplicity, which is a streamline tax system. We have federal preemptions, which Iris has written about, ranging from E-commerce, to the taxing intentions, to the state and local tax and preemption on taxing airports, trucks and railroads.

So my argument is, you're not going to get anywhere until you get the knowledge on the table. We can talk all we want about the values. Unless you get your Excel spreadsheet right, unless you get your multiplier right, (inaudible) and the like, we're not going to be players.

MS. BUTTS: Thank you.

(Applause.)

MS. BUTTS: Tom is going to talk to us a little bit about the situation here in North Carolina.

MR. THOMAS ROSS: Thank you very much. It's nice to be here and see lots of friends, and probably a couple enemies that I don't know about. But I wanted to start out just telling a quick story about Mac McCorkle because I think it's very important to know when you really have seen a good political consultant. I was here in a program, one of Ferrel Guillory's programs. And Mac was here, and he got a phone call. And he was over in the corner and looked very concerned, and

then this smile just broke out on his face, and he was so excited and so enthusiastic because he had just learned that the Governor had wrecked that race car. And so I thought, boy, he'd be really upset, worried about the governor's health and all that. But all he could see was the publicity coming behind it. So he knew what he would do. He's a good consultant.

North Carolina, I think, has many of the concerns and problems that you've heard about already. So I won't spend a lot of time on those, but I think one other point, not only should you not get in a battle over whether you're ranked high as an income tax state while in fact you might be really low as a property tax state and all of that, because those numbers can be used different ways. But it's really important to understand your state in terms of where the services are delivered. Because there are a lot of states, for example, that deliver most of their court services, a lot of their public school services at the county level and so taxes may be much higher at the county level than they are in a state like North Carolina where we deliver most of our services from the state level -- many more services from the state level than do lots of states.

So I think that's really important to keep in perspective as you're talking about what your overall tax burden is. Because even if you just look at the state tax burden, again, if you're a state like ours, that's not really a very fair measure against the state where a lot's delivered from the local level. So I think that's an important factor.

In North Carolina we are a state that does rely probably more heavily on the income tax than many states though we also rely heavily on the sales tax. But as I indicate, because most of our services are delivered

at the state level, our property taxes are a good deal lower than lots of other areas of the country.

Even with that, we are still -- if you do look at overall tax burden, we are still a relatively low tax state, below -- certainly below the top 25, in the bottom half of the states. Where we are in North Carolina I think is, we went through not only a boom in the '90s, but we went through a boom my entire life.

North Carolina has been a growing state with a growing economy for the life of most of us that are still breathing. Up until four or five years ago. And we continue -- even though Iris says we don't have a structural budget deficit yet, I think we have a budget problem and have had a budget problem essentially every year since 2001.

In 2000 I was the director of the court systems, and I think it was one of the last years in which we had anybody getting any money in an expansion budget. Since then it's just been a fight over what's going to stay in the continuation budget in North Carolina.

But how did we get there? I think in part because our economy is changing. Like most states, we are and have been primarily a manufacturing and agricultural state. We are shifting very quickly to other kinds of enterprises and to a service-based economy, as is true again throughout the United States.

But there's some other reasons that are particular I think to North Carolina, or at least that I know about. One of them was in the '90s when we were doing very well and had surpluses every year, in 1995, we enacted a huge tax cut. At that time in our history, I think our budget was probably in the 13 to 14 billion dollar

range. The tax cut was a billion dollars a year and it was a permanent tax cut. And of course as those taxes would have grown some at least as income grew and sales tax perhaps grew some, although not much. The impact of those recurring lost revenues is even greater than a billion dollars a year now.

In addition to that, in North Carolina we had an intangibles tax that where you got different treatment if you were a North Carolina company than an out-of-state company. Lawsuits ensued. The state was found that it owed back taxes to lots of people or they chose to get rid of the tax in a way that required them to have to pay refunds to lots of people. That cost the state a lot of money.

About that same time we were hit with Hurricane Floyd, which I think many of you know about, which devastated much of the eastern part of our state. We had used our -- a lot of our rainy day fund to take care of the back taxes for intangible taxes, and then Floyd hit. We had very little left in our rainy day fund, so we incurred huge one-time costs for those two items plus some other lawsuits around federal retirees in excess of another billion dollars.

So those hurts that we took from the tax cut and from those one-time expenses then was exacerbated by the downturn in the economy which, again, hit us really hard because we lost lots of textile jobs. We're losing more of those. We're losing furniture jobs and other manufacturing jobs in this state. As I indicated, that has caused our income tax to be less fruitful than it was. It's also caused less spending, so we are collecting less on sales tax. But in addition to that sales tax problem, we're like everybody else. More and more sales are going through the Internet and the economy is more and more service based,

and we don't tax services in North Carolina.

So here we are in 2005, as supposedly in a recovery and our legislature is looking at a \$1.2 billion deficit, and that I think was before spending nearly a quarter of a billion dollars -- quarter of a billion dollars -- I can't get the numbers right -- for flood relief in the western part of our state, which was again very severe damage to our state. So we have exhausted just about every kind of a one-time source of money there is to tap into to play as many of the budget tricks as possible.

This is going to be a very hard budget year I think for North Carolina. And that is without beginning to talk about Medicaid and what it could do to us as it's cut at the federal level and packaged in a way that's sent a lot of those cuts to the state. It's without dealing with issues like school construction that the Governor mentioned, which is a major one for us. It's without dealing, at least adequately, I think most would argue, for pay for state employees who have been at the bottom of the barrel in terms of attention from the state budget now for a number of years, and that's causing a serious problem because people are leaving state government. So even if you fund services, the quality of the delivery isn't necessarily what we would like. We have a huge teacher shortage. So we have a lot of issues in North Carolina to be addressed and pretty serious budget consequences.

So our state, as Iris mentioned, is one of the many that has not modernized. The last time we took a serious look at taxes and the way they're collected was back in the '30s. Or the last time we've made any changes. We've taken lots of looks at them. And we've taken a look with our commission, which was in 2002. We made a number of recommendations that

I think were strong recommendations. I won't go into all of them but just a couple.

As you would expect, we recommended broadening the base and lowering the rates. I mean I think you can stay economically competitive in all of the reasons give for not having high rates and still collect the revenue that you need if you have a broad enough base. For us that meant looking for ways to eliminate the differences in rates in the sales tax, eliminating exemptions both in the sales tax and the income tax, broadening the base in the sales tax by beginning to look at taxing services.

All that being said, the income tax is still the workhorse in North Carolina, I think, and one of the lines in our report that I read again was a strong individual income tax is an offset for other regressive taxes because it is, after all, a progressive tax. And so I think you need to remember that, as Iris said, when you begin to drop the top rates you begin to compress that, flatten it out, and it becomes less progressive.

We also -- one fact that I think is very important that we recommended is to look at tax relief for the poor. In North Carolina -- this is a stunning figure that I learned. We were talking about earlier what you learn from these kinds of things. There are roughly 3 million filers in North Carolina of individual tax returns. 1 million of those had taxable income of less than \$10,000 in 2001 -- I guess it was the year that we were looking at -- and collected only 4 percent of the revenue that's collected under the income tax in North Carolina. So one of the thoughts we had was do something for those people. Either eliminate income tax for them altogether since they collect a very small amount -- we collect a very small amount or at minimum looking at earned

income tax credit. Those sorts of things.

We looked at corporate taxes and franchise fees and a number of other things as well in trying to make some recommendations.

Just a couple of other thoughts I have -- and I know I'm past my time as well -- and that is, I want to emphasize the point that was made about a simulation model. For those of you that know me, I've spent a lot of time involved in crime -- hopefully on the right side -- looking at criminal justice issues and looking at the cost of corrections which, by the way, is another huge cost of state government. It is in ours. And we use a simulation model in North Carolina to at least be sure that we know what's going to happen and what the cost of corrections is going to be. And the legislature, again, I think it is in a much better position to decide, do we want to build more prisons, do we really want to get tougher on every single kind of crime if it's going to cost us a whole lot of money, or can we look for other alternatives in other ways in order to save some money.

I think it's been effective. We need to, in my view, make some changes again to avoid building some more prisons in the state. But I think the model itself has been a very, very important piece of information. One for tax policy would be invaluable.

The other thing is, I think you know there's a lot of discussion about incentives, and many of us aren't big fans of those, but if we've got them, I think it's important for us to think about ways to impact them, you know. So if you're going to have Dell come into North Carolina, if we're going to pay for that out of the tax dollars, maybe we should ask Dell to consider, if it's going to put 600

diesel trucks on the road, to think about using biodiesel fuel or using other kinds of technology that are out there that can reduce air pollution particularly in a state that has already serious air pollution problems.

So I think there's some things we can do. One other suggestion of our commission was not to enact permanent tax cuts. That if you've got surplus years and want to give tax relief, do it through rebates, one-time rebates, as opposed to enacting a permanent tax cut. It then is with you in the bad times, because that becomes a devastating fact which is part of the experience we have right now.

So the last thing I want to say is that I think as people who care about our fellow human beings, we need to refocus the debate. This is not about taking things from people. It's about using resources and investing those resources to make life better for people. And I think that's what we have to do to think of ways to shift that debate. So thank you.

(Applause.)

MS. BUTTS: We've got about probably a little less than 15 minutes for the next two panelists, and I'd like to go to Sid to talk a bit about -- Frank, I'm sorry to take it out of order -- to talk a bit about the experience in 2003 in Alabama and the tax reform fight there.

MR. ROBERT MCANNALLY: Sure. Thank you first. I tell you how pleased I am to be here, not only as a member of this large group, but a member of the Alabama delegation who came to be with you from Alabama. They're an impressive group and have dedicated themselves to justice on many levels, and I appreciate all of them being here. It's a pleasure to be here with you.

Like many of you, I started out in constituent services. My first phone call as staffer for then-Senator Howell Heflin was from a farmer in north Alabama who said Daylight Savings Time was costing him tomatoes because his tomatoes didn't get as much sunshine. So we talked about it for a while. And I decided that what was needed was really information. He just needed information. So I pulled together information on Daylight Savings Time and how it was just a shift in time. I mailed it all to him and asked him, please call me at my direct number when you get the letter. A couple days later I get a call. Boy, I got your letter. I said, yes, sir, did you have a chance to read it? I did. It was a good letter. Now, what are we going to do about my tomatoes?

That story's saying really there is a time table within which all of this has to be considered. My first tour of duty in Alabama was in the early '90s -- in the early '90s working for then-Governor Jim Folsom on an education reform initiative. And even then we knew the fiscal structure in Alabama was in trouble. We knew that at some point the bomb was going to go off in somebody's lap. We just didn't know whose. And the economy pumped that bomb over an administration, and the administration we lived through, a James administration, where we had a Governor who said what we really needed was a government that worked like Waffle House. There's really no way to follow that. The message through those campaigns was, there's plenty of money, it's just wasted. There's more than enough money, we don't need to raise taxes, we just need to be more efficient in the way we spend it.

Then the bubble burst as it did for all states. And in 2001 a group of corporate executives came together and recognized

that whoever was going to be elected in 2002 they would have to deal with a significant fiscal issue in Alabama. It looked at that point like a deficit of maybe 2- to 300 million dollars. They brought together a small staff. I got to be a part of that staff to begin to look at what the options were for Alabama. We had an election. Don Siegelmann, the incumbent Democrat, was defeated by a very, very thin margin by then-Congressman Bob Riley who had never voted for a tax in his life and the Nixon-in-China implications were lost on no one. We thought we had the perfect person to deal with the fiscal crisis that was undeniable. The first thing that Governor Riley did was to appoint as his finance director and chief fiscal officer in Alabama, Drayton Nabors, the CEO of Protective Life, a significant life insurance company headquartered in Birmingham, Alabama. These two men shared a religious conviction that government has an obligation to serve people and to be fair. They also shared no experience in state government in Montgomery.

Now, I say that not to be critical, but to remind us all how important it is that policy makers have background and an historical sense of why things are the way that they are. While the new finance director and Governor became grounds of outer groups, did focus group after focus group, we found, as you heard already, that white Alabamians and black Alabamians are Alabamians first, and the way that they looked at tax burden was much more similar than disparate.

We found that people were intrigued by the notion of fairness. When they found out that we began in Alabama to tax people at \$4,600 of income, a number that has not changed since the '30s, how much as a percentage of income the poorer people in the state were paying than the wealthy people, it intrigued them. It

touched their sense of fairness. And they became invested in that message, but we also found that they did not trust government. They did not believe that anybody could go in in a short amount of time and clean anything up. And we found that if anybody put any significant money in a vote-no message, to reinforce what they already believed about government, that reform would be almost impossible.

So our estimate was, we were looking at three-or-four-to-one in dollars spent pro-message versus anti-message. The finance director comes back, he tells us we're wrong. We're not looking at a 300 million dollar deficit, it's more like 600 million dollars. And he puts together a package.

Now, like current Governor Mitch Daniels in Indiana, a businessman who looks at a broken tax structure, who's been conservative but recognizes that some changes have to be made, finance director Nabors proposed an across-the-board tax increase. His theory was everybody should help. Great policy, questionable politics. It gave everybody a target. It did include everybody, so it gave everybody something to hate. The package included almost half of what you have in front of you as the progressive agenda for 2005 from this group.

Now consider that. A Governor who had never supported taxes. He is a conservative CEO, putting before the people of Alabama a progressive tax policy. So it was a landmark for all of us. Very short time frame, only 90 days from the time that we passed the 21 mil package until the election. Certainly not enough time to explain to people the complexity of what was being put before them. The Governor's political consultants also wanted to include a

college scholarship plan.

So the package goes up to about a billion, two at full implementation. And the cognitive dissonance in people asking, well, if we've got a structural deficit, why are we going to pay for three college scholarships? Was a question that was very, very difficult to answer, even for those of us who had invested a significant amount of time in supporting education.

The yield -- the vote went down, as most of you know, significantly. 400,000 people voted yes, 800,000 people voted no. But when we went back and polled why, what we found was that the complexity of the package was confusing. And in the same way as when you scream at a baby, the baby will turn away from you, it was too much noise around the whole campaign. There was too much money thrown at it.

The Governor, the finance director, touched the third rail of Alabama politics, property taxes. And they'd proposed changes in the property taxes that would generate only \$30 million out of the 1.2 billion, but that 30 million came from such a small community, that it generated five to six million dollars in opposition advertising in the media. And while that corporate community state stuck and they supported the vote-yes message, there was no way in that time frame to be able to raise a three-or-four-to-one dollar that it would take to be successful.

We've got a short time. Let me give you a couple of conclusions. One, this is going to be a continuing issue in the South and across the United States as governors are forced to propose balanced budgets in an atmosphere of hyperinflated medical costs but relatively flat revenue collection. This conversation will continue.

Second, we all like the big fix. We all like to be a part of the big solution. But at least in Alabama there is no historical record of any big fix, ever through Alabama's history since 1812. Never have. Instead, change has been incremental and as people understood why and connections were made to their values, success was seen over time.

My argument to you is that that income tax argument that connected the people's value of fairness in a state that ranks 7th in the United States in per-person contributions to charities, it's still there. And it's something we don't need to walk away from just because a big package went down.

And finally, I tell you that in 1992, when the big education reform failed, there was a small compromise that came out of it called the Alabama Reading Initiative. That reading initiative for the first time this year was fully funded so that every student in Alabama public schools will have the opportunity to be a part of a ground breaking reading program. That will change the face of Alabama. That's the kind of reform that we need to be committed to and stay committed to in spite of the peaks and valleys that come with electoral victories or electoral defeats. So thank you. I'll look forward to your questions.

(Applause.)

PROFESSOR SHAFROTH: I just want you to remember two things as I speak -- and I'm not going to talk about Virginia's experience where this year we lost a significant tax reform battle, but last year, an extraordinary success. Two things you remember, where's-the-money-honey Joe Gibbs. Let me start out, a year ago November, Mark Warner, the Democratic Governor of Virginia, rolled out his tax

reform deficit reduction package. And anybody in a white coat with a stethoscope would have said, you belong in a room that has no windows and no doors, in a coat with no sleeves. It was a lame duck Governor, he is a lame duck Governor. He was a Democratic Governor in a sea of Republicans; not just a sea of Republicans but where the majority of Republicans had been recently elected on a no-tax-increase pledge.

Six months later, after a double overtime, he signed the most far-reaching tax reform, tax increase legislation enacted in several -- in two decades. The prior one was the previous Hollywood star in Sacramento, a guy by the name of Ronald Reagan, who some of you might remember. Now, how did he get there? And I really want to talk sort of about the practical parts. He had one extraordinary benefit coming in. John Chichester, the senate majority leader, a Republican, who cared deeply, deeply about the future of Virginia and commanded respect from every part of the state, had unrolled his own proposal before the Governor.

His proposal called for a net tax increase twice as high and a more progressive tax reform proposal. So it helped going in that when the Democrat unveiled his proposal, it didn't call for as much of the tax increase and was not quite as progressive. It positioned him in the middle and put him eventually in a position where he could be the negotiator between the two sides.

Number two, I sat on a dais with all the elected local leaders, the issue was, should they endorse the effort to reform Virginia's taxes? That is, should they get involved in a issue in which they would be even more insane to get involved? Especially since there had been two referenda in Virginia, just like Alabama's,

that had been widely rejected despite strong support from the Governor. And they looked at me like, what do you mean by even sitting in this room? Now, it happened that day the Washington Redskins had just agreed to a small contract with Joe Gibbs for an amount of money that exceeded the total amount of money paid to all the presidents of the United States in the history of the United States.

And I asked -- I said, is anyone here troubled about the amount of money for this NASCAR race car owner? They said no, no. The Redskins have to go back and win the Super Bowl. I said, that's what it's all about. Do you want Virginia to win the Super Bowl or don't you care?

So how it was framed, and it was framed about, what do we want for the future of our kids in Virginia? They unanimously voted about an hour later to say, yes, we are, as Republicans and Democrats, going to push strongly with our legislators for tax reform because raising that revenue and fixing the structural problem is critical.

Packaging. Think of Campbell's Soup. You know the old jingle, soup and sandwich go together. One of the most important criteria in the success is it was implemented as part of the budget. It was made inseparable. So there could be no budget without dealing with the tax reform package. So everyone understood. The fate of what school teachers are going to be paid, what police and firemen are going to be paid, what every single service that they benefited from was going to be depended upon the outcome of the tax reform debate.

It was not separable, so it was not, are taxes good or bad. Because all the polling showed, guess what, by a near 99 percent

margin, taxes are bad. It was designed specifically to reduce taxes on the vast majority of Virginians. So people didn't see it as, this is a tax on everybody but, rather, this is a real sincere effort to make the tax system more fair.

Both Senator Chichester and the Governor crisscrossed the state. They met intensively, especially with two groups who were important. Business. When the Chamber of Commerce voted, they voted unanimously to support the Governor's package even though it involved, perish the thought, increased taxes from businesses. And the AARP voted to support the Governor's package even though, as Iris has already told you, it involves significant increases in taxes for people who have blown out 55 candles and have blown through their bank accounts because they have a lot of money.

So you start out with two very important forces, both generally identified with Republicans and hating taxes, by the way, that endorsed this proposal. They forced the other side out. This is an important factor. The Republicans thought they could base the whole thing on taxes are evil, so tax increases are bad. As push came to shove, they were forced to say, here's what we would propose to use to pay for schools in Virginia. They didn't have an answer. So their credibility disappeared. Just opposing taxes for the sake of opposing taxes didn't work because it was part of the budget.

So some small lessons for all of you who are going to engage and pursue and emulate what happened in Virginia last year, not this year, and not what happened in Alabama. Put nothing in stone. There was never any point where the Governor or Senator Chichester declared any part of their plans were sacred.

They understood the nature of politics is closely resembling the nature of making sausage. You're looking for what emerges at the end after you fry it, not what goes into it or how it's put together. Connect the dots. People care intensely about the Redskins winning, about UNC beating Duke. They care about things, and they have no questions about what it costs to do it if you're going to win. So connect the dots. Voters and taxpayers care intensely that their kids succeed because they want them to support them when they get old.

Deficits and debt matter. In Virginia, retaining a Triple A credit rating is really a big deal. Now, I don't know many legislators who really understand the difference between a Triple A and a Double A, but all they know is Triple A is the best you can get. So it's just like Joe Gibbs. We are the best and we won't do anything that hurts that.

Relentlessly explain. The fact of the matter is, everyone in this room understand that when you say you're going to talk about taxes, 97.23 percent of the people are immediately going to say, I hate taxes, I don't understand them, and when someone talks about them it's boring. So you've got to translate it so they connect it. Here's why it matters to you.

Stress the value of funding core government service. The critical break came when a Southern Republican in the house of delegates looked at the budget. And he realized 85 percent of the budget in Virginia goes for eight programs. So he understood immediately, and he stood up on the floor of the House of Delegates. He got a big T in the center of his forehead from Grover Norquist. He said, guess what? This has to go. We can't let

this die. That began to break away, that produced 17 Republican votes in the House of Delegates that made it happen.

Be transparent. Don't ever be dishonest about what's in your package and why it's there. You have to be completely open. Be prepared -- the old Girl Scouts thing -- for quizzical and unexpected things to happen. They do. You've just got to be fluid. Up until the last seven minutes no one knew for sure what the package was going to be, and it depended upon four Democratic votes at the end, four very progressive people, who felt, well, the package isn't quite perfect. And the Governor said, forget it, we're going to get it done. This is our chance in destiny.

Finally -- let me just close with this. The number of relations among simple elements increases until those relations look like extraordinarily refined experiences. No one can anticipate at the onset who the players or what the music will be at the end. Suffice it to say it will be dense, it will be obscure. The double base might not be anticipated, but more important to the outcome, just the amount, the ability of governors and legislators to perform together requires an incredible amount of patience, an incredible amount of vision. But the result, as we saw last year in Virginia, can be extraordinarily rewarding. It will mean a lot to an awful lot of kids and to the kind of work all of you are out to do. Thank you.

(Applause.)

MS. BUTTS: We're going to open it up now to questions, and I would ask you, Antoin and Natalie will have mikes, and if you would state your name and also the state that you're from when you ask the question. Thank you.

MR. JESSE WHITE: My name is Jesse White, and I work here at UNC Chapel Hill. Madam Chairman, I say this as a point of personal privilege, if I may for a minute. I would hope that this group, of all groups, would quit referring to the quest for human rights for gay and lesbian Americans as a sideshow issue.

(Applause.)

If you can be fired from your job simply because of your sexual orientation, it is not a sideshow issue. If you cannot visit your partner in the hospital, it is not a sideshow issue. If you cannot get health-care for your partner with whom you've lived for 15 or 16 years, it is not a sideshow issue. And as Hodding Carter said last night, the soul of this country has been about expanding human rights. And if gay and lesbian Americans cannot find a home and a voice in a program called New Strategies for Southern Progress, I don't know where we can find a home. Thank you.

(Applause.)

MS. BUTTS: Obviously it's a point well taken, and I think I understand where Bob was coming from, but I would like him to get a chance to defend his --

MR. ROBERT EBEL: Sure. I think that was a misunderstanding. I said very clearly they were not unimportant issues. I said when it comes to tax and fiscal policy, watch out for the sideshows. And this is what I think the Governor's point was about God, guns and the like. So it's not to suggest these are not important, and I'd be happy to tell you I think they are important over a beer. But this is not about that. It's about tax policy and about getting tax policy right.

And I also said, one of your sideshows is

your economic development issues as well. And I'm just telling you, when the legislatures meet on these issues, the tax committees meet in the other room, and you'd better pay attention.

MR. RALPH SMITH: I just want to follow up on what the gentleman said about the sideshow issue. Ralph Smith. I live here in Chapel Hill. Just came down from New York state. And I think the sideshow issue of death penalty is strange that you would say that. I don't know if you meant that it was a sideshow issue, but we cannot continue to kill people in this country and underrepresent them, et cetera, et cetera. So thank you very much for bringing up this whole issue of sideshows. Thank you.

MS. ASHLEY HOLMES: My name is Ashley Holmes. I'm an AmeriCorps member in Durham this year with Public Allies, and I work for the Democratic response for them. I followed the Alabama tax fight, and a lot of stories that I read painted the opposition as the religious right evangelicals. And as someone who is so close to it, I want to know if this analysis was right on and more about the issue or the role that faith played in that issue.

MR. ROBERT MCANNALLY: I think that's a great question, and because of the time constraints I really didn't have time to go into sort of the turnover that occurred in people who were wary of the Republican Governor, who included a very strong teachers union in Alabama, and they had been political opponents in the past.

I think when you talk about Alabama politics and religion, it's difficult to talk about evangelicals because evangelical is a big tent. There was an investment by mainline denominational ministers in this

issue that we had not seen before on the issue of tax fairness and equity. And it was across denominational lines. We did not see a significant commitment from independent churches who are nondenominational.

We did have the leader of the Alabama Christian Coalition leading in opposition. There were some who asked what exactly that had to do with the mission of the Christian Coalition, which was a question that was never directly answered. But I would say that the opportunities that I had to debate him -- there were two -- were very productive for the proponents.

And one of the things that I agree with very strongly from an earlier panel is, we need to take those issues on and take those people on because we do have a stronger argument when it comes to an issue like, like income tax equity in Alabama. That is an issue that there is no response for. And every time we would ask a direct question, we got an obfuscation.

So I think we need to stand very strongly and firmly on the points that we have that reach those core values. It was an interesting conversation in the religious community. You'll hear from Jim Evans in another panel this afternoon who was very involved in that as well. Thank you for the question.

MS. ODETTA WHITE: Thank you. My name is Odetta White. I'm from Gainesville, Florida, and I am chairing our Earned Income Tax Credit volunteer preparation program there. And I wondered where something like the EITC -- what role that plays in a progressive agenda as we talk about finding the money to fund progressive ideas and a progressive agenda.

MS. LAV: Well, the EITC is one of the most important things that we have done to improve the fairness of tax systems. It provides -- the federal EITC provides -- both relieves the taxes of low income people and provides a refund to working families and to some individuals. And it's quite substantial. For a family making around a minimum wage with two kids you can get as much as \$4,000 back a year. So it's very important. There's wonderful outreach campaigns like yours going on around the country. And our organization actually coordinates the national outreach campaigns.

But there are 17 states that have state EITCs that add to the federal, and that's a tremendously important strategy as well in terms of making tax systems more progressive. Obviously if you don't have an income tax to start with, in Florida, it's pretty hard to do any EITC, but other in the South could very well think about that as a strategy. Thanks for the question.

MS. BUTTS: One more question.

MS. KATHERINE DIDO: I'm Katherine Dido. I'm with the Defense (inaudible) Foundation. I was curious. One of the things that I've heard was around changing the language that we use when we talk about taxes. Changing the framework as sort of being a tax investment. I was curious if you had any ideas on how you go about making this shift and if this should be a central focus of tax changes.

PROFESSOR SHAFROTH: I think it's part of what I said. I mean I don't know anybody who seems to be deeply wrought up about Mike Chichowski's salary because he produces, right? One of the most American things there is is to win, to be the best. And businesses invest enormous amounts of money and

Americans have pride. So I think if you reframe it -- there is good evidence now that the medical school in New Delhi is the best medical institution in the world, far exceeding Harvard's medical school or Stanford's.

So some people, when you have a child in a public school and a parent, you understand how important that education's going to be to the future. So, you know, I know that morning sitting with all those mayors who thought, we don't want to get anywhere near a tax debate in the legislature, we can only lose. But instead reframing it, this is about the future of your community. Where do you want to be 10 years from now and how are you going to get there and what will it take?

So that's why I say, you connect it till it's part of, what's it worth to us? When it's reframed as, what's it worth to us, I think people are willing to pay. If you look at how much money people gave to help Tsunami victims, unanticipated ever in American history, because they felt they wanted to help. They want to help be better, they want to win. So you frame it on investment and you try and frame it over the longer term till you force that question out and you connect it to budgets. So it's -- you know, my son -- I learned it from my son way back when. Because Governor Gilmore ran a big campaign, that was a vintage campaign to kill the car tax in Virginia. It was a great campaign because, of course, it was a local tax not a state tax.

The favorite thing of anyone elected to office is to cut someone else's taxes because it doesn't affect your budget. And my son, who was about nine at the time, said, Dad, does anyone like taxes? I said, well, no. I've never yet found anyone who likes taxes. He said but, dad,

don't we need taxes to pay for teachers and policemen and firemen? I said, yes. He said, well, don't people get it? I said no. And he didn't ask any more questions. So he got it. So he just -- you have to make sure you connect those dots, but then connect it in a positive way.

Do you want to win the Super Bowl? Do you want to win the Super Bowl of medical schools? Do you want UNC to be ranked in the top 10 universities around the globe because we know India and China are moving very rapidly and making huge investments and they're not raising tuitions to get there.

MR. ROSS: Can I say that's a great answer by Frank, except we don't like to mention that other coach.

MS. BUTTS: I'd like to thank the panelists. I think the one thing that we've proven in this discussion is that tax reform doesn't necessarily have to be boring. But it obviously impacts -- it's similarly important. It impacts issues that we care a lot about as progressives. And I think the panelists are going to be able during lunchtime to talk about some of these issues more. Thank you for your patience and your willingness to engage and, again, thank you, panelists.

(Applause.)