

1                   PRESIDENT CLINTON: Thank you very much.

2 Thank you. Thank you. Thank you. Thank you. Thank you.

3                   Thank you so much, Governor Carper, Governor  
4 Leavitt, Governor Carnahan. Thank you for welcoming me back  
5 to Missouri and to St. Louis, a place that has been so good  
6 to me and our family and our administration. I must tell you  
7 this has been a great day for me already. I got -- my staff  
8 says I'm entitled to a great day once in awhile. I got to  
9 spend the night in my mother-in-law's house, go to early  
10 church in my church, have breakfast with my friends and then  
11 come to meet with you. And I'm -- something bad may happen  
12 tomorrow, but this has been a good day.

13                   When I first spoke to the Governors as  
14 President in 1993, I promised that we would build a new  
15 partnership, and I said I would try to hold up my end of the  
16 deal in three ways. First by bringing down the federal  
17 budget deficit so we could have lower interest rates and  
18 greater investment and a recovering economy. I've been a  
19 governor through one boom and two busts. The booms make the  
20 job easier.

21                   Second, I promise to work with you to end  
22 welfare as we know it, to prove that poor people could  
23 succeed at home and at work.

24                   And, third, I promised to loosen the rules and  
25 lift the regulations on Medicaid that had long stopped the

1       Governors from providing more healthcare for less. Six and a  
2       half years later, I think it's clear that this partnership  
3       has worked through the hard work of the American people and  
4       the economic plan we've put in place in 1993, followed up  
5       with the bipartisan Balanced Budget Act of 1997. We've  
6       turned record deficits into record surpluses as Governor  
7       Carper said. Most of your budgets also enjoy healthy  
8       surpluses. We have the largest peace time expansion in  
9       history and on Friday I announced that we've gone over 19  
10      million new jobs in the last six and a half years with home  
11      ownership the highest in history and minority unemployment  
12      the lowest ever recorded. You all know, and I think Tom  
13      referred to this that with the welfare waivers that we  
14      granted the states followed by the Welfare Reform Act in  
15      1996, your initiatives have led us to the lowest welfare  
16      rolls in 32 years now. Last week in Chicago I was able to  
17      announce that every one of your states is meeting the work  
18      requirements of the new welfare law, something that the  
19      American people should be very grateful for. And we now have  
20      12,000 businesses in our Welfare-to-Work partnership  
21      committed to hiring people from the welfare rolls into the  
22      workforce.

23                                With the bipartisan Balanced Budget Bill of  
24      '97, we've created the Children's Health Insurance Program,  
25      \$24 billion, the largest expansion of health coverage since

1 the creation of Medicaid. We've waived or eliminated scores  
2 of laws and regulations on Medicaid including one we all  
3 wanted to get rid of, the so-called Boren amendment. And  
4 last week I signed the federalism executive order putting to  
5 rest an issue that has divided the administration and  
6 Governors for far too long.

7 (applause)

8 PRESIDENT CLINTON: In so many areas we share  
9 a common vision. I heard Governor Hunt talking when I walked  
10 in today. I thought I've heard that voice for more than 20  
11 years. It's still singing more or less the same song and it  
12 gets better every time he sings it. I thank you, sir.

13 So, I would say to you that this country is  
14 poised to enter a new century and a new millennium with its  
15 best days still ahead. But we have some significant  
16 long-term challenges. I think we're in a position to meet  
17 those challenges. And I'd like to talk very briefly about  
18 the next steps that could affect you on the federal budget,  
19 on welfare and on healthcare.

20 First, let me say that I do see this as a  
21 generational challenge to deal with the aging of America; to  
22 deal with the children of America which are more numerous and  
23 more diverse than ever before; to deal with the long-term  
24 economic health of America; to bring the light of opportunity  
25 to places that have still not felt any of this recovery.

1 Those are just a few, but I think the biggest of our  
2 long-term challenges. So what I propose to do is to take  
3 over three-quarters of this projected surplus and set it  
4 aside in ways that would enable us to lengthen the life of a  
5 Social Security trust fund in ways that would cover the  
6 entire life of all of those in the baby boom generation.  
7 That is, I don't expect to be around in 2053. I'd like it if  
8 it turned out that way, but I kind of doubt it will happen.  
9 In ways that would lengthen the life of the Medicare trust  
10 fund, bring the best that we know in terms of competitive  
11 technologies and other things to play, have more preventive  
12 screenings to try to keep people out of the hospitals and  
13 have a modest prescription drug benefit. Something we  
14 plainly would provide if we were creating Medicare for the  
15 first time today. If we do that, there will still be enough  
16 money to meet our fundamental obligations in education and  
17 national defense, medical research, veterans, agriculture,  
18 the environment and have a modest tax cut, and we can do it  
19 and pay off all the publicly held debt in this country for  
20 the first time since 1835 when Andrew Jackson was President.  
21 We can do that in 15 years. Now, I think that's important  
22 because in a global economy where interest rates are set in  
23 part by the movements of money at the speed of light across  
24 national borders, I'll make you a prediction, in 20 years  
25 people will think all rich countries should not have debt,

1 because that will keep interest rates lower and investment  
2 higher, more jobs, more incomes, smaller costs for everything  
3 from homes to college education. And our trading partners  
4 around the world that are struggling to lift themselves up,  
5 or countries that get in trouble as the Asian countries did  
6 over the last couple of years, will be able get the money  
7 they need at lower interest rates, recover more quickly and  
8 help us to continue to integrate the world into a global  
9 market.

10 Now, as you know, I'm having a big argument  
11 about this in Washington. And I know you've already heard  
12 the other side of it. But, let me just say I think if you  
13 hear it at first blush, the plan of the Republican leadership  
14 has some appeal. They say look, we've got this big projected  
15 surplus and we want to let the government keep two-thirds of  
16 it and give the people a third of it, and why is that  
17 unreasonable? Well, here's the problem. First of all, you  
18 all have been there, a projected surplus is not the same as  
19 one in the bank. And we don't know that. But, secondly,  
20 there are -- the budget problems, economic problems and aging  
21 realities that I would argue undercut this tax bill that has  
22 passed the Congress. And let me just mention, first of all,  
23 the two-thirds of the surplus that the Republican leadership,  
24 and I applaud this, has committed not to spend is that  
25 produced by the Social Security taxes. So, they say we're

1 not going to spend it at all, which means the only money  
2 available for spending over the '97 budget caps is the  
3 hundred percent they want to give away in the tax cut. And  
4 it is a hundred percent because it's not just the size of the  
5 tax cut, but when you cut taxes that much, you reduce debt  
6 less, so your interest rates are higher. The interest  
7 payments are higher. So you have to add to the tax cut the  
8 interest payments that we will have to pay that we would not  
9 otherwise have to pay. And that just -- so, basically it  
10 means that the surplus we project to come from Social  
11 Security taxes will be out here and it will -- if it's kept  
12 that way it will be used to pay down the debt and that's  
13 good. Not as much as my plan, but it does pay some down and  
14 that is good, and I applaud that. But it also means that you  
15 and we and the American people are stuck with the '97 budget  
16 caps for the next decade.

17 Now, let me tell you what that means. First  
18 of all, it's not real. The same people that voted for this  
19 tax cut are up there spending money to help the farmers, and  
20 they ought to be. We've got a terrible crisis on the farm in  
21 America, and we need to deal with the present emergency and  
22 we need a long-term modification of the '95 farm bill to  
23 reflect the fact that it has no safety net. And we need to  
24 do it in a way that doesn't mess up market prices, doesn't go  
25 back to the bad old days of overly managed farm programs by

1 the federal government. There are ways to do this, and we  
2 have to be careful how we do it. There are a lot of good  
3 things in that farm bill in terms of having the government  
4 get out of telling the people what to plant where. Had a  
5 good conservation reserve program. Had a lot of good things,  
6 but it had no safety net. So, the Congress, on the one hand,  
7 is cutting the taxes and, on the other hand, is spending  
8 money for farmers. They are putting more money back into the  
9 veteran's health budget, which they ought to do. There's  
10 some need there. They want a defense increase even bigger  
11 than the increase I want, neither of which can be funded  
12 under the new balanced budget calculations if you keep the  
13 Social Security surplus out of it. And that doesn't count  
14 what you will want us to do to help you in education or  
15 Medicaid or anything else. And it doesn't count what I hear  
16 at every place I go in every state in communities large and  
17 small which is that we had cuts that were too severe in the  
18 Medicare budget in 1997, which has imposed enormous burdens  
19 on the teaching hospitals in every state in the country, on  
20 the hospitals with large numbers of poor people, and on a lot  
21 of therapy services, for example, for home healthcare, which  
22 had been cut back.

23 So, on the one hand we've got a construct that  
24 sounds simple and good. We keep two-thirds of the surplus,  
25 we give you a third back to the people, but it means that we

1 have to stay within the '97 budget caps which are already  
2 being broken, and which should be exceeded. You've got to do  
3 something about agriculture. We've got to do something about  
4 these teaching hospitals. We need some relief for the  
5 Veterans' Administration. And that doesn't deal with all the  
6 things that you've been talking about probably before I got  
7 here.

8                   Now, so that's the budget problem. So one of  
9 two things will happen. If we had this construct we would  
10 either have huge cuts in all these things, huge, or we would  
11 have a reversion of past policies. We'd go back to deficit  
12 spending. At least we'd be deep into the Social Security  
13 portion of the surplus.

14                   Secondly, there are the aging realities. The  
15 plan that has passed does not do anything to extend the life  
16 of the Medicare trust fund, nor does it do anything, even  
17 though it holds its taxes back, it doesn't do anything to  
18 extend the life of the Social Security trust fund. Just  
19 taking the tax receipts and holding them separate does not  
20 extend the life of the Social Security trust fund. To do  
21 that you have to do what I suggested, which is to take the  
22 interest savings you get from paying the debt down for five  
23 years and put them into the Social Security trust fund. And  
24 I believe we have to find some way of bipartisan agreement to  
25 increase the rate of return in the trust fund, and the only

1 way to do that is get out of buying something besides  
2 government securities. And I think there's a way to do that,  
3 and I still believe we can get an agreement on that. So,  
4 there's -- then the third thing is the economic realities.

5 We have been told repeatedly and with a soft  
6 and indirect way from the Federal Reserve chairman to the  
7 pages of all the business articles that you read that if,  
8 with the economy growing like it is, if we have a tax cut of  
9 this size, it will lead the larger interest rate increases  
10 and most people will turn right around and pay back in higher  
11 interest costs what they are going to get in a tax cut. Now,  
12 it is true, as Governor Carper said, that we don't have  
13 indexes of inflation here because America has a relatively  
14 open economy, and because of the breathtaking increases in  
15 productivity, because of technology and other things, we  
16 don't, but the Fed took a preventive step, as all of you know  
17 the last time it met, and we have gotten a signal that is  
18 loud, clear and unambiguous that if you have a tax cut this  
19 big in an economy that's doing this well, there will be  
20 higher interest rate increases and the people will lose what  
21 they get in the tax cut in higher interest costs. I  
22 personally think that is a mistake.

23 Now, consider the flipside of this. Here we,  
24 the baby boom generation, our generation has been derided by  
25 others and by ourselves for 30 years for being self-indulgent

1 and all that, and been poorly compared to the World War II  
2 generation. Well, in their youth they were required to save  
3 the world and to get us through the depression. And we had  
4 no such challenge. But in our middle age we are being given  
5 a chance to get this country out of debt for the first time  
6 since 1835. We are being given a chance to stabilize Social  
7 Security and Medicare so that when we retire we don't have to  
8 have our hands out to our kids to support us and take money  
9 away from them that they would otherwise spend on our  
10 grandchildren. And I think it's the opportunity of a  
11 lifetime.

12 Now, we can still have -- my view is the way  
13 to resolve this is to stop putting the cart before the horse.

14 To pass the tax cut before we decide what the Medicare fix  
15 is, what are we going to do on that? What are we going to do  
16 to extend the life of the Social Security trust fund? And  
17 what we need to spend for these other things is kind of like  
18 a family sitting down to dinner and saying let's take the  
19 vacation of a lifetime and when we get home we'll see if we  
20 can't make the mortgage payment and send the kids to college.  
21 You wouldn't do it, nobody else would do it, and I think it's  
22 a mistake to do it.

23 Now, if you disagree with all this and you  
24 want to go back and spend the Social Security surplus, we can  
25 do it. We can do all these things. But you mark my words,

1 the interest rates will be higher, this economy will be  
2 weaker than it otherwise would have been, and 30 years from  
3 now we'll wonder what in the living daylights we did with the  
4 opportunity of a lifetime. And I think that's why one of the  
5 members of the Republican party who voted against this was  
6 Governor Voinovich, who happens to be a Senator. And another  
7 was Senator Snowe, who's spouse was one of our colleagues.  
8 And so I just would ask you to consider this. To me this is  
9 not politics, this is arithmetic. We went back to  
10 old-fashioned arithmetic in Washington the last six and a  
11 half years and it worked pretty well. We had to get rid of  
12 two or three hundred programs. We've now got the smallest  
13 federal establishment since John Kennedy was President. And  
14 everybody had to take a little medicine they didn't like.  
15 But because the economy has grown so much we've actually had  
16 more money to spend than we ever dreamed, and we've begun to  
17 lift children out of poverty. We've begun to do some other  
18 things. But if you look at this looming problem of what the  
19 aging of America will do, twice as many people over 65 in 30  
20 years. If you look at what you all are facing with two  
21 million teachers about to retire with the largest number of  
22 kids in school ever, with increasing diversity, it just seems  
23 to me that -- and if you look at the obligations I have and  
24 that any President would have of either party to maintain  
25 military readiness and deal with the aging of a lot of our

1 systems and to compete for talented young people to get them  
2 into the military when they can get so many good jobs doing  
3 other things, if you just look at all of this and if you look  
4 at the fact that the money is not there yet, this is all  
5 projected surplus, it seems to me that the better course is  
6 to think of the long-term future of our children. And I  
7 really do believe this is a generational challenge for the  
8 so-called baby boomers, and I don't think we ought to blow  
9 it, and if I can stop it, I will.

10 (applause)

11 PRESIDENT CLINTON: But -- but -- let me say  
12 something else. This is not -- you know, it is literally  
13 true that instead of spending more money on the farms, we'd  
14 have to cut the farm safety net programs. We'd have to  
15 eliminate the crop insurance program. We'd have to have a  
16 \$32 million cut in Medicare, which we're not about to do.  
17 We'd have to do all these things. But let me say that I am  
18 also not pessimistic about this. You know, to solve this  
19 problem, we have to have a -- to solve this problem, we have  
20 to have a majority of both parties in both houses. And most  
21 people say, well, you're already into the political season,  
22 all the states -- some of you have done this -- all the  
23 states have moved their primaries way up, so everything is  
24 now about nothing but politics and we can't get this done. I  
25 just think that is dead wrong. We passed a bipartisan

1 balanced budget agreement in '97, overwhelming majorities of  
2 both houses, both parties. In '96, in the teeth of the  
3 election, we passed that welfare reform bill, overwhelming  
4 majorities in both houses, both parties. And, you know,  
5 we're all still getting paid every two weeks, we're drawing a  
6 check up there and if we just, you know, realize what we're  
7 supposed to do for our check, we'll figure out a way through  
8 this. I am not nearly as pessimistic as a lot of people are  
9 about the prospects of our reaching an agreement, and I am  
10 determined to try to do it.

11 Now, let me just talk briefly about two other  
12 things that were a part of our partnership. One is welfare  
13 reform. I know a lot of you have been concerned, probably a  
14 lot of you in both parties, about the discussion in  
15 Washington where some of you apparently have been asked  
16 outright how would you feel if we took some of your welfare  
17 reform money back. Now, to be fair, I want to just tell you  
18 they're in a terrible bind, because they're living with the  
19 budget caps and they want a tax cut that will keep them in  
20 the budget caps and they got to spend -- they got to help the  
21 farmers. They've got to do something for the farmers. And  
22 we probably have cut the veteran's budget too much, and they  
23 want to spend more and more -- more on defense, and there's a  
24 general concensus that we need to -- not on how we should  
25 help you with education, but on that we should continue to

1 support that as you have the largest school populations in  
2 history. Now, I think that it would be wrong to take the  
3 money away. But what I want to urge you to do is to make  
4 sure that you've made every effort you can to spend the money  
5 in the appropriate way. We know, for example, that we're way  
6 below -- and this -- I'm trying to get this in the tax bill,  
7 by the way, because keep in mind there can be a tax bill, it  
8 just can't be as big as the one that's passed. We're way  
9 below meeting the national need for childcare for low income  
10 working people. And if we're going to move more people from  
11 welfare to work, we got to do more on that. So I hope you'll  
12 consider that.

13                   There also are some states, I know, you know,  
14 Governor Thompson only has 14 people left on public  
15 assistance in Wisconsin, so, there are some states where the  
16 reduction has been so low that arguably that it is physically  
17 impossible to do, and if you all can come up with a fix for  
18 that, for, you know, if you get the rates below a certain  
19 amount that it deals with the education of poor children, or  
20 something that, you know, tries to creatively deal with this,  
21 bring it to me. I don't want to put anybody in an impossible  
22 situation, but I think that the problem of giving poor  
23 children a step on the ladder to a mainstream American life  
24 beginning with education and healthcare, and good parental  
25 support is a problem that our successors and interests will

1 be facing here ten, twenty years from now, and if we can set  
2 up the right framework, we'll be doing a very good thing.

3 So, you can do two things, you can just say --  
4 they could say, well, can we have some of this money back  
5 because we've got a budget problem and you could say no, and  
6 you can probably win that. And I'd be for it, by the way,  
7 I'd be for your position. I'd say no, too. But -- but --

8 (applause)

9 PRESIDENT CLINTON: I recommend, I think the  
10 better course is for you to say no, but here's what we're  
11 going to try to do to spend this money that you've given us,  
12 and if we're in a position like -- you know, I don't know how  
13 many states are in this position, but Tommy and I talked  
14 about this briefly in Chicago the other day, if you're in a  
15 position where you just can't, you say here's how we really  
16 ought to make some changes so we can invest this in our kids  
17 and their future. But I think that's important.

18 Now, there's also some discussion in  
19 Washington about whether the Congress should reduce the  
20 funding for the CHIP program. And, again, I think that's a  
21 mistake because between CHIP and Medicaid and now Funded, the  
22 vast majority of children in this country without health  
23 insurance could get it, and that would be a good thing. And  
24 I want to say that thanks to the efforts that a lot of you  
25 have made and the outreach efforts that have been made, the

1 Kaiser Family Foundation says that there's now 1.3 million  
2 kids enrolled in the CHIP program, which is a huge increase  
3 in the last six months. So it's finally beginning to pick  
4 up. Now, however, we know that there's money out there for  
5 four to five times that many children to get health  
6 insurance. And, I think that rather than talk about giving  
7 the money back to Congress, we should talk about how we're  
8 going to invest it for the purpose for which it was intended.

9 It was one of the single achievements of the Balanced  
10 Budget Act of 1997, a completely bipartisan thing, and a  
11 really laudatory effort. But all of you had to get out there  
12 and design programs and figure out how you were going to  
13 interface it with Medicaid and figure out how to tell people  
14 about it. It was a complicated thing but we wanted to do it  
15 in a way that this portion of it would be as little hassle  
16 for you as possible. And a lot of things that happened, in  
17 Nevada, for example, I know our educator Governor there has  
18 the school principals are getting children signed up for  
19 CHIP. In Alabama the All Kids Program is mobilizing coaches  
20 to enroll children who want to be in sports. In California,  
21 Governor Davis is doing outreach for CHIP in ten different  
22 languages. So, a lot of good things are happening, and I  
23 think it's important that we remember that this year, this  
24 coming school year will be the first full year of full  
25 opportunity and operation of the CHIP program in all the

1 states. So, I think it's too soon to rush to judgment about  
2 this. This is the first full year of fully operational CHIP  
3 programs in all the states. I think we need to do more to  
4 support the outreach and to take advantage of the children's  
5 health issue.

6 Now, beginning tomorrow we're going to send  
7 every school superintendent in America a letter and every  
8 member of the National Association of Elementary Principals  
9 will get letters from that organization asking them to  
10 participate in an outreach effort to inform parents about the  
11 value of health insurance and their eligibility. Next month  
12 when the children get back to school, the Departments of  
13 Justice and Health and Human Services are going to launch  
14 outreach efforts with the United Way. For example, school  
15 lunch applications will come with fliers explaining the CHIP  
16 program. Workers are going to be sent to local McDonald's to  
17 sign up families there. Health and Human Services is going  
18 to run a radio message campaign to publicize it. I think  
19 there is an enormous amount of promise that is still to be  
20 fulfilled here. I need to ask you to do a couple of things.  
21 First of all, we need more data to really make this system  
22 work. We can't improve the program or know what's wrong with  
23 it unless we know how many children have signed up for it.  
24 Today 20 states haven't sent us the information. Some  
25 haven't reported on the basic information about children on

1 the Medicaid rolls. And we know that from some outside  
2 studies that in some states individuals who are Medicaid  
3 eligible don't always get the opportunity to enroll without  
4 delay as the present law requires. We need to figure out why  
5 this is happening and figure out how to stop it. So, this  
6 month, as was reported I think already, we will begin working  
7 with you in partnership to do some on-site reviews to insure  
8 that there are no roadblocks, intentional or even more likely  
9 unintentional roadblocks, to those who are eligible for  
10 Medicaid. I think that now that we have the funding and the  
11 extra flexibility to manage welfare and healthcare, we've got  
12 to make the most of it. Let me just give you some examples.  
13 There's \$500 million in the budget to reach out to families  
14 who lack health insurance but are eligible for Medicaid, to  
15 simplify procedures for signing them up. We've gotten rid of  
16 the senseless rule that two earner families that work over a  
17 hundred hours a week are ineligible for Medicaid, even if  
18 their incomes are still low enough to qualify. All of you  
19 will get substantial funds on the tobacco settlements. They  
20 can be used for preventing youth smoking but also for  
21 expanding health insurance. I hope you will make the most of  
22 this, and let me just make a couple of specific suggestions  
23 about CHIP in addition to what we're trying to do. I think  
24 the things that would have the greatest impact are  
25 presumptive eligibility for CHIP as well as Medicaid, and

1 sending eligibility workers into schools, into churches, into  
2 healthcare centers, into daycare and preschool centers,  
3 places where the children are, where their parents will come.  
4 We have, this was -- this is an enormous opportunity to  
5 shrink the health problem of no insurance for children. We  
6 know we have about ten million kids without health insurance  
7 and the last six months of the CHIP program indicate to me  
8 that if you just keep working at it, we can get up to at  
9 least to the four to five million kids that we anticipated.  
10 But if you look at the combined eligibility and the level of  
11 funding of Medicaid and CHIP there's no question that the  
12 vast majority of uninsured children in this country could in  
13 fact get coverage. And it would make a demonstrable  
14 difference in their health and in their performance in school  
15 over the long run.

16 Well, let me just finally close by saying that  
17 in some ways these are all high class problems. If I had  
18 come here in '93 and said now I'll be back here in a few  
19 years and we will talk about how to spend the surplus, you  
20 would have said, you know, I thought that guy had good sense  
21 but he's completely lost it. This is a high class problem.  
22 But all high class problems have accompanying high class  
23 responsibilities.

24 This is the last NGA meeting of the 20th  
25 century, the 92nd meeting of the Governors. The 92nd year in

1 which you've met. I've been to 19 of them. The first one in  
2 1908 was called by -- that's not the one I went to. Although  
3 some days I feel like I went. The first one in 1908 was  
4 called by a former governor, Theodore Roosevelt. He was a  
5 great Governor and great President and very farsighted man.  
6 And he called the meeting, interestingly enough, about the  
7 conservation of our nation's resources. Now, I'll make you  
8 another prediction. When I look around this room and I see  
9 how many of you I've visited in natural disasters over the  
10 last few years, you and your successors will spend a lot more  
11 time in the next 20 years talking about the conservation of  
12 natural resources in the context of natural disasters and  
13 climate change, and so it will be deja vu again, and Teddy  
14 Roosevelt will look even smarter than he does today.

15 But I want to close with a quote that he gave  
16 to the first Governors meeting. He said, "Both the national  
17 and the several state governments must each do its part and  
18 each can do a certain amount that the other cannot do. While  
19 the only really satisfactory results must be obtained by the  
20 representatives of the national and state governments working  
21 heartily together." I think that if we work heartily  
22 together we'll turn these high class challenges into gold  
23 mine opportunities and our children will live in America's  
24 greatest days. Thank you very much and God bless you.

25 (applause)