

1 NATIONAL GOVERNORS' ASSOCIATION

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5 TRANSCRIPT OF PROCEEDINGS

6

92ND ANNUAL MEETING

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11 DATE: JULY 9, 2000, 11:00 A.M.

12 PLACE: PENN STATER
215 INNOVATION BOULEVARD
13 STATE COLLEGE, PENNSYLVANIA

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SHERRY BOWES, RMR, CRR
23 NOTARY PUBLIC

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1 CHAIRMAN LEAVITT: Good morning, Governors,
2 distinguished guests and ladies and gentlemen. It's my
3 privilege to welcome you to the opening plenary session of
4 the 92nd annual meeting of the National Governors'
5 Association. In just a moment we're going to be hearing from
6 our first distinguished guest, General Colin Powell, and a
7 bit later Ivan Seidenberg, who is president and the co-chief
8 executive officer of Verizon Communications, but I'd like to
9 make a couple of points in opening.

10 During the course of this meeting, we will be
11 discussing a number of critical and important issues to
12 states and to this country and we'll be making a particular
13 focus on the new economy. This morning, our guests will be
14 discussing building communities in the new economy, and a
15 little later in this session we'll be talking about
16 telecommunications in the new economy.

17 In our closing plenary session, we'll be
18 hearing from Alan Greenspan, the Chairman of the Board of
19 Governors of the Federal Reserve System, and he'll be
20 speaking about structural change in the new economy. And on
21 Monday, two concurrent task forces will be meeting, one on
22 information technology and the other on the new economy.

23 At our plenary session on Monday afternoon,
24 we'll be joined by President Clinton, and we look forward to
25 hearing him. This will be his last NGA meeting as the

1 President of this nation. We hope that we'll all leave
2 enlightened and challenged.

3 Now, as I call this meeting to order, I'd like
4 to receive a motion for the adoption of the rules of
5 procedure so that we may govern. We have a motion and a
6 second. All in favor of adopting the rules of procedure say
7 aye. Opposed. The motion carries.

8 A part of the rules require that any Governor
9 who wants to submit a new policy or a resolution must submit
10 it and receive three-fourths vote to suspend the rules. If
11 you have such a motion, please submit any proposals to Frank
12 Shafroth, the director of state-federal relations here at
13 NGA, by 5 o'clock tomorrow, Monday.

14 I'd like to announce the appointment as well
15 of the following Governors to the nominating committee of the
16 2000-2001 NGA Executive Committee: Governor Schafer,
17 Governor Johanns, Governor Knowles and Governor O'Bannon, and
18 Governor Rossello will serve as the chairman.

19 At this time I'd like to recognize and to
20 thank on behalf of all of you this year's host Governor,
21 Governor Tom Ridge and First Lady Michelle Ridge. Governor
22 Ridge has been an active member of the National Governors'
23 Association since 1995 and he has worked tirelessly on
24 education reform issues. Michelle is a longtime advocate for
25 issues supporting the safety of children and promoting

1 children's health.

2 Before Governor Ridge makes his welcome
3 remarks, I'd like to ask you to join with me in thanking he
4 and Michelle with a warm round of applause for the
5 terrific hospitality we're receiving. Governor Ridge.

6 (Applause.)

7 GOVERNOR RIDGE: On behalf of 12 million
8 Pennsylvanians, Republicans and Democrats and Independents,
9 and those who aren't inclined to vote we hope will affiliate
10 themselves with at least one of the three and become more
11 involved in the governing of both the Commonwealth and the
12 country, we consider it a great honor and an enormous
13 privilege to welcome my colleagues and friends, the Governors
14 of this country.

15 I said yesterday, but it bears repeating, that
16 when William and Hannah Penn received the charter from the
17 king in the 17th century, their goal was to plant the seed of
18 a nation, and they did a very good job. The very idea of
19 America was put on paper through the Declaration of
20 Independence and then the Constitution of the United States
21 enshrined in Philadelphia, Pennsylvania.

22 But that seed of a nation that William and
23 Hannah Penn planted, now there are 49 other sturdy oaks in
24 the forest and they are states. And one of the most
25 rewarding relationships that I've had as Governor has been

1 with my colleagues, the Governors of this country. It's
2 amazing to me how much innovation and energy and compassion
3 that they all bring to their job every single day and how
4 willing they are to share with each other ideas that work.

5 I've said this before, I will say it again.
6 Governors, regardless of their political affiliation, have to
7 practice the politics of what works. And you take your
8 philosophy to your office every day and then you have those
9 individuals, those families, those communities and those
10 problems that you have to solve, and you're in the solution
11 business, the problem solving business.

12 So, again, on behalf of 12 million
13 Pennsylvanians, our great first lady, Michelle Ridge, we
14 welcome you. We thank you for your participation. This is a
15 difficult summer. We have other interests that will take us
16 out of our -- well, you have other interests that will take
17 you out of your state in the next couple of weeks. I don't.
18 But it's a tough time to be visiting when you've got so many
19 other things going on.

20 We're grateful for your participation and I
21 personally am grateful for your friendship and for your
22 willingness to share what works for you so that we can
23 sometimes take it and see that it works for Pennsylvanians as
24 well. Thank you and welcome.

25 (Applause.)

1 CHAIRMAN LEAVITT: Thank you, Governor Ridge.
2 To introduce the theme of our conference this year,
3 strengthening the American state in the new economy, I'd like
4 to relate to you an experience that occurred to me just a
5 little over seven and a half years ago, actually, on the
6 first night that Jackie and I and our family occupied the
7 Governor's mansion in Utah.

8 We were still unsettling, trying to unpack
9 boxes. Our children had been put to bed and in the middle of
10 the night our youngest son began to stir in his bed and cried
11 out. I got up and walked across an unfamiliar hall to his
12 bedroom, calmed him and walked out, shut the door behind me
13 and stood in the dark but quiet night, and I heard for the
14 first time the ticking of a large grandfather clock on the
15 first floor of our Governor's mansion, tick, tick, tick.

16 The next morning I went to the first floor to
17 examine it. It was a large grandfather clock, seven or eight
18 feet tall, large glass front. I opened the door. My
19 daughter, at the time nine, ten years old, standing next to
20 me, we began to examine the clock. It had a large series of
21 gears, starting with a large gear and then moving to
22 progressively smaller gears. My daughter stood on a stool
23 that was there in the hall, took the largest gear in her hand
24 and twisted it to the right. She said, look what happens,
25 when you move the big gear all the little ones spin.

1 Today, tomorrow and the next day, we will
2 examine the big gear of our society, the new economy. When
3 you move it, everything else begins to spin. Over the course
4 of the last year, NGA has examined those forces that will
5 make the big gear turn in our society, the new economy. At
6 our winter meeting, Thomas Friedman made the comment that
7 once technology enabled change but now it drives it.

8 Products are beginning to become weightless.
9 Production is increasing. Productivity is improving. The
10 world is becoming smaller and borders are disappearing.
11 Entrepreneurs are powering our economy in a way they never
12 have before. New partnerships are the wave. Markets are
13 becoming dynamic. The old economy used to be about mass
14 production. The new economy is about mass customization.

15 Before you at each of your tables, Governors,
16 you will find a card. The card lists seven points, seven
17 agendas for states in the new economy. This is the sum total
18 of our work in examining what will turn the big gear in our
19 society, in our new economy. Investing in people, building
20 states with infrastructure, not just the old infrastructure,
21 not just the infrastructure of the past, highways, sewers,
22 airports, but the infrastructure of the future, bandwidth,
23 high-capacity bandwidth, digital states, treating our
24 citizens as customers, streamlining taxes and regulations,
25 eliminating the sense of friction that can slow an economy.

1 Friction kills prosperity in the future. Nurturing
2 entrepreneurs, creating high-tech magnets, and preserving the
3 sense of life quality.

4 In addition, you will find seven summaries,
5 brief summaries of seven papers, eight papers, actually, that
6 have been written answering the question what must states do
7 in order to prosper in the new economy. Is this a current
8 question of currency? Indeed, it is. Over the course of the
9 last year, 15,000 copies of these reports have been
10 downloaded over the Internet in their entirety, the highest
11 number in NGA history.

12 So today as we begin to examine how to
13 strengthen states in the new economy, I ask that you examine
14 those and as we move forward we will prosper and lead.

15 Now, today we'll be examining the question of
16 the impact of the new economy on our communities. In April
17 of 1997, on the steps in Philadelphia, General Colin Powell
18 led America to make five very important commitments, that
19 every child would have a caring adult in their life, that
20 each would have a safe place, a healthy start, a marketable
21 skill, and understand the benefit of giving back. We have
22 partnered as Governors, nearly every state now with their own
23 edition of America's Promise. In Utah it's Utah's Promise.

24 On the day that General Powell came to Utah,
25 he had been in Las Vegas at a convention of truckers and

1 somewhere along the line made the suggestion that he'd really
2 like to drive a big long-haul truck. So when we got to the
3 airport, there was waiting there a shiny 18-wheeler. He
4 said, Governor, get in. And I got in.

5 Somewhere in Utah there are two or three women
6 who are still questioning and wondering what they saw that
7 day, because we drove down a frontage road and got to the end
8 and we had to turn around. And he swung that big rig all the
9 way around and almost made it but didn't and had to back up.
10 Sitting on the lawn of a factory where we turned around were
11 three women having lunch. I can hear the conversation that
12 night. No, it was, it was Colin Powell and the Governor in
13 that truck, both with baseball caps on in a big 18-wheeler.

14 General Powell has been recognized all over
15 the world as a great general, 35 years in the army, chairman
16 of the Joint Chiefs of Staff, the first African-American to
17 attain that post, a national hero and the leader of America's
18 Promise. He has a video that we will see as an introduction
19 to his remarks today, but when that video has played I hope
20 you will all join with me in providing a great warm welcome
21 to General Colin Powell.

22 (Applause.)

23 (Videotape played.)

24 (Applause.)

25 GENERAL POWELL: Well, thank you very much,

1 ladies and gentlemen, for watching that video. We're very,
2 very proud of it. We're very, very proud of our partnership
3 and relationship with the National Governors' Association.

4 I want to thank the Association for inviting
5 me to be here with you again this year and, Governor Leavitt,
6 I thank you for that very, very kind introduction and the
7 story about the English truck. The name of the company was
8 the English Truck Company. And he left out a little part of
9 the story and that has to do with the little old ladies at
10 the end. What they really said was, who's in the back of
11 that truck? Well, I ain't sure but Colin Powell is his
12 driver.

13 You know, when we had the summit meeting in
14 Philadelphia three years ago, it was an exciting moment when
15 we brought all of our living presidents together, with
16 Mrs. Reagan representing President Reagan, and we had 30
17 Governors there, thousands of delegates from across America.
18 And as you saw, we dedicated our video and we dedicated that
19 summit meeting to Governor Romney, three times Governor of
20 Michigan, because it was his idea, it was his feeling that
21 with all of our wealth, with all of the success we've enjoyed
22 in this society, if only we'd come together at a great summit
23 meeting and dedicate ourselves to this single problem of
24 helping our young people, couldn't we get it done, don't we
25 have the capacity, don't we have the resources, don't we have

1 the leadership talent and the managerial talent to get it
2 done. And we did that for Governor Romney and we dedicated
3 that to him.

4 But when that summit meeting was over,
5 everybody went their separate ways and it was our challenge
6 at this new organizational headquarters called America's
7 Promise to make something happen. We began working with
8 corporate CEOs such as you saw on the screen, Larry Ellison
9 of Oracle, who came forward with a 100 million dollar
10 contribution to help wire the nation with networked
11 computers. We began working with faith-based institutions,
12 began working with the federal government, began working with
13 every element of American society.

14 And it became clear to me early on that one
15 group of leaders that perhaps were more key than any others
16 were going to be the Governors of America, because it is the
17 Governors of America who really in this new world that we're
18 living in are getting things done.

19 The initiatives that we have seen in recent
20 years that are beginning to transform our society, whether
21 it's welfare reform or education reform or environmental
22 issues, are coming up from our federated system, coming up
23 from Governors, Governors who are close to the people,
24 Governors who are very, very accountable, Governors who are
25 seeing these problems every day and Governors who,

1 thankfully, in this rather successful economic period that we
2 are enjoying have money, surpluses, resources that you can
3 apply to these problems.

4 So in America's Promise we knew that we had to
5 work with Governors. We knew that we had to create a
6 partnership with every Governor. We had to show to that
7 Governor how by linking with America's Promise, with the Utah
8 Promise, with the Pennsylvania Promise or the Michigan
9 Promise, whatever you choose to call your part of the
10 promise, by linking with us we could all become part of
11 something greater, part of a crusade.

12 Not just a simple program here or program
13 there, but all of us working together, we can knit all of
14 America together in this great crusade that has nothing less
15 as its purpose than to save every one of our children. Not
16 most of them, not some of them, all of them. We are living
17 in historic times where we've defeated communism and fascism.
18 It is our system of democracy and the free enterprise system
19 that is fueling the world. It is our strength that gives
20 hope to the rest of the world.

21 But the rest of the world is looking to us not
22 only just for the manifestation of our strength, but does
23 that wealth, does that success affect all Americans,
24 especially those who have been left out of the American dream
25 so far and especially those who are most vulnerable, our

1 children. With all of our success, with all of our wealth,
2 most of you have been building jails. The government's been
3 building jails to put two million Americans in.

4 Children don't start out on their way to jail.
5 They start out in life with a sound body and a healthy mind.
6 All they really need are people in their lives who will point
7 them in the right direction, keep them on the right path. We
8 won't need those jails. We'll raise children of promise, not
9 children at risk.

10 Unfortunately, in too many of our communities
11 those elements that used to be there to keep those kids
12 moving in the right direction, give them the character and
13 the competence they need to let them know that the community
14 and the family has expectations for them, too many of those
15 elements have been frayed in recent years. We've got to knit
16 them back together. And while we're waiting for that
17 knitting process to take place, once again, for all of our
18 people, we can't stand idly by.

19 So America's Promise is trying to do what it
20 can as a crusade, as a movement to pull all parts of American
21 society together to put into the lives of youngsters the
22 elements that you saw in the screen and that you heard
23 described to you.

24 Every child needs to have adults to look up
25 to. Who do you think children get character from,

1 television? No. Do they get it from reading a book? Might
2 help, but ultimately they get it from watching successful,
3 loving adults. They model themselves to adults. If they
4 don't see the right kinds of adults, if they see the wrong
5 kinds of adults, they'll go in the wrong direction.

6 This isn't difficult to understand. I don't
7 have to be a psychologist or a child education expert to
8 explain this to you. Children need to see the right kinds of
9 adults in their lives and if the parents and the family are
10 having difficulty or aren't up to the task or don't exist, we
11 owe these children mentors, coaches, people who will get in
12 their lives and begin to turn them around.

13 That's why you saw so many Governors talk
14 about mentoring and why Jeb Bush you saw on the screen is
15 looking for 200,000 mentors in Florida and why Governor Davis
16 in California is looking for 250,000, following on what Pete
17 Wilson did, and why all of you are working on this one,
18 because you understand it perfectly.

19 We've got to make sure our children have safe
20 places to grow and learn, to be protected from the
21 pathologies, a healthy start in life, and that gives them the
22 character they need. People and safe places and a healthy
23 start in life lets them know that we think they're valuable
24 and that we are going to be somebody in their lives to point
25 them in the right direction. That gives them character.

1 Then from character you've got to move to give
2 them the competence they need. So all of our children have
3 to acquire that marketable skill, and you can't wait until
4 they're 17, 18, 19. You've got to start it early. You've
5 got to start it in elementary school, start it in middle
6 school, by impressing on them the need to learn the English
7 language and to read and to write and to speak it well and
8 learn math and science.

9 Expose them to the workplace early so they
10 understand the demands of this 21st century economy that is
11 the subject of this conference, an economy that is different
12 than anything we've ever seen before, being reshaped in
13 unimaginable ways by the power of the information and
14 technology revolutions, with everything we knew about time,
15 space and geography in the workplace being changed. And it's
16 a world economic system that we are operating in.

17 Our children are going to be fighting for jobs
18 that require a higher level of education, a higher level of
19 ability. We've got to make sure that they get it. We've got
20 to make sure that no kid is left on the wrong side of that
21 digital divide or in a condition of digital apartheid.

22 And then finally you will see that we've added
23 service to this whole component, service to others, giving to
24 others. We don't draft our youngsters anymore. We don't ask
25 them to do that very much, to their community. But now it's

1 time to say, learn early that in the act of giving to someone
2 else you get so much more back in return.

3 Those are the simple elements of America's
4 Promise and the crusade is growing. It's growing with
5 corporate leaders such as you saw on the screen, whether it's
6 Lenscrafters that made a commitment to give a million free
7 eye examinations and eyeglasses to people in need, whether
8 it's Larry Ellison, who you saw on the screen, whether it's
9 companies like Sears Roebuck that was, or Sears was a great
10 partner from the very beginning and now they have said, we
11 like what we're doing, we want to expand that commitment.

12 And for those of you who looked in your Sunday
13 papers last week and saw this supplement, I was not selling
14 underwear or Craftsman tools. This was Sears' effort to
15 expand their commitment, putting me on the cover, and on the
16 inside 53 million Americans showing what they're going to do,
17 but, more importantly, telling every store in the Sears
18 system that they're going to be stores of promise and every
19 one of those stores is expected to do more in the community.

20 This is what we're trying to do, get partners
21 like Sears who send out throughout the whole corporate
22 culture that Sears is now part of this great crusade, every
23 manager get involved in your community. And it touches down
24 in every one of your states. Now, you can go poll Sears and
25 say, you made a commitment, what are your stores going to do

1 for me? Are you going to give me more mentors, safe places
2 for kids, after school jobs.

3 The same thing with the American Bankers
4 Association, 2,000 banks of promise, all committed to working
5 in their community in these areas, or the American Hotel and
6 Motel Association, using that great association and all of
7 its various hotels and motels to get involved in the
8 community.

9 Just walking in here this morning in this
10 facility that belongs to Penn State, the manager came up and
11 said, we're going to be a part of this. We're going to use
12 the people who work in this hotel to be mentors and tutors to
13 the five schools in this community. We're going to reach
14 out, help these kids and bring them here so they can see what
15 the workplace is all about.

16 So we're now knitting this all together.
17 We're getting it all to touch down. We're working with
18 organizations like America On-Line. I'm on the board of
19 America On-Line. And it has created an organization called
20 PowerUp, working with the Corporation for National Service,
21 working with YMCAs and Boys and Girls Clubs of America to put
22 trained volunteers with computers, Gateway giving us 50,000
23 computers in YMCAs and Boys and Girls Clubs across America,
24 with a trained Corporation for National Service AmeriCorps
25 volunteer to teach kids how to use this information

1 technology to get them ready for the 21st century.

2 It's all starting to come together. And the
3 finest leaders, the best leaders, the most necessary leaders
4 in this effort are the Governors, because you understand the
5 challenge. You know what has to be done. You know that the
6 future of our economy and the future of our nation is in the
7 hands of those young people. We have no choice.

8 We are very, very pleased with the progress
9 that America's Promise has had over the last three years. We
10 now have hundreds of communities of promise. We are now
11 doing something with every state. But we don't need hundreds
12 of communities of promise, we need thousands of communities
13 of promise. And these communities of promise have to be in
14 our urban areas, they have to be in our rural areas, they
15 have to be on our Indian reservations, they have to be
16 everywhere where some child is in need, where some child
17 wonders whether or not his nation, her nation cares about
18 that child. The answer has to be yes. The answer has to be
19 yes, because we cannot waste a single child.

20 The pitch I give to corporate leaders is, hey,
21 listen, when you sign up for this, it's not an act of
22 charity. It's not just to make you look good or feel good.
23 I don't want you just to come to a black tie dinner and give
24 us a check. I want you to be deeply and personally involved,
25 because it is not charity, it is investment. You're

1 investing not only in the future of the country, you're
2 investing in the future of your company. You're investing in
3 your future employees, your future workers. You're investing
4 in the society from which you draw a profit. You either
5 invest in these young people now, turn them on to a brighter
6 future, or we'll tax you later to build those jails.

7 It's time to stop building jails. You've
8 heard me say this before. It's time to stop building jails
9 and get back to building our kids. The solution to our drug
10 problem is not in the jungles of Colombia, although we have
11 to do something about that. The solution to our drug problem
12 is not interdicting it coming into the country, although we
13 have to do something about that.

14 The solution to our drug problem, the solution
15 to our teenage pregnancy problem, the solution to our youth
16 violence problem is getting into the lives of youngsters
17 early, with their families, with their communities, to give
18 them the character, to give them the competence they need,
19 the character to stay away from these bad influences in their
20 society, the armor of life that will be on them, keep them on
21 the right path. And once we have their character built, once
22 we see that they're proud and with their heads up and they
23 believe in themselves, they believe in America, they believe
24 in the society, then they're prepared to get the education
25 and the competence they need to take advantage of this 21st

1 century economy that you're talking about.

2 We have no greater task before us. Now that
3 we are well into the 21st century, now that we are seen as
4 the leader of this world that wants to be free, now that we
5 are touting our system to the rest of the world, we have to
6 make sure that when the rest of the world looks to us, they
7 see that it is a system for all and not just for the
8 privileged, not just for the well-to-do, but that those of us
9 who are privileged, are well-to-do, have been successful, are
10 using our time, our talent and our treasure to reach down and
11 back to make sure that every American youngster is brought up
12 onto that same path to success.

13 Every one of these kids is a gift from God,
14 not only to their parents but to the community, to the nation
15 and to our future. And so this crusade will continue. I'm
16 sticking with it. I want all of the Governors here to stick
17 with it. I look forward to cementing our partnerships in
18 many, many ways. I look forward to working with your staffs.
19 I look forward to expanding our efforts so that there are
20 thousands of communities of promise a few years from now when
21 I hope I'll be invited back.

22 And I want to thank Governor Leavitt, Governor
23 Glendening, Governor Ridge for allowing me to be with you
24 this morning and for the support they have given. I'm also
25 pleased to be here with my Governor, Governor Gilmore of

1 Virginia, and I just ask that you redouble your commitment,
2 you become an even more active part of this crusade. We have
3 nothing more important in America to do than to build our
4 kids and stop building jails. Thank you very much.

5 (Applause.)

6 GENERAL POWELL: Thank you very much.

7 CHAIRMAN LEAVITT: General Powell has agreed
8 to take some questions from us. General Powell has agreed to
9 take a few questions or a couple of questions, Governors.

10 GENERAL POWELL: I'd be delighted to take a
11 few questions. I might add that I'm leaving here to go to a
12 board meeting. I'm on the board of America On-Line and we're
13 having a board retreat with our hopefully soon to become
14 permanent partner, Time Warner, as part of this new economy.

15 And one of the reasons I joined the board of
16 America On-Line is so I could keep up with my grandsons, who
17 are five and eleven. And I'm telling you the world that
18 those kids are entering are so different from the world that
19 you and I know. I defy any of the Governors to try to play
20 the Sony Play Station that your five-year-old kids or your
21 ten-year-old grandsons play. I can't do it. They are
22 already digitally wired in a new way. They are ready for
23 that new world.

24 We've got to make sure the education system is
25 ready for them and that we're wiring the schools and that

1 we're training the teachers to take advantage of what those
2 kids are bringing into the workplace. That's one of the
3 challenges that I hope you'll be talking about in the course
4 of this conference. Anyone at all? Governor Carper.

5 GOVERNOR CARPER: General Powell, I want to
6 thank you for your personal example to each and every one of
7 us. I used to think you'd make a good president, I still
8 think you would. I'm mighty glad you ended up doing what
9 you're doing and we just continue to be enormously proud of
10 you.

11 One thing you said there really struck me.
12 You talked about the message that you take to corporate
13 executives. When I meet with business leaders in our state,
14 and we try to get a lot of businesses to adopt schools and
15 we've got about 10,000 mentors, you came to Delaware to help
16 us celebrate those 10,000 mentors, but what I say to our
17 business leaders is, the kids that are in our schools will
18 some day be your customer, they will some day be your
19 employee, or they're going to be a burden to you and to the
20 rest of us.

21 When you take that message to employers around
22 the state, around the country, to business leaders, have you
23 ever had one of them turn you down?

24 GENERAL POWELL: No. They all understand it.
25 And when you pitch it that way, you really get their hearts

1 and minds into it. And what I also say to them is I just
2 don't want money. I want you involved. I want corporate
3 leaders to be deeply involved, to make this part of the
4 corporate culture. That's what Sears has done, Morgan
5 Stanley, Dean Witter, and so many hundreds of other
6 corporations. And no, they don't turn it down. They
7 understand it perfectly. It's a simple economic pitch to
8 them. It's in their corporate self-interest. It's also in
9 the interest of the nation.

10 GOVERNOR CARPER: Thank you.

11 GOVERNOR HUNT: General Powell.

12 GENERAL POWELL: Governor Hunt, yes, sir.

13 GOVERNOR HUNT: General, what I think we need
14 now is better follow-up. You have given -- I notice in this
15 brochure that all of us have in front of us for our own
16 state, you have given us a list of the commitment makers in
17 our state, businesses and other organizations, a long list of
18 banks in my state, and then delivery sites for national
19 groups. A lot of these people have made commitments directly
20 to you.

21 GENERAL POWELL: Yes.

22 GOVERNOR HUNT: I'm not sure every Governor
23 knows about those and I'm pretty sure a lot of us haven't
24 followed up with those companies at home. We know those
25 people, but I'm not sure we've been working with them on

1 this. We've been working with them and some of their staff
2 in lots of ways.

3 I wonder if it would be a good idea for you to
4 ask us kind of formally to be in touch with them within our
5 states and ask them to respond to that so that, in effect,
6 each state can get back to you with exactly where we are,
7 because some of us may have backslid a little bit. We need
8 to sort of check up on where we are and redouble our efforts
9 to meet these goals.

10 GENERAL POWELL: That's an excellent
11 suggestion, Governor Hunt, and we'll follow up on that. It's
12 wonderful for me to get a national commitment, but unless
13 every Governor and your director of community services or
14 whatever your bureaucratic organization is that handles that,
15 unless you know about it you don't know how to pull it down.

16 So I'll push it and then give you the
17 knowledge about it so that you can pull it down. Go to your
18 local branches of those commitment makers and just put it to
19 them. Say, we have heard that your national headquarters has
20 committed you to this. Let's talk how you can make it happen
21 within this community. Thank you.

22 GOVERNOR RACICOT: General.

23 GENERAL POWELL: Yes, Governor.

24 GOVERNOR RACICOT: Could you speak to the
25 issue of reauthorization of the Corporation for National

1 Service.

2 GENERAL POWELL: Yes, Marc. I'm confident
3 that it will be reauthorized. I have been speaking very
4 strongly in favor of it. I've become a great, great fan of
5 the Corporation for National Service. They are a partner of
6 America's Promise. They were one of our co-sponsors at the
7 time of the summit, and ever since then they have been
8 helping us expand. AmeriCorps Promise Fellows that Harris
9 Wofford has trained, they go out and help Governors and
10 mayors bring down America's Promise into their communities.

11 And so I'm a great supporter of the
12 Corporation for National Service and have been speaking to
13 selected members of Congress who have needed to be spoken to
14 with respect to their support for the reauthorization of the
15 Corporation. Governor Engler. Hey, John.

16 GOVERNOR ENGLER: Good morning. General
17 Powell, this is maybe a little bit afield, but it's
18 interesting you mentioned the board, Time Warner and AOL, as
19 that potentially comes together. We were, a couple of us
20 last time were talking about some of the cultural issues that
21 are out there.

22 And I'm just curious in terms of the, as
23 you've talked to a lot of the CEOs, particularly we get into
24 the world of media, and Time Warner is about as big as it
25 gets, is there any sense there that there's more that can be

1 done or some changes in approach that help with some of the
2 reinforcement of message that later on these policies are
3 going to be talking about character education and that
4 building of character and the role modeling, and I'm curious
5 with that other half is there something there that can be
6 done. I look at Steve Allen and this national crusade that
7 he's got about media and content, and it's sort of -- it fits
8 in. It certainly impacts almost all of our goals in one way
9 or another.

10 GENERAL POWELL: Yes. Both AOL and Time
11 Warner separately are partners to America's Promise and both
12 have been very, very generous in what they have done. And
13 one of the things that I know that Steve Case, the chairman
14 of America On-Line, and Gerry Levin, currently the chairman
15 of Time Warner, are committed to is first to provide,
16 especially Time Warner side, entertainment that people want
17 to watch and want to buy and want to read, but at the same
18 time to try to infuse it with a level of responsibility that
19 helps us build our society as well as report on our society
20 and as well as from time to time I'm afraid pander to our
21 society.

22 I think that to some extent our entertainment
23 industry has been spending too much time pandering not just
24 to the lesser angels of our nature but the worst angels of
25 our nature. I think we can do a better job with respect to

1 the kinds of images we show to our children on television, in
2 the movies and in some of the magazines that are out there.
3 And to the extent that I can take this message to the
4 executives I work with, I can assure you that I do it. It
5 gets me in trouble from time to time. I have bashed some of
6 the television shows that bring these dysfunctional, broken,
7 goofy people on and try to tell us that, well, it's just
8 entertainment. Everybody understands it's only
9 entertainment. No, it's the exploitation of broken, sick
10 people for our entertainment, worse than a Roman circus. And
11 I've gotten in trouble by talking in this vein, with Jerry
12 Springer, Sally Jessy Raphael and a few others that I could
13 name, Ricki and the rest of them.

14 (Applause.)

15 GENERAL POWELL: Thanks for the softball,
16 John. Thank you all, very, very much.

17 (Applause.)

18 CHAIRMAN LEAVITT: Thank you, General. Our
19 next order of business this morning is a special one. We're
20 going to be presenting the National Governors' Association
21 distinguished service awards. This is a program that was
22 established in 1976 by the NGA executive committee and it's a
23 way for us to recognize very effective civil servants and
24 private citizens. These awards focus on commitment of state
25 administrators to the importance of contributions that can be

1 made by public servants and private citizens.

2 I'd like to thank all of you as Governors who
3 submitted nominations for this year's awards. I'd also like
4 to make a special acknowledgment of the panel that made the
5 selection, also the first lady of Illinois, Laura Lynn Ryan,
6 who chaired the panel. The awards are presented in three
7 categories, as I indicated. The first one is state official
8 and private citizen and then the arts category.

9 And I would like to ask Governor Engler and
10 Governor Hunt and Governor Taft if they could come forward
11 just for a moment so that we could present awards to citizens
12 of their state.

13 And I'd first like to begin with the state of
14 Michigan, A. Douglas Rothwell. Mr. Rothwell is the president
15 and chief executive officer of the Economic Development
16 Corporation. He has helped a remarkable economic turnaround
17 in Michigan. Since the early 1990s, the state's unemployment
18 rate has dropped from 7.2 percent to a record 2.7 percent,
19 and he's led a charge to revitalize the state's inner cities.
20 Governor Engler has said of him that under Doug Rothwell's
21 leadership Michigan has experienced record employment and
22 millions of dollars of new investments. He's played a
23 pivotal role in Michigan's economic success.

24 (Applause.)

25 CHAIRMAN LEAVITT: Our next winner is in the

1 state official category.

2 GOVERNOR CARPER: Mr. Chairman.

3 CHAIRMAN LEAVITT: Yes.

4 GOVERNOR CARPER: May I say a quick thing.

5 Doug and Sharon Rothwell used to live in Delaware and both
6 worked for Governor Castle, and as Delawareans we're just
7 enormously proud of them and to John for having the very,
8 very good judgment to hire them away from the first state.
9 Congratulations.

10 CHAIRMAN LEAVITT: The next category is the
11 state official category, Marvin K. Dorman, Jr., who is the
12 state budget officer in North Carolina. For three and a half
13 decades, Mr. Dorman has been a central force in guiding New
14 Carolina's fiscal policy. Through innovation and progressive
15 reform and leadership during crises, Mr. Dorman has made an
16 invaluable contribution to North Carolina.

17 Perhaps his greatest moment may have been
18 Hurricane Floyd. When it hit North Carolina in the fall of
19 1999, Mr. Dorman was the leader in putting the state's
20 financial situation back together with a state aid package of
21 836 million dollars that led to their recovery. Governor
22 Hunt has said: "I have always relied heavily on Marvin's
23 advice. He has been an essential force in mapping our
24 responsible budgets and every citizen of the state of North
25 Carolina owes him a debt that can never be fully repaid."

1 (Applause.)

2 CHAIRMAN LEAVITT: Our last winner in the
3 state official category is Dr. Reginald A. Wilkinson, who is
4 the director of the Department of Rehabilitation and
5 Corrections in Ohio. Dr. Wilkinson is an internationally
6 acknowledged leader in the field of corrections and under his
7 leadership Ohio has turned its attention to issues such as
8 balanced sentencing and community corrections.

9 Governor Taft says that Reggie's 28-year
10 service career in corrections has been marked by integrity,
11 by ingenuity, by creativity, and especially inclusiveness.

12 (Applause.)

13 CHAIRMAN LEAVITT: We next recognize winners
14 in the private citizen category, first from Missouri, Bert
15 Berkley and Landon H. Rowland, the founder and chairman of
16 the Local Investment Commission. Bert Berkley and Landon
17 Rowland are two Kansas City, Missouri businessmen who
18 provided the leadership necessary to create a new form of
19 governance between the state of Missouri and Kansas City's
20 low income neighborhoods.

21 The Local Investment Commission is a
22 citizen-led effort that has created new opportunities for
23 citizens. For example, citizens in a neighborhood around a
24 school are making decisions about services both to students
25 and residents. They have involved more than 700 volunteers

1 working on issues such as welfare-to-work, education reform,
2 Medicaid, et cetera. Governor Carnahan has said that they
3 have become an influential model of how citizens can improve
4 the lives of children and families in communities everywhere.

5 (Applause.)

6 CHAIRMAN LEAVITT: If Governor Johanns could
7 come forward as well, now we'd like to talk about JoAnn
8 LeBaron from the state of Nebraska. Quite simply, JoAnn
9 LeBaron has dedicated her entire life to helping children.
10 She and her late husband, Dale, are the foster parents to
11 some 35 foster children, and they've adopted four of those
12 foster children.

13 That experience sparked her advocacy. She has
14 advocated and assisted in the formation of numerous foster
15 care organizations. In addition, over a 15-year period she's
16 lobbied for the creation of the State Foster Care Review
17 Board, an independent state agency that makes a tracking
18 system that allows the state of Nebraska to see the progress
19 of every child. Governor Johanns says that JoAnn is a
20 tireless advocate for Nebraska children, those children that
21 are most in need of a loving home.

22 (Applause.)

23 CHAIRMAN LEAVITT: Our final winner in the
24 private citizen category is Connie Ferris Bailey, and if I
25 could ask Governor Thompson to come forward. She is the

1 executive director of Operation Fresh Start in Wisconsin.
2 Operation Fresh Start is a nonprofit organization that was
3 formed in 1970 by volunteer business and community leaders
4 who wanted to assist area youth and adult public assistance
5 recipients to become self-sufficient and productive as
6 members of the society.

7 Governor Thompson has said of Connie that she
8 works tirelessly, that she's been in the forefront of the
9 state's effort to take Operation Fresh Start to all of
10 Wisconsin's people, reaching out to as many young people as
11 possible.

12 (Applause.)

13 CHAIRMAN LEAVITT: We next go to the winners
14 in the arts category. The winner in the artistic production
15 category is from Louisiana. Ernest J. Gaines, the author and
16 professor of English and writer-in-residence at the
17 University of Louisiana at Lafayette.

18 Ernest J. Gaines has devoted his lifetime to
19 literary arts. In the past 30 years he's enriched the body
20 of American literature, and for the past 18 years he's
21 devoted his time and energy to the people of Louisiana, its
22 students in particular. Whether he's reading his fiction for
23 a young class of students at Lafayette Parish School or
24 speaking with Oprah Winfrey on her television show, he
25 engages his audience in the way that he's been able to for

1 decades now have a lasting effect on people.

2 Governor Foster says that Ernest Gaines is
3 truly a remarkable writer. His commitment to excellence, to
4 his readers and to his students has made him a local and
5 national and international leader as an artist and as a
6 teacher.

7 (Applause.)

8 CHAIRMAN LEAVITT: Unfortunately, our final
9 winner in the category of the arts could not be with us
10 today, but let me just say a few words about Pualani
11 Kanaka'ole Kanahale from Hawaii. She is the president of the
12 Edith Kanaka'ole Foundation and is an instructor of Hawaiian
13 studies at the Hawaiian Community College.

14 Governor Cayetano says of her that she is a
15 dedicated, committed person to excellence in her many
16 artistic and cultural endeavors. We're sorry that she could
17 not be with us today, but let's give a final round of
18 applause to all of our winners for their outstanding
19 achievements.

20 (Applause.)

21 CHAIRMAN LEAVITT: It's now our privilege to
22 acknowledge, while not complete, this will be our last time
23 gathering with a couple of our colleagues. I would like to
24 call upon Governor Carper to acknowledge Governor Carnahan,
25 who will be -- I'm sorry, you will do Governor Hunt.

1 GOVERNOR CARPER: I will do them both.

2 CHAIRMAN LEAVITT: All right, do them both.

3 GOVERNOR CARPER: But in the interest of fair
4 play, let me just work on Jim Hunt, if I could. Where is he?
5 Father Hunt.

6 CHAIRMAN LEAVITT: Jim, would you come join
7 us.

8 GOVERNOR CARPER: If I say all these nice
9 things about you, do Martha and I still get to stay in the
10 guest house in Raleigh?

11 GOVERNOR HUNT: Yes, even more.

12 GOVERNOR CARPER: Oh, thanks. He's got a
13 guest house in Raleigh, North Carolina that's bigger than our
14 Governor's house. My wife is from North Carolina. We've
15 enjoyed your hospitality and that of Caroline many times
16 over.

17 All around the country we as Governors have
18 put a lot of priority into developing academic standards,
19 measuring student progress toward those standards and
20 developing accountability systems and putting those in place.
21 No one has led the way more in those initiatives than
22 Governor Jim Hunt.

23 But just as importantly, he has emphasized I
24 think more than anyone else that it's not enough just to have
25 the standards, it's not just enough to have the assessment,

1 it's not enough just to have the accountability, but what
2 you've got to do is make sure that all kids, all kids have a
3 real chance to meet the standards that we have set.

4 And from the time that a child is born in
5 North Carolina until the time they go to kindergarten right
6 up through high school and beyond, his state, the state of
7 North Carolina does a terrific job of making sure that all
8 kids have that opportunity.

9 I read something the other day, a quote that I
10 just love. A little girl is saying, when I look in your
11 eyes, I see me. When you look in my eyes, do you see me,
12 too? When Jim Hunt looks in the eyes of a child, he sees
13 that child, and because of that children in his state and I
14 think his state for generations to come will be better.

15 It has been an honor to be your colleague.
16 You are a great, great Governor.

17 (Applause.)

18 CHAIRMAN LEAVITT: Governor Hunt and Governor
19 Carnahan will be departing before Tuesday and we will be
20 acknowledging and recognizing others who will be finishing
21 their service at that time, but I would now like to call upon
22 the vice-chair, Governor Glendening, to recognize Govern
23 Carnahan.

24 GOVERNOR GLENDENING: First, let me add my
25 congratulations as well to Jim. Before I really even started

1 getting involved in this in a big way, you were out there
2 with the leadership and especially in education, we really,
3 really appreciate it.

4 I have a great privilege now to ask Mel if he
5 would come forward, a person who's been a friend to all of us
6 here in the organization. Mel, by the way, has continued a
7 family tradition of serving this nation. Mel's father,
8 A.S.J. Carnahan, was a seven-term member of the United States
9 House of Representatives and was named by President Kennedy
10 as the first UN ambassador to Sierra Leone.

11 Mel began his public service career as a
12 municipal judge and then served in the Missouri House of
13 Representatives and then went on successively as state
14 treasurer and Lieutenant Governor. And then in 1992, Mel's
15 election to the governorship was followed by a resounding
16 reelection four years later with a victory margin of 350,000
17 votes. That's almost as many as I got total was your margin.

18 Mel's many successes, really Missouri,
19 included things that we have all followed, including
20 instituting a very vigorous annual budget review that
21 redirected over 800 million dollars in state spending to the
22 high priority areas that he knew to be the future of his
23 state, including education.

24 He also developed Missouri's first
25 comprehensive economic development plan and was a leader in

1 terms of the welfare reform effort, both in the state and
2 nationwide. Mel's legacy includes perhaps most importantly,
3 at least from many of our perspective, the outstanding
4 Schools Act that answered the constitutional challenge to the
5 state school funding formula and instituted a number of major
6 reforms that we have all talked about around this table.

7 Mel, on behalf of all of us here at NGA, I
8 especially want to thank you for your contributions to this
9 organization. From your beginning in 1993 on the human
10 resources committee and on the task force on state management
11 and the task force on education, you have given us so much of
12 your time and of your great leadership.

13 Let me list just a few of the things, and so
14 many of us have worked with him and so we recall these. Many
15 years of services on the Human Resources Committee, including
16 chairing that committee in 1995, the Lead Governor for
17 Agriculture in 1996, a longtime member of the Legal Affairs
18 Committee, chairing it in the past two years, and, of course,
19 the tireless work and leadership that he gave the Executive
20 Committee the past two years.

21 We also could not let this moment go without
22 again thanking you for your marvelous role as the host of the
23 1999 annual meeting in St. Louis. We wish you well. We wish
24 you best in your efforts and remember you have so many
25 friends here among your fellow Governors. If I might make a

1 personal observation, to paraphrase another famous general,
2 old Governors do not just fade away, sometimes they return as
3 U.S. Senators. Mel, we wish you well.

4 (Applause.)

5 CHAIRMAN LEAVITT: We'll now move to our next
6 speaker. Ivan Seidenberg currently serves as the president
7 and the co-chief executive officer of a newly merged Verizon
8 Communications. As the chief executive of Bell Atlantic,
9 he's been instrumental in reshaping the communications
10 industry through some of the largest mergers in history,
11 including the recently announced merger of Bell Atlantic and
12 GTE.

13 Ivan has been in every aspect of the
14 communications business. He started as a cable slicer and
15 has worked his way to become chief executive officer. He has
16 an outstanding commitment to education and a strong proponent
17 of connecting students and teachers through technology. He
18 is the champion of diversity, both within and outside the
19 corporate structure. Fortune Magazine's recognized both he
20 and his company on its list of the 50 best companies for
21 Asians, Blacks and Hispanics. And we're looking forward very
22 much to your remarks today and some questions and answers
23 afterward.

24 (Applause.)

25 MR. SEIDENBERG: Thank you, Governor, for those

1 very kind words. It is, indeed, an honor to be here this
2 afternoon. I didn't realize how difficult it would be to
3 follow General Powell and all the proceedings that have gone
4 on before here. Just to clear the record, Governor Ridge
5 leaned over to me and said, Ivan, aren't you or shouldn't you
6 be a member of America's Promise? Just for the record, we
7 were one of the charter companies that supported this
8 activity.

9 (Applause.)

10 MR. SEIDENBERG: We agreed to a 50 million
11 dollar grant back in '97. We've also put in place a special
12 employee participation program in which our employees can
13 work in the schools in which we allocate the funds that
14 support this program. I have a feeling if we weren't a
15 member, we would have been drafted here this morning, anyway,
16 so we do that.

17 But it is, indeed, an honor to have an
18 opportunity to talk to you. The timing for our company, of
19 course, couldn't be better, because just last week we
20 completed the merger of Bell Atlantic and GTE, creating a new
21 household word, Verizon Communications. Just for the record,
22 we are now the eighth biggest employer in the U.S. We're a
23 Fortune Eight company, serving 33 million households in 40
24 states, two-thirds of the nation's largest markets and 96 of
25 the top 100 wireless markets.

1 In the nearly two years we worked to put our
2 new company together, we had the opportunity to speak to many
3 of you about how the restructuring of our industry will
4 affect your constituents and supercharge growth in the new
5 economy. I'd like to continue that dialogue today very
6 briefly.

7 Let's begin where the information revolution
8 begins, with the radical changes that are taking place in
9 technology and customer demand. This year it's estimated
10 that almost 140 million Americans, close to half the U.S.
11 population, will be on-line. Worldwide, the number is 300
12 million, up a stupefying 80 percent in just the last year
13 alone.

14 Eleven million households in this country will
15 make their first on-line purchase, helping to fuel almost 40
16 billion dollars in electronic retail commerce. Average time
17 spent on-line in the U.S. will increase to more than eight
18 hours a week, in part because of the growth of high-capacity
19 or broadband access technologies like DSL and cable modems.
20 But even if you're not on the net, you're part of the
21 Internet economy.

22 A new report by the Commerce Department says
23 that without a doubt information technology is now the number
24 one driver of the American economy. The same report says
25 that today the information sector accounts for fully

1 one-third of U.S. economic growth, despite being less than 10
2 percent of GNP. E-commerce is projected to be a 1.4 trillion
3 dollar business in just three years, 85 percent of which will
4 be business to business.

5 In the communications business, data traffic
6 has already surpassed voice traffic on our networks. And
7 with capacity doubling every 90 days as a result of new
8 infrastructure investments, the lead is lengthening rapidly.
9 This rapid technological change has driven computer prices
10 down more than 25 percent in each of the last five years, and
11 the cost of transmitting data is coming down at an even
12 faster rate, helping to lower inflation, raise productivity
13 and create millions of high paying new jobs.

14 This technological revolution is changing the
15 face of all the institutions in American life, from education
16 to medicine to entertainment to government itself. It's also
17 revolutionizing the communications business.

18 In the old paradigm when our business was
19 predominantly plain old telephone service, it was possible to
20 address the needs of our customers as a local or regional
21 company, the structure mandated by the prevailing regulated
22 utility model you all well know. But in the new paradigm,
23 the Internet world, data is driving growth, across the
24 country, across the globe. It's reshaping industries,
25 redirecting investments. It's rewriting our business plans.

1 It's forcing us to become more global in our approach to
2 growth.

3 If you look at the biggest telecom companies
4 in the U.S. in 1995, just five years ago, AT&T was on top,
5 followed by all of the former Bell companies, GTE and MCI.
6 But if you look at that same metric for the year 2000, the
7 biggest company is one we wouldn't even have called a
8 communications company five years ago. It's AOL Time Warner.
9 The next four slots are taken by companies created by
10 mergers, including Verizon. And the rest of the top players
11 are made up of new entrants and cable companies.

12 So why is this happening? Because every major
13 player in communications, Verizon included, is racing to put
14 together the national and global platforms over which we can
15 provide new applications for integrated voice, data and video
16 services to global data hungry customers. And that's good
17 news for the American consumer, because it means we are
18 creating a new kind of company and a new more vigorous form
19 of competition.

20 What you're seeing is not the re-creation of
21 some old monopolistic model but, rather, the emergence of
22 several vibrant national competitors, each fighting to offer
23 a full plate of services all across the country. The result,
24 of course, is more investment, more innovation, and faster
25 deployment of the technologies of the future. In other

1 words, competition in the U.S. is developing on the
2 consumer's terms, not the government.

3 Verizon is the result of a decade long push on
4 the part of Bell Atlantic to be part of the 21st century
5 information industry. We needed to look beyond functional
6 and geographic boundaries to assemble the capabilities to
7 serve the information age customer, that is, national scale,
8 global reach, a full plate of services and world class
9 networks.

10 So over the last few years we have not only
11 gotten bigger, as you know, we've re-created ourselves as a
12 totally different kind of company. We merged Bell Atlantic
13 and Nynex, two of the original regional Bell operating
14 companies, then in the process we've increased investment and
15 increased employment in every single jurisdiction in which we
16 operate.

17 We formed a new national wireless company that
18 from its first day was the premier wireless company in the
19 U.S. and most recently, of course, we merged Bell Atlantic
20 and GTE to form Verizon, a truly national communications
21 company.

22 The other thing we've done is push hard to
23 open our local markets and get into the long distance
24 business. In December of last year, Bell Atlantic became the
25 first regional Bell operating company to get long distance

1 approval and today New York customers have more choice in
2 local and long distance service than any other state in the
3 country. But it took almost four years to get it done.

4 We are now working vigorously in the rest of
5 our states to learn from the New York experience, make the
6 process even better, and open the local and long distance
7 market across every single state in which we operate.

8 We're pleased that the fruits of an open and
9 competitive marketplace are beginning to be evident, because
10 at Verizon we firmly believe we can play a key role in
11 bringing the benefits of communications to everybody. Now,
12 obviously we won't serve every customer, but if we do our job
13 well, everyone benefits.

14 We hope that we have broken the code on those
15 issues that keep the U.S. communications industry from
16 organizing itself around the mandates of technology and
17 markets rather than regulatory structures more appropriate to
18 another time, because, frankly, from a public policy
19 perspective, there are much bigger fish to fry.

20 I'd like to quickly mention three of the
21 biggest policy issues surrounding the communications industry
22 today as we see it in our company. The first issue is the
23 issue of American leadership in a globalizing industry.

24 As you know, in recent weeks there has been
25 intense speculation about the possibility of cross-border

1 acquisitions, takeovers of American communications companies
2 by telecom providers in Europe and the rest of the world, all
3 fueled by valuations of these foreign telecommunications
4 companies that are much higher than those of American
5 companies.

6 The reason for this imbalance is pretty
7 simple. It's also rather ironic. Investors rightly view the
8 communications marketplace in America as more competitive
9 than that of Europe or anywhere else in the world, but while
10 you'd think that more competition means less regulation and
11 oversight, the opposite is actually the case. U.S. companies
12 operate under far more regulatory strictures than our foreign
13 counterparts.

14 The result, from the capital market's point of
15 view, is a lower long-term growth outlook and a much riskier
16 climate for investment, meaning that the market is driving up
17 the values of foreign telecom providers, to the disadvantage
18 of American companies.

19 Now, just to make the point, at least one
20 European telecom company, which you probably have read about,
21 could afford to buy any one of the top five U.S. players, pay
22 a substantial premium and suffer absolutely no dilution in
23 their stock price.

24 Now, as Governors, you may not care about
25 stock prices, but I'm sure you do care about attracting the

1 investment that will fuel economic development and job
2 creation and, therefore, it's worth considering what public
3 policies will have a positive impact on the flow of capital.

4 On that, the evidence is pretty clear, more
5 competition accompanied by less oversight and regulation.
6 Anything less puts America in jeopardy of being a runner-up
7 in the most vibrant sector of the global economy, an
8 unacceptable outcome for all of us.

9 A second issue has to do with the Internet
10 access. More broadly, it's about the mismatch between old
11 regulations and new technology. Thousands of midsize and
12 small American towns have no direct affordable access to the
13 Internet backbone and most won't likely get it any time soon.
14 I'm talking about places like Wichita, Bakersfield, Sioux
15 Falls, Shreveport, hardly remote out of the way locales.

16 The fact is less than one-tenth of the hubs
17 deployed today are in rural areas, and the problem isn't
18 confined to rural America. Sixty percent of the country's
19 metropolitan areas have no access to an Internet hub. The
20 culprit, in our view, the unintended consequences of old
21 regulation.

22 Telecom companies like Verizon, which have
23 arguably some of the strongest resources and expertise when
24 it comes to competing in the Internet market, are effectively
25 prohibited from participating in Internet markets. That's

1 because the rules that condition our entry into the
2 traditional long distance voice business also apply to
3 Internet data traffic. It's ironic that the boundaries drawn
4 up to break up AT&T in the early '80s, years before the
5 Internet was commercially viable, are serving today to
6 determine who can participate.

7 But a growing number of federal and state
8 lawmakers are beginning to understand the Internet is too
9 important to America's economic vitality to be restricted by
10 regulations left over from another time. And that's
11 important to any community that wants its businesses and its
12 citizens to be connected to the technology that's generating
13 one-third of the growth of the U.S. economy. And that's
14 important if we want to keep today's high productivity, low
15 inflation economy running.

16 We need a fresh approach to regulating new
17 technologies, one that doesn't try to fit the new wine of the
18 Internet into the regulatory bottles from the 1930s.

19 As you know, Congress has given the FCC the
20 discretion to adopt this kind of open competition policy for
21 the data world, and the FCC itself has only recently proposed
22 a restructuring plan that generally points in this direction.
23 The problem is it's a five-year plan on top of the five we've
24 already had.

25 In the Internet world, we need a five-week

1 plan, which brings me to the third issue, governing on
2 Internet time. And I have a particular point of view on this
3 subject, because I've just been through a merger review
4 process that took almost two years, 23 months, to be
5 specific, to complete.

6 This was not because of any unforeseen
7 objections or roadblocks raised to the deal along the way.
8 In fact, I would say everybody performed their review in good
9 faith and with reasonable efficiency. Rather, it's because
10 the process has far too many layers and is too cumbersome to
11 keep up with changes in markets and technology.

12 So, as I said a moment ago, we need to rethink
13 our approach to regulating new technologies. The Congress
14 could help by passing one of several bills that would
15 eliminate unneeded regulations on data investments.

16 And having said all this, I believe industry
17 itself has to step up to its responsibilities and address a
18 whole new category of public interest concerns at the heart
19 of the digital economy, issues such as privacy, slamming,
20 cramming, protection of intellectual property and filters to
21 keep unwanted material from children without violating the
22 First Amendment.

23 Obviously, there's no such thing as a perfect
24 market and policy makers have a key role in making sure the
25 rules of competition are followed and that markets are

1 functioning efficiently, but ultimately we need to have faith
2 in the discipline of competition and market forces to unleash
3 innovation and create growth and the courage to be bold
4 enough to try new approaches to governing dynamic markets.

5 Now, finally, I'd like to conclude by talking
6 about something that's about something that's even more
7 compelling than the Internet, something that's key to our
8 individual freedom and our free enterprise system. I'm
9 referring to literacy, the gateway to full participation in
10 the possibilities of the Internet age.

11 As all of you are painfully aware, there's a
12 severe literacy gap in America. Forty million Americans have
13 very low literacy skills, so low that it's a struggle for
14 them to read to their children. They can't understand
15 instructions on an appliance warranty or prescription bottle.
16 Some can't even find an intersection on a street map.
17 Equally disturbing is the fact that nearly 45 percent of
18 those with the lowest literacy skills live in poverty.

19 Under the passionate leadership of its
20 chairman, Chuck Lee, GTE has been a champion of the cause of
21 literacy for many years, working with the leading literacy
22 groups in the country to boost awareness and funding for the
23 cause.

24 GTE also pioneered a bill donation system that
25 is perhaps one of the first in the world, whereby telephone

1 customers across the country can check off a box on their
2 phone bills and have as much as one dollar each month go to
3 literacy organizations in their region.

4 Now, as Verizon Communications, we will be
5 able to put our expanded scale and scope to use as a positive
6 force in communities all across the country. We are
7 committed to being America's literacy champion. We are
8 developing something we're calling the Verizon Literacy
9 Network, a web-based network that will link every literacy
10 initiative in the country.

11 We've earmarked 10 million dollars from the
12 Verizon Foundation to support literacy programs across the
13 country, and we intend to unleash the volunteer power of our
14 quarter of a million employees to make sure every child in
15 America is introduced to the simple act of reading a book.

16 Now, I mentioned all of these initiatives not
17 to tout our company's efforts but to reach out to you for
18 partnerships. There are terrific literacy programs in all 50
19 states. We want to participate and support your regional
20 programs where you think it makes sense. I believe we have
21 the same goal, a nation of literate, productive people who
22 make strong employees, great leaders, informed customers and
23 good citizens.

24 Literacy helps people develop the life skills
25 and economic opportunities that can change their lives, and

1 when literacy is improved, everybody wins.

2 We hear much discussion of the digital divide
3 these days, but as the economist Lester Thoreau points out,
4 the digital divide isn't about rich or poor, black or white,
5 urban or rural, it's about, in his words, who plays the
6 global game. And we agree. And that applies not just to
7 companies, but to states, communities, and even individual
8 citizens.

9 To the extent that either we at Verizon or you
10 as Governors hold onto old paradigms and turn a blind eye to
11 the global game, we delay the benefits of the information age
12 to our citizens and in the process widen the inequalities
13 between the haves and the have-nots.

14 But to the extent when you embrace the new
15 paradigm and think of ourselves as part of the global
16 communications marketplace, we will create new opportunities
17 for growth, for innovation and for investment.

18 Technology and markets have already shown us
19 what the communications business will look like. It's
20 global, it's data centered, it's mobile, it's everywhere.
21 It's very competitive and it's very knowledge-based. And the
22 faster we get there the better off we'll be, in terms of
23 growth, innovation and economic opportunity for all our
24 citizens.

25 I really do thank you for your patience and

1 the kindness in having me appear before you this afternoon.
2 Thank you.

3 (Applause.)

4 CHAIRMAN LEAVITT: Ivan, thank you for those
5 very insightful remarks. We'll have some time now for
6 questions. Governor Thompson and then Governor Engler. I
7 would like to just ask a question myself and then lead to
8 yours.

9 But in doing so, I would like to just point
10 back out again these cards that you have been presented at
11 your tables. I heard today, as Ivan spoke, as we look at the
12 seven areas that we're focused on or need to focus on as
13 states in order to prosper in the new economy, investing in
14 people, he talked of literacy; second, building
15 state-of-the-art infrastructure, he spoke of major
16 communities in our country that still don't have access to
17 high-speed, high-capacity bandwidth; three, treating citizens
18 as customers, he spoke of a few-year process to get a merger
19 approved; streamlining taxes and regulations. This is an
20 agenda for prospering in the new economy.

21 With respect to the second card, which is a
22 copy of our reports that again outline in some detail, under
23 the category of telecommunications, tax policies, reviewing
24 telecommunication tax policy structure and so forth. I'd
25 just commend these again to you as a good working document as

1 you begin to create policy in your state for the new economy.

2 I would like, Ivan, if you could respond to an
3 issue that I'm beginning to sense and feel and that is the
4 whole impact of telephony over the Internet and the impact
5 that it could have on our local providers. And when you have
6 responded to that, I'd go to Governor Thompson and then
7 Governor Engler and then Governor Ridge.

8 MR. SEIDENBERG: Governor, I think the issue of
9 telephony over the Internet is what they call a disruptive
10 technology, which, in effect, it's going to change the entire
11 inside of our company, because in the old engineering days
12 the cost of providing an infrastructure to make a phone call
13 was basically distance-sensitive and it was based on the
14 ability to price according to all the electronics you needed
15 to put. So a call from here in Pennsylvania to Nebraska, for
16 example, was based on distance.

17 With the Internet, the cost of making that
18 call over the Internet is virtually zero is what it is. It's
19 just the cost of the access. So what happens to companies
20 like us is we have to remake our company. It's the reason
21 why we've been through two or three mergers in the last three
22 or four years, because we're trying to change the way we
23 generate our products and services to our customers.

24 So our company will become a ubiquitous
25 wireless company and then we will become also a ubiquitous

1 broadband access company. So people will pay a fixed fee,
2 for example, to gain access to our business and pay virtually
3 very little for the recurring calls that they would make over
4 the network.

5 That's the reason why in our case bigness
6 works, because we generate the cash to reinvest in the
7 business and change the inside of the company. But it's
8 coming. Voice over IP, as they call it, is coming. It's
9 good. It opens up markets. It makes the rural areas have
10 the same access as the inner cities and it's the right thing
11 to do and companies like us just have to get with the
12 program.

13 CHAIRMAN LEAVITT: Governor Thompson.

14 GOVERNOR THOMPSON: Ivan, I have a couple
15 questions I'd like to ask of you. The first one is that all
16 the Bell companies now are starting to consolidate across
17 America and in our area SBC has bought Ameritech out. And
18 SBC is the second, I believe Texas is the second state that
19 just received long distance.

20 It seems to me that what we need in America is
21 a lot faster approval. You have touched on it. What can we
22 do as Governors to try and get these, Verizon, SBC, the
23 opportunity to get into the long distance market a lot
24 faster? It just seems that the delay is something that is
25 not good for America and it certainly is not competitive and

1 I don't know what we can do as Governors, but there should be
2 something that we should be able to do to help you get that
3 done.

4 The second thing is is that in your course of
5 expansion, GTE is selling off a lot of its local operations,
6 something I'm not very happy about in Wisconsin, and at the
7 same time the amount of voluntary contributions that GTE is
8 giving to local organizations has decreased immensely.

9 Your comments about literacy piqued a great
10 deal of curiosity in me. I hope that you are going to
11 continue to expand in that area as well as other areas as
12 well as helping out local charitable organizations, which
13 used to be the case.

14 MR. SEIDENBERG: I think I have answers to
15 both. We'll see how acceptable they are. The first one, the
16 issue of speeding up the process for long distance, it's
17 great to have an audience without having to listen to my
18 competitors make the same case, but here's what I would say
19 to that.

20 We took the approach of trying to get approval
21 in New York. It took us four years. Right, wrong or
22 indifferent, we did it. Six months later Southwestern
23 figured it out in Texas. So at least the cycle time seems to
24 be getting better.

25 The questions that I would ask each of the

1 Governors to think about when you hear about what's going on
2 in your state is make sure that, however well intentioned,
3 the regulatory processes don't reinvent the wheel. Every
4 state doesn't need to reinvent the entire record that's been
5 established in places like Texas or New York or soon to be
6 Pennsylvania or Massachusetts, and the process can be speeded
7 up simply by not having every state try to reinvent the
8 wheel.

9 That doesn't mean that we shouldn't be held to
10 strict enforcement. I think you would all agree that we will
11 be held to those enforcements. But I can see already in each
12 state people are now beginning to think about how are we
13 going to make this better and take as much time and so on and
14 so forth. So I think it's the questions you ask that will
15 help people get the message that if they did it there and
16 they did it over there, why is it taking us so long.

17 On the second question, I don't have the exact
18 numbers, but I'll assure you I'll make sure that we don't
19 change the flow of support anyplace. I think the reason for
20 GTE and we rationalizing our portfolio, as they would say, is
21 to provide better clustering. And I think in most of the
22 places where GTE has sold some of its most rural locations, I
23 think that we feel the new owners are in a better position to
24 cluster and to provide the kinds of services to those
25 customers long term.

1 It still means that overall we will put
2 investment into the states, we will upgrade the networks, we
3 will interconnect with those companies. We'll bring the
4 benefits to the same customers, and we'll make sure that
5 obviously from a community standpoint that we continue to
6 provide that. And obviously now as a national business, our
7 view is we should be expanding our community outreach as we
8 go forward.

9 CHAIRMAN LEAVITT: Governor Engler.

10 GOVERNOR ENGLER: Two questions. The first is
11 a variation of the one that Governor Thompson asked about,
12 the process for the local companies to go into long distance.
13 My understanding is that starts with your application, the
14 271 process that gets rolling, and that you really do control
15 how quickly you'll come to a state. And in our state we're,
16 from a regulatory perspective, prepared to respond.

17 My question would be, when you start to look
18 now at these old GTE territories, and Michigan and Wisconsin
19 are two pretty substantial areas, how quickly might we expect
20 you to be coming forward with a 271 process to get that
21 started? I think that's especially relevant as we see SBC
22 we would expect to follow Texas sometime next spring with
23 their approval, and we'd hate to see them coming over into
24 the Verizon territory and we'd hope that you might be willing
25 to start to challenge them a little bit in some of their

1 territory, because I know that Mr. Whitaker loves
2 competition. So that would be the first.

3 The second is just a broader question and it
4 dealt with your comments on wireless. And I'm curious in
5 sort of the coming showdown of cable and the phone companies
6 with the lines and, you know, that last mile hookup to all
7 the homes, does wireless just go over top of all of this, and
8 are we, when we think of upgrades and the need to put all the
9 tremendous amount of fiber in the ground, is the Internet
10 over the wireless going to supersede either the phone company
11 and the traditional line or the cable line and, if so, what
12 do we have coming there?

13 Will there be one or two major wireless
14 companies in the country and sort of how do we factor that
15 into our thinking and this new regulatory approach that
16 you've suggested, because it does strike me that wireless
17 overcomes one limitation that the cable primarily but also
18 phone companies have, and that's the need for local
19 governmental approval of these rights-of-way problems in some
20 of the states are very acute and are solved in different ways
21 in different states. So does wireless just defeat all of
22 that and allow you to move faster?

23 CHAIRMAN LEAVITT: Just real quick, a couple
24 of points I would make. First of all, with respect to the
25 271 process for GTE in your states, I would point out that

1 GTE is already permitted to offer long distance in those
2 states today. It's the legacy states from the old Bell
3 Atlantic that we need to do the 271.

4 But I think that the broader question you
5 asked there is Verizon will compete with Southwestern Bell in
6 those states. I think that what you should feel comfortable
7 with is now that we've created a company that will serve a
8 third of the households, we don't see any more consolidation
9 of fixed telephone lines companies. So we now have the
10 platform that we think we'll start branching out, and GTE has
11 a clear strategy to move beyond its franchise territories to
12 do that.

13 With respect to your point about the process,
14 we're the mitigating factor, it's true, mitigating factor,
15 but in every state the state processes can conduct
16 proceedings for one, two, three or four years until they
17 decide that we've met the target. So that it is up to us,
18 but there is a sort of a ponderous process that sometimes
19 goes on to make that work.

20 Your point on wireless is very interesting.
21 We don't look at this as either or. Wireless is a technology
22 that's continuing to expand. And so that as you go to
23 digital and then Internet, you're finding there are more
24 applications to the technology.

25 So the way we would look at it for the next

1 five to seven years, wireless tends to be complementary, that
2 while it may substitute here and there for the basic service
3 it will tend to expand uses. And you can see it, you
4 probably all now are very much linked into some form of
5 wireless communications, but it hasn't changed much of the
6 basic communications you probably have back at the office.

7 Will wireless substitute for the fixed land
8 line? I don't think so in the short term. It may reduce
9 some of the need for second and third lines in the home, but
10 it won't reduce the need for secure fiber-based or
11 co-ax-based fixed connection, because those are the things in
12 which you can offer more innovative products like health care
13 services, education services, even some governmental
14 services. So what we see is a shift.

15 I don't know if some of you may know the
16 visionary at MIT, Nicholas Negroponte, but he's been saying
17 for many years this is, they call it the Negroponte switch.
18 All the broadcasters they broadcast over the air and all the
19 phone is underground and copper. But over time what he says
20 is going to happen is all the stuff on copper, plain old
21 telephone service, is going to shift to the air and all the
22 stuff that the broadcasters do is going to shift onto the
23 Internet and to fiber. So we're seeing a shift in that.

24 So I think what we'll see is both technologies
25 flourish, Governor. Now, but wireless is also, the last

1 point, is a great example of where you don't have regulation
2 in 50 jurisdictions and the federal government, so what you
3 have is a free flow of capital. And you asked how many
4 national companies there are. Certainly there's Verizon.
5 There's AT&T. There's Sprint. There's Nextel. And I
6 suspect there's Voice Stream. There's a couple.

7 So what we have is an example where there's
8 less regulation, there's lots of people who want to invest in
9 wireless technologies, but you don't have a lot of people
10 wanting to build new fixed wire line businesses.

11 GOVERNOR ENGLER: Just as you answered that
12 question you said something, every state is being asked with
13 our public television stations that we ought to pony up a lot
14 of money to help them make the switch to digital, but what
15 you've just told me and as we've looked at this, I can't
16 figure out why we'd do that, even though the FCC would like
17 that to happen, because why not just let them go to the
18 cable. Why would we pay that money and why not -- in
19 Michigan's case it's a 40 million dollar bill -- simply
20 invest in more connections for more schools or try to --

21 MR. SEIDENBERG: I'm out of my league, but I
22 have an opinion. I mean the bottom line is we paid for
23 spectrum to get into these new markets. Everywhere else in
24 the world people pay to get into these markets and that's
25 what creates more efficiency in capital markets.

1 If there's some greater good in allocating the
2 digital spectrum to the broadcasters, because you know
3 they're going to do all the right things, then that's your
4 decision, but I think as a citizen I would say it's up in the
5 air as to whether or not they'd use all that for the purposes
6 that you had intended. So my reaction is let the free market
7 work.

8 CHAIRMAN LEAVITT: We'll go now to brief
9 questions from Governor Ridge, Governor Janklow and that will
10 conclude this session, unfortunately. I think there's many
11 more. Governor Ridge, brief question.

12 GOVERNOR RIDGE: First of all, I think you've
13 really, your comments were very provocative and I want to
14 thank you for your participation here today.

15 Pennsylvania has a very unique competitive
16 model. We deregulated our electric industry a couple years
17 ago completely. We have more companies and lower prices.
18 The competitive model works. We'll fast-forward from
19 deregulating the electric industry in Pennsylvania to the
20 telecommunications industry. It's obviously a lot more
21 complicated.

22 But the battle that's going on between short
23 and long distance carriers we all, the Governors know isn't
24 just about telephone service, but it's about e-commerce,
25 e-business, e-government, e-medicine, it's broadband

1 application everywhere.

2 From your view of not just this country but
3 the rest of the world, one of the areas of digital divide
4 that we're concerned about in Pennsylvania is not just
5 economic, but it's geographic. That's rural Pennsylvania,
6 rural America, making sure that all of these assets are
7 available there.

8 Should government use a carrot approach, a
9 stick approach, or do you see a combination of both to get
10 companies to move where you have less population, less
11 opportunity to maximize your profit, less -- I mean if the
12 marketplace is going to drive you somewhere, you're going to
13 go to Philadelphia and Pittsburgh. You're not going to go to
14 Perry County in Pennsylvania.

15 So what do we need to do as individuals
16 concerned about making sure that our rural population benefit
17 from the telecommunications explosion and all the potential
18 that it gives to our citizens to make sure that you get there
19 to provide that service?

20 MR. SEIDENBERG: Okay. Governor, thank you for
21 the question. I have two simple answers. The first is, as I
22 mentioned in my remarks, there are entry barriers that take a
23 company like Verizon, who can't put an Internet hub in
24 Harrisburg and let people collect traffic and make a call to
25 Baltimore. We just can't do it.

1 Now, and so I think we need to just eliminate
2 the entry barriers. Now, there are a couple of bills pending
3 in Congress that would focus on this piece of it. And
4 remember that would not excuse us from complying with 271,
5 but it would focus on data as being different. So we're
6 clear on that.

7 The second issue, at the state level, once you
8 remove the entry barriers, we have to make sure, from our
9 perspective, and you might expect me to say this, that the
10 state commission doesn't overregulate the pricing to the
11 point where you take away the incentive to want to put the
12 capital in.

13 And, you know, our argument has always been
14 that we have, a company like us, we have the infrastructure
15 and the distribution to do it, the trucks, the people, the
16 support systems and everything else. And so if somebody
17 wants to make sure that they keep an eye on us, we're okay
18 with that, but let's not kill the golden goose.

19 So I mean those are the two things that I
20 think. Entry barriers and make sure the state commissions
21 rethink the form of price regulation that goes with it so
22 that the capital will flow easily.

23 And it isn't a matter of what we say. The
24 capital markets are the ones that tell you, the capital
25 markets say it's better to invest in the Quests and the

1 Williams, the companies providing long-haul Internet
2 backbone, than it is to invest in the local distribution
3 companies. So I think that we need to just focus on those
4 two areas and I think we'd start to make some progress.

5 CHAIRMAN LEAVITT: Governor Janklow.

6 GOVERNOR JANKLOW: Thank you. Ivan, I
7 appreciate your comments immensely, coming from a state like
8 I do where we have about 730,000 people and 28 independent
9 telephone companies, all separate, all but one of them
10 rurally protected, which creates a very unique situation.
11 And my state's not unlike a lot of the more rural states.

12 I was struck by your statement that it took
13 you four years to get regulatory approval in New York. World
14 War II didn't last that long for America. And to think that
15 something takes longer to get through the regulatory process
16 in America than the biggest war we ever fought really leaves
17 one wondering where the hell we've gone in this country or
18 where we're going to go, more importantly, one.

19 Two, how do we deal with the fact, I mean
20 again, discussing just the rural aspect, how do we balance
21 the recognition that there's going to be cherry-picking,
22 because your companies are in business to make a profit and
23 you ought to be. We have a lot of people in America today
24 that preach free enterprise, but what they're really saying
25 is they believe in properly regulated government funded free

1 enterprise.

2 And what I'm wondering is how do we go that
3 final hurdle and really open up rural America, with an
4 understanding that we will get that kind of communication out
5 in the sticks. Education is too important not to have that
6 kind of stuff available, and it's from education that the
7 rest of the things, especially in the rural communities, it's
8 all communities, but the rural communities really spring from
9 that.

10 So how do we go that last mile of the
11 regulatory process in terms of opening it up so that we can
12 get the new technology in there. The alternative is it isn't
13 going to come and it's only going to come with access fees
14 and those kinds of things that make it ultimately more
15 expensive to have monopolistic practices out in the sticks.

16 MR. SEIDENBERG: Governor, there's no easy
17 answer to that, but I would point out in our company,
18 Vermont's a pretty small state, West Virginia's pretty rural,
19 so we serve a lot of states that have the same
20 characteristics and we get this question a lot.

21 I can give you a simple answer. It's never
22 quite that easy, but what it boils down to at this point, the
23 four years it took to get approval in New York state was
24 really no one's fault. I mean everybody just did their
25 thing, but there are layers and layers and layers of activity

1 and everybody is dutifully following their job.

2 I think -- I keep coming back to the wireless
3 model. If you think about the wireless model, you eliminate
4 entry barriers, there's no price regulation, there's
5 competition, the market sets the rates. If somebody
6 misbehaves, the government comes in strong and quickly.

7 But on the fixed side of the business, people
8 will not take a risk. The regulatory process is not geared
9 to take a risk. And unfortunately, it really boils down to
10 having the conviction of letting the free marketplace operate
11 and lightening regulation, lightening some of the procedures,
12 reducing some of the layers that go into it, and
13 unfortunately, my comment may not be popular, but the ability
14 to earn profit.

15 You know, Verizon could make more money
16 investing in virtually any foreign country in the telecom
17 business than we can here. And we've been criticized by our
18 state commissions a lot, why are you investing money in the
19 UK or why are you in Venezuela or why are you in the
20 Philippines. And the answer is you can enter those markets
21 with the clear conscience that there won't be a surprise by
22 some regulatory authority that will come in and gut the whole
23 purposes of why you are investing.

24 I don't think the economics of investing in
25 rural America is any less than it is in any urban market. I

1 think the issue really boils down to state commissions moving
2 to a new paradigm here and reducing entry barriers and
3 reducing what we would consider to be some of the onerous
4 price and rate reductions.

5 CHAIRMAN LEAVITT: One final question from
6 Governor Musgrove.

7 GOVERNOR MUSGROVE: Mr. Seidenberg, do you
8 agree or disagree with the FCC's blockage of the
9 Worldcom-MCI-Sprint merger and why?

10 MR. SEIDENBERG: Do I agree or disagree? Well,
11 in general, certainly in the direction we've headed, I would
12 not disagree with consolidation. Now, what I never studied
13 was the Justice Department's view of whether or not that
14 merger, because it was with two people who compete with each
15 other, would create too much concentration.

16 So I'm going to hedge a little bit by saying
17 that I don't find consolidation a problem, because I think
18 both Sprint and Worldcom need additional scale to be great
19 companies globally. Now, whether or not they've created a
20 transition problem because they've merged at a time when
21 there isn't enough other competition, I'll leave that
22 decision to the government.

23 But I would make this point. If it didn't
24 take us four years to get in that merger probably wouldn't
25 have had the same problems. So I think that -- so I don't

1 know if this is a missed opportunity or not, I really don't.

2 Having said that, when you think about it,
3 we're focused more on the global area and here we are,
4 Worldcom, Sprint, Verizon, AT&T, Quest, Bell South,
5 Southwestern Bell, all could be bought by the Germans
6 tomorrow. That doesn't make any sense to us. So somehow we
7 got where we are and we've got to undo it.

8 CHAIRMAN LEAVITT: Thank you.

9 (Applause.)

10 CHAIRMAN LEAVITT: We have today examined in
11 part the new economy. I'll again remind those of you to pick
12 up these cards. This is the sum total of several hundred
13 pages of report. For those watching on C-Span, you can get
14 this at www.nga.com in full form.

15 It is necessary briefly that we convene a
16 meeting of the Executive Committee. I'd like to call your
17 attention, members of the Executive Committee, to the
18 operational guidelines. This is a document that's proposed
19 to serve as a guide in determining the structure of
20 committees and task forces and on the appointment of lead
21 Governors.

22 I need to have members of the Executive
23 Committee approve this and I would from a member of the
24 Executive Committee appreciate a motion to that effect. I
25 have a motion. And a second? I have a second. All those in

1 favor say aye, opposed nay. Ayes have it, the motion
2 carries.

3 I'd also like to remind members of the
4 Executive Committee that interim policy that we approved on
5 May 16th entitled "Public Pay and Pension Plans" we brought
6 before the full association for a vote on Tuesday.

7 Having said that, let me just remind the
8 Governors that today we have a Governors only session that
9 will begin at 1:30 in Deans Hall Number 2. Thank you again
10 very much. We'll look forward to seeing you in the sessions
11 for the evening and tomorrow again. Thank you.

12 (The proceedings were concluded at 1:01 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the notes
3 taken by me on the within proceedings and that this copy is a
4 correct transcript of same.

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Sherry Bowes, RMR, CRR
Notary Public

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TRANSCRIPT OF PROCEEDINGS

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92ND ANNUAL MEETING

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DATE: JULY 10, 2000, 2:00 P.M.

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PLACE: PENN STATER
215 INNOVATION BOULEVARD
STATE COLLEGE, PENNSYLVANIA

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SHERRY BOWES, RMR, CRR
NOTARY PUBLIC

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1 CHAIRMAN LEAVITT: Ladies and gentlemen, the
2 President is just a few moments away. In our previous
3 session, the Governors only session, we had an opportunity to
4 hear today from a number of Governors who will be concluding
5 their service. There was a mix of wisdom and melancholy
6 about it for those of us who heard them speak, but great
7 appreciation unilaterally expressed by them and also by those
8 of us in the room who hope to continue our service.

9 Tomorrow I will conclude my service as the
10 chairman of the National Governors' Association. It is the
11 tradition of this organization that at the conclusion of this
12 Association's meeting, the Chairman has the pleasure of being
13 able to summarize in some form the take home message of his
14 chairmanship or her chairmanship.

15 In the interest of efficiency as we wait for the
16 President, I believe I will undertake that now. Rather than
17 try to summarize the events of the year and all the actions
18 that we have undertaken with Congress and the progress that
19 we have made, rather than try to detail all of the lessons
20 that I have personally learned, and rather than try to list
21 my highest aspirations for this organization, I would simply
22 like to communicate what I believe the summary to be in the
23 context of a story.

24 Shortly, literally minutes before I was to take
25 the podium at our state legislature to deliver my budget

1 address one legislative season, a member of my security
2 detail rushed to my office and said, Governor, there is a
3 fire at the mansion. Well, understandably I left the
4 legislature and went directly to the mansion.

5 As I rounded the corner, there were billows of
6 this black smoke coming from the windows. I found Jackie and
7 our three-year-old son standing in the parking lot. I was
8 relieved to find that she was okay. But she began to tell me
9 about their experience of just moments before.

10 She was standing in our bedroom. She heard a
11 pop and suddenly the roar of some flames. She walked out,
12 looked into a small oval from the second floor to the first
13 and she could see from a 26-foot Christmas tree that adorned
14 the mansion at Christmas flames shooting up the tree. She
15 saw her staff assistant run out with small little red fire
16 extinguisher and try to put the flames out, to no avail.

17 Quick, get out, they said. They ran to the back
18 door. When they got there, they met simultaneously with
19 three workmen who had been in the basement. Now, the fire
20 had begun to burn so hot that it had begun to eat the oxygen
21 from inside the home. They tried to get the door open. It
22 was sealed shut by the vacuum of that voluminous fire that
23 was burning. Between the three of them, they were able to
24 use a ladder to pry the door open and then slip out, only to
25 have the door slam behind them.

1 We sat in the parking lot and watched the power
2 of that fire begin to grow. The windows began to vibrate and
3 to pulsate and suddenly there was a huge explosion and a
4 fireball shot through all of the windows and the fire became
5 even more intense and hot.

6 By this time, the state fire marshal had come
7 and he was standing by my side. I said, explain to me what's
8 happening here. He said, when a fire burns that hot, it
9 begins to seek oxygen. It cannot be denied oxygen. It seeps
10 to every crack in the building. It goes into the screws in
11 the light sockets. It has to have oxygen and when it finds a
12 weak spot it will literally exploit that until it has oxygen.
13 He said to me, when those natural forces begin to be set off,
14 change is going to happen.

15 Now, gratefully, the mansion has been restored
16 and it's retained its glory. It's now wired with fiber, too,
17 I might add. It was not before.

18 We are at a time in history when the Internet,
19 wireless communication, technology is fueling change in a way
20 that is unthinkable in scope and just mind-numbing in speed.
21 It's a time when we as Americans have an enormously exciting
22 opportunity but a terrific challenge.

23 America became a super power, because we
24 transitioned the agricultural era to the industrial age with
25 great skill. We now find ourselves as a generation

1 challenged as leaders with a new challenge, a new
2 opportunity, the opportunity to transition into the new
3 economy, the information age.

4 The theme of this conference, the theme of this
5 year in NGA has been for us to make that transition, to
6 define what it is that we must do to strengthen the American
7 state in the new global economy. Now, it is not just a
8 challenge, it is a remarkable opportunity.

9 I am reminded of a speech I heard recently by a
10 great technology leader, Jim Barksdale, who talked about his
11 three snake rules. He said the first rule, first snake rule
12 is, if you see a snake, kill it. He said, I tell my staff,
13 if you see a problem, don't call a committee, don't organize
14 some sort of a task force, take care of it. He said, my
15 second snake rule is don't spend too much time handling dead
16 snakes. But the third snake rule that I believe applies best
17 to this problem is he said, every opportunity I have ever
18 seen started out looking like a snake.

19 This is not without its challenges. It will
20 require us as states to fundamentally rethink, not just to
21 reshape, not just to work at the edges, but at times to start
22 with a white sheet of paper and start again, but it will
23 provide enormous opportunity for us as a nation.

24 I will end my time as the chairman of this
25 organization with the same words I started. When it comes to

1 transitioning to the new economy, there are simply three
2 choices. We can fight it and flounder, or we can accept it
3 and survive, or we can lead it and prosper. I say, let
4 America lead and prosper. Thank you.

5 (Applause.)

6 CHAIRMAN LEAVITT: The President has arrived and
7 will be here shortly.

8 (Pause.)

9 ANNOUNCER: The President of the United States,
10 accompanied by Governor Leavitt and Governor Glendening.

11 (Applause.)

12 CHAIRMAN LEAVITT: Mr. President, we are honored
13 that you would make such a special effort to join us this
14 afternoon. As a former colleague and participants in this
15 federal-state partnership we all serve, we welcome you to our
16 annual meeting.

17 This is our final meeting with you as President
18 and we acknowledge the great effort you have made always to
19 join us. It is a tradition we treasure and appreciate
20 greatly.

21 When you chaired this organization, you set an
22 agenda. You titled your year "Making America Work." You
23 established task forces to overcome some of the most
24 crippling barriers in our society to making our economy
25 productive and solving many of our human service programs,

1 school dropouts, teenage pregnancy, literacy, and alcohol and
2 drug abuse. Working together over the course of the last
3 eight years, our nation has made a significant amount of
4 progress on those matters.

5 As the President, you have shown us great
6 appreciation and value. You have opened the White House to
7 us always. Many of us will look back on our service and
8 those times in the East Room of the White House where we
9 literally talked of the problems of our nation openly and
10 freely and candidly as some of our most important and most
11 memorable times in service. You've opened the White House to
12 us in other ways and greeted us with great warmth.

13 You clearly have understood the fundamental role
14 of states in the fabric of this nation. This is a time when
15 the partnership needs to be strengthened, and for that reason
16 we are most appreciative of your continued willingness to be
17 with us. Mr. President, thank you very much.

18 Ladies and gentlemen, the President of the
19 United States.

20 (Applause.)

21 PRESIDENT CLINTON: Thank you very much,
22 Governor Leavitt, Governor Glendening, and Governor Ridge,
23 thank you for welcoming me back to Pennsylvania and to Penn
24 State. The Governor was kind enough to come to the airport
25 and we were reminiscing about the opportunity I once had to

1 come to Penn State to give the commencement address and we
2 talked about the Creamery, and then I learned all the
3 Governors had been given access to the ice cream at Penn
4 State. That was the one thing I was going to give you today.

5 Let me say to all of you the most important
6 thing I wanted to do today is just come here and say thank
7 you for the opportunities that we've had to work together
8 over the last eight years. Some of you, just a few now, were
9 Governors when I served. Governor Thompson outlasted me.
10 Governor Janklow made a comeback. Governor Hunt made a
11 comeback.

12 But it's been a wonderful experience for me. I
13 looked forward to your coming to the White House every year.
14 And even though we're going to start the very important
15 Middle East peace talks tomorrow I didn't want to miss this
16 opportunity to come to say thanks.

17 I really treasure the times that I've spent. I
18 remember the first time you came to the White House in '93,
19 I'd only been President a couple of weeks, and they were very
20 busy times. And my staff was all obsessed with getting our
21 budget to Congress and all that and they didn't really
22 understand why I wanted to spend four or five hours with the
23 Governors. And I told Governor Kempthorne when he left the
24 Senate that he was going to be one happy camper after the
25 next election. I was right, wasn't I? So I thank you.

1 If you go back and look at the transcripts and
2 the agenda of the 1993 NGA meeting and you compare what you
3 discussed then and what we're talking about today, it is
4 obvious that our country has come a long way in the last
5 seven and a half years.

6 Back then, we were all focused, as we had been
7 in the couple of previous years when I was a Governor, on big
8 and immediate crises, the enormous deficits, the high
9 unemployment, the soaring crime, the rising welfare rolls,
10 the cost of health care, and the growing number of uninsured
11 Americans.

12 At the time you came to the White House in '93,
13 I pledged to make a new partnership between the state and the
14 federal governments, to put the American people first and to
15 turn our country around. And we have done a lot of things
16 together that you should be very proud of.

17 Welfare rolls the lowest in over 30 years, cut
18 in half, the crime rate at a 30-year low, the Children's
19 Health Insurance Program the largest expansion of health
20 insurance for children since the enactment of Medicaid.
21 We've slowed the crippling costs of Medicare and Medicaid
22 and extended the life of Medicare by a quarter century.
23 We've expanded trade with over 300 trade agreements, and the
24 Governors have, without exception, always been there in a
25 bipartisan way, and for that I am profoundly grateful.

1 And let me thank you especially for the work
2 that many of you did on permanent normal trading relations
3 with China. Most of our constituency who call us about
4 that -- in favor, anyway -- do so because they understand the
5 economics of it.

6 But I have to tell you after the last seven and
7 a half years I have a different perspective. We fought three
8 wars in Asia in the last 50 years, and I believe if we adopt
9 this trade agreement it will dramatically reduce the chances
10 that our children will have to fight any wars in Asia in the
11 21st century. And so anything you can do to help me get it
12 up to the Senate in the next few days I'd be very grateful
13 for as well.

14 We've worked together on the empowerment zones
15 and other community development efforts, and I'd like to
16 thank the Delta Governors here, which start with Governor
17 Ryan in Illinois and go south, for the help that you have
18 given me for our Delta initiative.

19 The size of the government is the smallest it's
20 been in 40 years. We've eliminated over 16,000 pages of
21 regulations. The Department of Education, as
22 Secretary-Governor Riley never tires of telling me, alone has
23 reduced regulations by over 60 percent.

24 And as all of you know, we have worked to
25 aggressively grant waivers to states to continue to be

1 laboratories of democracy. And I'll say more about that in a
2 few moments.

3 But finally -- and I owe the Governors a lot of
4 thanks for your support on this -- across all of our partisan
5 differences, you have never stopped supporting as a body
6 bringing back common sense notions of fiscal discipline to
7 Washington. By cutting the deficit, expanding trade and
8 investing in our people, we've got the longest economic
9 expansion in history.

10 People ask me all the time -- and I brought the
11 Chairman of the Federal Reserve, Alan Greenspan, who's here
12 today, there was an interesting article in one of the major
13 newspapers referring to us as the "Odd Couple," which I took,
14 Mr. Chairman, as a compliment. And I think it was, you know,
15 what's this sophisticated financial genius doing working this
16 deal with this, as someone used to refer to me, the Governor
17 of a small southern state. I was so naive at the time I
18 thought it was a compliment. And I still do.

19 But, anyway, we've worked together. And people
20 ask me all the time, well, you know, tell me about Bob Rubin
21 or Lloyd Bentsen or Gene Sperling or your economic advisors,
22 what new stunning insight did you bring to Washington? And I
23 always have a one-word answer, arithmetic. We brought
24 arithmetic back. And I hope that again across party lines in
25 the years ahead, you will keep arithmetic as an element in

1 our national policy-making.

2 We have an enviable but unfamiliar task now.
3 We've got to decide as a people what should we do with the
4 largest surplus in history and a very large projected
5 surplus. And if I could just make one point here today that
6 to me is more important than anything else I'll say down the
7 road in these remarks, I believe dealing with good fortune is
8 just as stern a test of a country's judgment, values and
9 character as dealing with adversity.

10 I say this over and over again, but I'll repeat
11 it one more time. There's not a person in this room over 30
12 years of age that cannot remember at least one time in your
13 life when you made a personal or a business mistake not
14 because things were going so badly but because things were
15 going so well. You felt there was no penalty to the failure
16 to concentrate. It is just human nature.

17 So this is a big, big moment for our country.
18 And you know what I think we ought to do. I think we ought
19 to do what I said in the State of the Union. I think we
20 ought to take on the big challenges and big opportunities in
21 a responsible way, to keep the economy going and spread its
22 benefits, to deal with the aging of America, to deal with the
23 fact that child poverty is twice what it is among elderly
24 people and all of our kids still aren't in the best schools,
25 to prove that we can meet these big environmental challenges

1 and grow the economy, to make America the safest big country
2 in the world, to help people balance work and family better,
3 to meet our national security and foreign policy challenges,
4 to put a more human face on the global economy, to keep
5 bringing people into the circle of our national community as
6 we grow more diverse.

7 But this election season is very important for
8 making that decision. And I frankly think that Americans
9 should be very upbeat about this, because it gives us a
10 chance to have a very positive political season. And I think
11 maybe over the last seven years we've finally purged some of
12 the poison out of national politics.

13 And I would really like to just see a debate
14 where people get up and say, okay, this is a big election, we
15 have honest differences over everything from education and
16 the environment and crime and Internet privacy rights and how
17 to build a national community and the future of the courts,
18 everything, and let's just talk about them and let the voters
19 decide. And let's just assume everybody running is honorable
20 and just say what the differences are and let the people
21 decide.

22 That's what I hope will happen in this election,
23 because in our lifetime we may never get another chance like
24 this. We have never had a chance like this in my lifetime,
25 not ever, not once. The last time we had an economy this

1 prosperous was in the 1960s. That was the last longest
2 economic expansion in history.

3 And when I graduated from high school in 1964, I
4 had the feeling that I think a lot of Americans do today. I
5 thought everything was on automatic, nobody could mess it up.
6 I thought all the civil rights problems of the country would
7 be solved in the courts and the Congress. I thought
8 everything would be hunky-dory.

9 Two years later, we had riots in the streets.
10 Four years later, we had Dr. King and Senator Kennedy killed,
11 and we had a President who couldn't seek reelection because
12 the country was so divided, and a few months later, the last
13 longest economic expansion in American history was history.

14 So if I could just say anything, I hope when you
15 go home you will ask the American people in your own states
16 to be really good citizens this year and concentrate and just
17 think and decide, because we may never have this chance again
18 in our lifetime. And it is profoundly important.

19 I also believe that it's important what we do in
20 the next six months. And I know all the press coverage is
21 always on the fights that we have, but let me tell you, we
22 actually agree on things every now and then in Washington.
23 And there's a lot of things we could do in the next six
24 months that I think are pretty important.

25 Let me just review. Already this year the

1 Congress lifted the earnings limit on Social Security. I
2 think that's really important. If you live to be 65 today
3 you've got a life expectancy of 82. And if things keep going
4 the way they are and there's only two people working for
5 every one person drawing Social Security, we ought to want
6 some older people in the work force. I hope to be one of
7 them. And it passed almost unanimously.

8 I signed a bill the other day, the Electronic
9 Signatures Bill, necessitated by Article I of the United
10 States Constitution, to make sure that there could be a
11 contract using e-commerce. I see where some people think
12 there's some problems with it. If there are, we'll fix them
13 up. But we don't want to slow down e-commerce, we want to
14 speed it up.

15 We had the China bill passing in the House, and
16 in the House and the Senate a remarkable bill to expand our
17 relations, trade relations with Africa and our neighbors in
18 the Caribbean. So there's a chance we could get a lot done.

19 And one of the things that I would like to just
20 say today, and, again, because of the season we're in I
21 guess, you know, my opinion can't avoid having some sort of
22 partisan edge, but I'd just like to tell you where things are
23 and where I hope we can go with them in the next few months.

24 I think our single most important obligation
25 now, since most Americans make good things happen in their

1 own lives apart from government, is to try to keep this
2 economic expansion going and to try to spread its benefits to
3 people and places that have been left behind.

4 Now, let me deal with the latter first. The
5 spreading its benefits, for me, means passing the New Markets
6 initiative that I presented to the Congress, which the
7 Speaker of the House, we've worked together on it and we now
8 have a unified bill where we took the best ideas of the
9 Republicans, the best ideas of the Democrats, and we're going
10 to essentially try to give people the same incentives to
11 invest in poor areas, in the Mississippi Delta or the Indian
12 reservations or the inner cities that we now give them to
13 invest in Latin America, Asia and Africa, along with a little
14 extra help.

15 And we've worked very hard on this. There was
16 an astonishing announcement at the White House the other day
17 with the broadest ideological spectrum of people I've ever
18 seen in the Roosevelt Room at the same time. And I hope
19 you'll help us pass that.

20 In a larger sense, I think we've got to keep the
21 economy going by adhering to the same principles of fiscal
22 discipline that got us where we are, and that means I think
23 whatever combination of spending and tax cuts any candidate
24 for any office proposes, there ought to be enough left over
25 to get us out of debt over the next dozen years, to pay down

1 the public debt. Why? Because it will keep interest rates
2 lower.

3 Let me just give you one little tax cut factoid.
4 Keeping interest rates a percent lower than they otherwise
5 would be for a decade reduces mortgage payments alone in the
6 United States by 250 billion dollars. Keeping interest rates
7 lower than they otherwise would be for a decade by just 1
8 percent amounts to a 250 billion dollar tax cut on mortgage
9 payments alone.

10 That doesn't count car loans, college loans,
11 business loans, which are obviously very important because
12 you want the cost of capital for borrowing for business
13 expansion to be as low as possible, for obvious economic
14 reasons.

15 So I think that's very important. So that's one
16 of the reasons that I supported the Vice-President when he
17 said we ought to lock away the Medicare taxes the way we lock
18 away the Social Security taxes. A lot of the surplus has, in
19 effect, been overstated and a lot of our deficits in past
20 years were understated because the taxes from Social Security
21 and Medicare were producing more money than we were spending
22 every year, as all of you know and we used to talk about
23 around here all the time.

24 So now we said, okay, we're not going to spend
25 the Social Security tax money, we're going to use it when it

1 comes in to pay the debt down, and that's what I think we
2 ought to do with Medicare.

3 Now, in addition to that, because I think we
4 have a big aging crisis, I believe that we ought to take the
5 interest savings from debt reduction by doing that, something
6 we didn't do before, and put it into Social Security and
7 Medicare, and if you did that you could take them on out
8 beyond the life of the baby boom generation.

9 Now, then I think if -- and by the way, let's
10 get to the numbers, that's about 20 percent of the projected
11 surplus. It's about 400 billion dollars of the 1.9 trillion
12 dollar projected on-budget surplus. So it's a great hedge in
13 case the money doesn't show up.

14 Now, once we agree to do that, I think we've got
15 a great opportunity to decide as a nation how to spend the
16 rest of it, whether it should be on tax cuts or investment or
17 what the mix should be.

18 The budget I presented for this year has
19 significant new investments in education, health care,
20 research and development and defense and foreign policy and
21 the environment, especially meeting the challenge of climate
22 change, but it also provides targeted tax relief for
23 long-term care, child care, college tuition, retirement
24 savings and easing the marriage penalty.

25 But the main thing is it leaves 500 billion

1 dollars in a fund for America's future that would be
2 completely unencumbered for the next President and the next
3 Congress, because I think it would not be responsible for me
4 to propose how to spend all that money. If anybody cares
5 what my opinion is, it will be worth that and a quarter will
6 get you, you know, half a soda pop after next year, but I
7 will be glad to give it, but I don't think it would be
8 responsible to propose it. So I've decided to just leave it
9 there.

10 But I'm very concerned about the way we're
11 moving in Congress and I just want to point out the
12 Congressional majority, but with some support from members of
13 my party as well, has taken a sort of an incremental approach
14 to this, starting with tax cuts.

15 Now, none of the tax cuts proposed individually
16 would bust the budget, but if you add them all up and you
17 combine that with the proposals that are out there for next
18 year that are, in effect, going to be commitments since
19 they're part of the election contract, it would exhaust every
20 dime of the projected surplus and then some. And I believe
21 that would lead to a rise in interest rates and a slowdown in
22 the economy and, ultimately, to fewer revenues over the long
23 run and less investment for things like adding a prescription
24 drug benefit to Medicare.

25 I'll give you an example. This week the

1 Senate's going to vote on repealing the estate tax, and there
2 is some speculation that it might pass by a veto-proof
3 majority. Now, one reason is the full benefit of the estate
4 tax relief we provided in 1997 has not been -- it was phased
5 in over a period of years, so that hadn't been felt by the
6 taxpayers. We provided some estate tax relief in 1997. I
7 really didn't think it was enough. I think there should be
8 more.

9 But I don't believe we should completely repeal
10 it. It cost a hundred billion dollars in the first ten years
11 in today's terms and 750 billion in the second ten years; 100
12 percent of the benefits go to 2 percent of the American
13 families; and only a small fraction of those are those that
14 really need the help, the farmers, the family farmers and the
15 small business people. You could take them out altogether
16 for much less money and do what we say we want to do.

17 And I think it's important to point out, as one
18 man I know who is a billionaire called me the other day and
19 said, why are you doing this for me? I said, I'm not.
20 One-tenth of 1 percent of the American people would get half
21 of the benefits of the bill.

22 Now, if you're philosophically opposed to the
23 estate tax, then it's just a matter of principle, but if it's
24 a matter of economics and you're sympathetic with small
25 businesses and family farmers, there's a way to get this done

1 for much less money and, by the way, give more relief to
2 others.

3 I mean you could argue that the rates are too
4 high, because they're higher than the maximum income tax
5 rates now, something that didn't used to be the case. There
6 are lots of options here, but repealing it costs a lot of
7 money.

8 So what I asked the Congress to do -- and they
9 also want to pass a marriage penalty relief bill. But I
10 think for us to repeal the estate tax before we raise the
11 minimum wage or give a tax relief to low income working
12 families with lots of kids or give a tax deduction for
13 college tuition or increase the child care credit or adopt a
14 long-term care tax credit is a huge mistake.

15 First of all, I think it reflects the wrong set
16 of priorities, but it puts us on a -- then people will say,
17 well, we did that, now we've got to do all this, and pretty
18 soon before you know it you've spent more money than you
19 meant to and we're back in the soup again.

20 So what we need to do is get everybody together
21 and figure out who wants what and what we can afford to do
22 and do it in a way that allows us to keep the fiscal
23 discipline, to stay with arithmetic.

24 Now, I asked Congress to compromise with me. I
25 basically said, let's do a Medicare prescription drug benefit

1 for 250 billion dollars and a tax reduction package focused
2 on the marriage penalty relief, which is very important to
3 the Republican majority, for the same amount of money. Let's
4 set aside the Medicare trust fund money and let's just save
5 the rest and adopt a good budget this year.

6 Now, this week Congress is also going to vote on
7 the marriage penalty. I hope that they will consider this,
8 because we really have a lot to gain here by doing this in a
9 balanced way. The surpluses are there because of fiscal
10 discipline and let me just say, one big thing that I want to
11 thank you for, because a lot of you had to bear the burden of
12 it, was the reduction in the growth of Medicare and Medicaid.

13 Since we made some changes in that -- and it was
14 growing at three times the rate of inflation when I took
15 office -- we've reduced projected federal health expenditures
16 by over half a trillion dollars and extended Medicare
17 solvency through 2025.

18 This is something very few people know about.
19 About 30 percent of the improved budget outlook included in
20 the Midsession Review -- that is, about 30 percent of this
21 extra trillion dollars in surplus that is projected -- comes
22 from lower spending in Medicare and Medicaid, thanks to your
23 efforts and ours to reform the programs and reduce fraud and
24 waste.

25 So I think spending these dollars more

1 efficiently is good for the economy. But I also want to say
2 investing more can be good, too, if it's done wisely. I
3 recommended that we put 40 billion dollars back into these
4 programs, because we actually cut them more than we meant to.
5 Back when we did the Balanced Budget Act in '97, we agreed
6 that this is what we wanted to save and we got a list of
7 programs from the Congressional Budget Office necessary to
8 save it and, actually, they saved a lot more money than we
9 thought and it wound up putting undue burdens on the
10 providers. So I think we've got to give a little of this
11 money back over the next ten years, and I hope that you will
12 support that.

13 But we also know that there's some other needs
14 there. Children without health insurance often don't get
15 glasses or treatments for ear infections. That limits their
16 ability to learn. We know that adults without health
17 insurance are 50 to 70 percent more likely to be hospitalized
18 for treatable conditions, running the cost of health care up.

19 We know that seniors who can't afford
20 prescription drugs are more likely to end up in nursing
21 homes, running their quality of life down and their health
22 care costs up. And when that happens, it means the states
23 pay Medicaid nursing home bills because Medicare doesn't pay
24 the prescription drug bill in the first place.

25 Now, that's why I propose that we have

1 expansions of the health care program. And that's why I set
2 aside over 250 billion dollars over ten years for this
3 voluntary prescription drug benefit. If we were starting a
4 Medicare program today, we'd never set it up, none of you
5 would, without a drug benefit. Thirty-five years ago when we
6 started Medicare, medicine was about doctors and hospitals.
7 Doctors were making house calls still, and hospitals weren't
8 very expensive and the whole thing was different than it is
9 today and the pharmaceutical revolutions that we've seen in
10 our lifetime didn't exist.

11 And let me say, let me just tie this again to
12 the aging of America. This Medicare prescription drug issue
13 is a big issue today. It will be twice the issue in ten
14 years. The sequencing of the human genome is the beginning
15 of a biomedical revolution, the extent of which we cannot
16 imagine.

17 I believe that those of you who have children
18 who are, like my child, in college and about to go out and
19 start their lives, I think it is almost certain that their
20 children, the children of people in college today will be
21 born with a life expectancy of 90 years. And keep in mind,
22 and that will include those who die of violence, accidents,
23 and things of that kind.

24 And we're going to have to just think about
25 getting older in a whole different way. And we'll never be

1 able to have the kind of society we want unless we can have
2 shared and equal benefits and access to the biomedical
3 revolution manifested in the development of these new drugs.

4 Now, what I recommended was a voluntary program
5 where the prices would be set by competition, not by
6 government price controls, but I think it is the only thing
7 that will work if, like me, you believe everybody that needs
8 it ought to have access to it.

9 The Congress passed a bill that would set up a
10 private insurance plan and basically cover the cost of people
11 up to 150 percent of the poverty line, but that's only
12 \$12,600 for an individual and \$16,500 for a couple, and it
13 leaves out over half the people who need drugs today who
14 can't afford them.

15 And in addition to that, the health insurance
16 companies -- and all of you know they haven't always been my
17 biggest advocates, I mean we've fought about everything --
18 but the health insurance companies say the thing won't fly,
19 that they cannot put together insurance policies that will
20 work that will be affordable. And there was an article in
21 one of the newspapers within the last 48 hours that said that
22 one of our states has a program like the one that the House
23 passed and not a single insurance company has offered a
24 policy under it, because they don't want to participate in
25 something that's not real.

1 So I want to make these two points. I hope I
2 can make an agreement, an honorable agreement, an honorable
3 compromise -- like the Balanced Budget Act of '97, like the
4 Welfare Reform Act of '96 -- on tax relief and the Medicare
5 drug program. But I think we ought to leave a huge chunk of
6 this money to the next President and the next Congress, and I
7 think we ought to commit ourselves to saving another big
8 chunk of it no matter what.

9 For us to commit all the projected income of the
10 country over the next ten years is a mistake. If I asked
11 you, every one of you in this room, what's your projected
12 income over the next ten years and how comfortable are you
13 that you're going to have that money, and you just think
14 about it right now and settle on something you've got 80
15 percent confidence in, and I asked you to come up here right
16 now and sign a contract committing every penny of your
17 projected income for the next ten years, would you do it?

18 Now, this ought not to be a partisan issue. We
19 shouldn't do this. And everybody who -- and our people,
20 people in my party, everybody that proposes a spending
21 program, everybody that proposes a tax cut program, whatever
22 they're proposing, it all ought to add up and there ought to
23 be a good chunk of safety net left in there, because that
24 money may or may not be there.

25 And the number one thing we've got to do is keep

1 this engine going, because most Americans do most of what
2 they do without direct contact with the government and we
3 want them to be able to succeed.

4 So I've got a lot of hope that we can still get
5 something good done in this last session of Congress. I have
6 a lot of hope that we can pass the drug program. I think we
7 ought to increase the health care coverage under the
8 Children's Health Insurance Program to cover the parents of
9 the CHIP kids. I think that we ought to make sure, however,
10 that we don't see a revival of the idea of shifting the cost
11 of uncompensated care to the states, and I think that's what
12 a prescription drug grant would do.

13 So you all have to weigh in on this. You can do
14 what you think, but you just think about what we could do for
15 health care. If we had a Medicare prescription drug program,
16 if the parents of CHIP kids could buy into CHIP and if people
17 between the ages of 55 and 65 with a modest tax credit could
18 buy into Medicare, we could cover the 25 percent of the
19 uninsured people in America, the ones who need it most, and
20 we could increase the length and quality of life of our
21 seniors. So I hope we can do that.

22 Now, let me just say a few words about a couple
23 of specific issues of concern to you. I want to thank you
24 for the work you've done with the CHIP program. We've now
25 got over 2 million kids enrolled. I am especially proud of

1 the states that have found innovative ways to overcome the
2 problems in signing kids up.

3 And I always hate to mention some, for failure
4 of not mentioning others, but I would like to acknowledge
5 just, for example, that Ohio has changed its system to make
6 it easier for CHIP parents to mail in forms that are simpler.
7 Indiana has actually gone out to schools and child care
8 centers and had a remarkable amount of success in signing
9 people up. Virtually every state has done something
10 innovative, but the money is there to sign the rest of the
11 kids up. There's another two or three million kids we could
12 get signed up.

13 Some people in Congress think that because it's
14 been out there and not spent, it should be taken away. This
15 is another version of what happened when there was a proposal
16 to take back billions of TANF dollars from welfare reform.

17 Now, the money is the direct result of the
18 success we've had in the TANF case of moving people from
19 welfare to work. I think it ought to be left for the states.
20 I think states should use it to finish the job of welfare
21 reform, making sure families don't lose Medicaid when they
22 leave welfare for work, making sure the dollars help families
23 still on the rolls move into the work force.

24 But welfare reform's success, it seems to me,
25 shouldn't be turned against the states. It should be used to

1 make sure that people that are still falling through the
2 cracks have a chance to make it as well.

3 And I want to thank those of you that are
4 responding to this. I mention, in particular, Washington
5 State did something that I read about that impressed me.
6 They found that they had cut a lot of families off Medicaid
7 erroneously when they returned to work and they actually
8 chased them all down and signed them up again individually,
9 and that's the sort of thing that I think Congress should be
10 reminded of, people in either party who think that this money
11 should be taken back.

12 So I hope we can do more with CHIP and do more
13 with welfare reform. And I know one of the things you've
14 been waiting for us to do -- and Secretary Shalala has
15 already mentioned this I think -- is to send out the guidance
16 on applying for CHIP waivers. A lot of you have innovative
17 ideas to use this Children's Health Insurance Program to
18 cover more people. And that guidance will come out before
19 the end of the month and I just want to urge you to make the
20 most of it.

21 The one area in terms of social indicators where
22 our country cannot claim to be better off today than it was
23 eight years ago -- and the only one, as far as I know -- is
24 that a higher percentage of our people are without health
25 insurance. And the only way I can figure out to do anything

1 about it is to make the CHIP program work better, ultimately
2 cover the parents of the CHIP kids, and do something about
3 the people who are not old enough for Medicare but have lost
4 their health insurance at work.

5 We need more waivers, but we also will have to
6 provide more resources. The Governors have advocated
7 building on CHIP, a lot of you have, and I have strongly
8 supported it. My 2001 budget sets aside 110 billion dollars
9 over the next ten years for health insurance for those
10 parents and their kids and others. And, as I said, if we do
11 this, we can cover another quarter of the uninsured people in
12 America.

13 Now, this doesn't have anything to do with
14 surplus. This is in the regular budget. This is what I
15 proposed in the beginning, so I'm not double-counting any of
16 this money I just told you. And, again, it's something that
17 I hope we can do in a bipartisan way. I hope we can pass a
18 good education budget for you in a bipartisan way.

19 But I'd like to end where I began. I thank you
20 for the last eight years. I thank you for the role you
21 played in turning this country around. I ask you to help
22 insure an election season which is positive, open and
23 vigorous about the real and honest differences, but devoid of
24 the poison that has too often clouded the judgment of
25 everybody involved in the public process. I think we can

1 have that kind of election, and it would be good for America.

2 I ask you to help me make the most of this next
3 six months, make the progress we can make, but do nothing,
4 nothing that would undermine the fiscal discipline that got
5 us to this remarkable dance. And if we can do that, I think
6 that we will be unbelievably well positioned. I think the
7 greatest days of this country are still ahead. I think all
8 the stuff that's happened in the last eight years is just a
9 prelude.

10 I think that what will happen in information
11 technology, what will happen positively in globalization, I
12 think we'll see a digital bridge instead of a digital divide.
13 I think that all these things will happen if we don't forget
14 our fundamental responsibilities.

15 And I'm looking forward to observing and to
16 being a responsible citizen after the next six months and,
17 meanwhile, I will do everything I can to get everything I can
18 done in the time we have remaining.

19 The only other thing I would say to all of you
20 is we have some Congressmen in both parties that are afraid
21 if we don't have everything left to fight about we won't have
22 anything left to fight about, and that's not true. Now, we
23 could pass everything I proposed today and still have plenty
24 left to fight about in the election.

25 So I ask everybody to take a deep breath, be

1 grateful for the prosperity we have, understand the enormous
2 responsibility it puts on us, and let's do what we can to
3 make the most of it. Thank you very much.

4 (Applause.)

5 CHAIRMAN LEAVITT: The meeting is adjourned.

6 (The proceedings were adjourned at 3:21 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the notes
3 taken by me on the within proceedings and that this copy is a
4 correct transcript of same.

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Sherry Bowes, RMR, CRR
Notary Public

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1 NATIONAL GOVERNORS' ASSOCIATION

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6 TRANSCRIPT OF PROCEEDINGS

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8 92ND ANNUAL MEETING

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DATE: JULY 11, 2000, 9:30 A.M.

15

PLACE: PENN STATER
215 INNOVATION BOULEVARD
STATE COLLEGE, PENNSYLVANIA

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SHERRY BOWES, RMR, CRR
NOTARY PUBLIC

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1 CHAIRMAN LEAVITT: Welcome, ladies and
2 gentlemen, to the closing plenary session of the 2000 NGA
3 annual meeting. This morning we'll be focusing on structural
4 change in the new economy and we'll hear from the utmost
5 authority on this issue, Alan Greenspan, who is the chairman
6 of the Board of the Federal Reserve System.

7 In addition, we will be undertaking the business
8 of this meeting, considering proposed policy positions and
9 recognizing our departing colleagues. We'll elect a new
10 chairman so that this important Association can continue.

11 But before we do any of that, it is of
12 importance I think to all of us that we have an opportunity
13 to adequately thank our hosts, Governor Tom Ridge and First
14 Lady Michelle Ridge of the state of Pennsylvania, for the
15 extraordinary hospitality that we have had and received by
16 them, by the University and by the staff and the community.

17 Governor Ridge, we would like, on behalf of NGA,
18 to make a presentation to you and to Michelle, if we could
19 ask them to come forward. In the state of Utah, one of the
20 things that we treasure is a large set of resources of
21 genealogical histories, and as an expression of our
22 appreciation to you we have had an ancestral family history
23 made up for both you and Michelle, dating back many
24 generations. Now, this is dangerous for a political figure
25 to know all about his background.

1 GOVERNOR RIDGE: How many copies did you make?

2 CHAIRMAN LEAVITT: Well, let me say there's only
3 one copy, but it is on disk. We want to express our deep
4 appreciation to you and to Michelle for all that you have
5 done to make our stay so hospitable. Jackie, would you join
6 me. We want to make this on behalf of the First Lady as
7 well.

8 GOVERNOR RIDGE: Thank you.

9 (Applause.)

10 CHAIRMAN LEAVITT: There are two or three,
11 actually, thank yous that I would like to personally render.
12 One is to the vice-chairman of this association, Governor
13 Glendening. We have worked very closely together during the
14 last year.

15 One of the things I value most about this
16 association is the capacity for Governors, both Democrat and
17 Republican and Independent, to work for the direct benefit of
18 the states. And I would like to say, Governor Glendening,
19 how much I have appreciated the remarkable way in which we've
20 been able to work together for the good of the Association
21 and for the states and how optimistic I am about your coming
22 chairmanship and the good that you will do moving forward.
23 Thank you very much.

24 (Applause.)

25 CHAIRMAN LEAVITT: I would also quite briefly

1 like to make two other recommendations of two members of the
2 NGA executive team that have been particularly helpful to me
3 during the course of the last year. I've also had family
4 genealogical histories made up for Ray Scheppach and Frank
5 Shafroth, and I'd like to ask Ray to come forward and receive
6 this with an expression of my personal appreciation. I must
7 say that finding family histories in small German communities
8 is tough.

9 (Applause.)

10 CHAIRMAN LEAVITT: Frank, Colorado is easier.

11 (Applause.)

12 CHAIRMAN LEAVITT: One of the major questions
13 that is debated within the economic discipline is how is the
14 new economy restructuring world economics. What changes are
15 cyclical, which ones of them are temporary. What changes are
16 permanent, which ones are new, which ones are actually
17 long-term trends.

18 What about productivity. How much is it really
19 increasing. Are diminishing returns and economics of scale
20 obsolete concepts or are they being replaced by the sheer
21 explosion in innovations from open networks. The cost of one
22 additional automobile and manufacturing plant may be several
23 thousand dollars. The cost of one program that's downloaded
24 for service may be zero. How do we balance those out,
25 looking forward.

1 There's increasing evidence that the new economy
2 is vastly different than the old economy, not only in the
3 terms of growth but also in the very nature of the business
4 model that we follow and the way in which wealth is created
5 and the way goods are priced.

6 With us today is Alan Greenspan, who, as all of
7 you know, is the Chairman of the Board of Governors of the
8 Federal Reserve System. Two weeks ago he was reappointed to
9 a fourth four-year term. He has now been designated as the
10 Chairman by Presidents Reagan and President Bush and Clinton.

11 Dr. Greenspan has guided the United States
12 economy over the largest economic expansion in the history of
13 our country with great skill. Having been appointed by both
14 Republicans and Democrats, both parties claim credit for that
15 expansion, but no one doubts the fact that Dr. Greenspan
16 deserves an enormous amount of that credit.

17 Today we had the pleasure in our Governors only
18 session of having a candid and just remarkably interesting
19 conversation. Bill Janklow said, I haven't taken that many
20 notes since I left college. The conciseness of his answers,
21 the warmth and genuineness of his person we all appreciated
22 very much.

23 Dr. Greenspan, welcome today and thank you for
24 your remarks.

25 (Applause.)

1 DR. GREENSPAN: Thank you very much, Governor.
2 I was getting somewhat concerned that my reputation for
3 obscurity was going to be ruined. I can resurrect it rather
4 easily, however.

5 In any event, I am delighted to be here and I
6 wish to join the Governor in thanking the University
7 officials for their hospitality. It's been a delight to be
8 here and it's even more delightful on occasion to get away
9 from Washington and my in-box, but, regrettably, I'll get
10 back there.

11 I'm especially pleased this morning to have the
12 opportunity to meet with you and address the remarkable
13 changes that have been occurring in our economy. The current
14 economic expansion has not simply set a new record for
15 longevity.

16 More important, the recent period has been
17 marked by a transformation to an economy that is more
18 productive, as competitive forces become increasingly intense
19 and new technologies raise the efficiencies of our
20 businesses.

21 With the rapid adoption of information
22 technology, the share of output that is conceptual rather
23 than physical continues to grow. While these tendencies were
24 no doubt in train in the old pre-1990s economy, they
25 accelerated over the past decade as a number of technologies

1 with their roots in the cumulative innovations of the past
2 half-century began to yield dramatic economic returns.

3 As Governors of our states, you have all been
4 dealing with the practical effects of these shifts, which not
5 only have increased prosperity but also are presenting
6 important new challenges.

7 The process of innovation, of course, is never
8 ending. Indeed, the substitution of physical capital, in
9 which new technologies are embodied, for manual labor is an
10 ongoing trend that began nearly two centuries ago when work
11 in craft shops shifted to factories and then to assembly
12 lines.

13 However, the development of the transistor after
14 World War II appears in retrospect to have initiated a
15 special wave of creative synergies. It brought us the
16 microprocessor, the computer, satellites, and the joining of
17 laser and fiberoptic technologies.

18 By the 1990s, these and a number of lesser but
19 critical innovations had fostered an enormous new capacity to
20 capture, analyze, and disseminate information. Indeed, it is
21 the proliferation of information technology throughout the
22 economy that makes the current period appear so different
23 from preceding decades.

24 This remarkable coming together of technologies
25 that we label IT has allowed us to move beyond efficiency

1 gains in routine manual tasks to achieve new levels of
2 productivity in now-routine information-processing tasks that
3 previously depended upon people to compute, sort, and
4 retrieve information for purposes of taking action.

5 As a result, information technologies have begun
6 to alter significantly how we do business and create economic
7 value, often in ways that were not foreseeable even a decade
8 ago.

9 One result of the more-rapid pace of IT
10 innovation has been a visible acceleration of the process
11 that noted economist Joseph Schumpeter many years ago termed
12 "creative destruction," the continuous shift in which
13 emerging technologies push out the old.

14 Today our capital stock is undergoing an
15 increasing pace of renewal through investment of cash flow
16 from older-technology capital equipment and facilities into
17 cutting-edge, more efficient vintages.

18 This process of capital reallocation across the
19 economy has been assisted by a significant unbundling of
20 risks in capital markets made possible by the development of
21 innovative financial products, many of which themselves owe
22 their viability to advances in technology.

23 At the microeconomic level, the essential
24 contribution of information technology is the expansion of
25 knowledge and its obverse, the reduction of uncertainty.

1 Before this recent quantum jump in information availability,
2 businesses had limited and less timely knowledge of
3 customers' needs and of the location of inventories and
4 materials flowing through complex production systems.

5 . In that environment, decisions were based on
6 information that was hours, days, or even weeks old.
7 Businesses, to protect production schedules, found it
8 essential, although costly, to carry sizable backup stocks of
9 materials and to keep additional persons on their payrolls
10 for making the necessary adjustments to the inevitable
11 miscalculations and unanticipated shifts in demand for their
12 products and services.

13 Of course, a great deal of imprecision persists,
14 but the remarkable surge in the availability of realtime
15 information has enabled businesses to reduce unnecessary
16 inventory and dispense with labor and capital redundancies.
17 Intermediate production and distribution processes, so
18 essential when information and quality control were poor, are
19 being bypassed or eliminated.

20 There are no indications in the marketplace that
21 the process of reengineering business operations is slowing,
22 although it has been difficult analytically to disentangle
23 the part of the rise in output per hour that is permanent and
24 that which is the consequence of transitory business cycle
25 forces.

1 The part based on information advances, of
2 course, is irreversible. Having learned to employ bar code
3 and satellite technologies, for example, we are not about to
4 lose our capability in applying them. But until we
5 experience an economic slowdown, we will not know for sure
6 how much of the extraordinary rise in output per hour in the
7 past five years is attributable to the irreversible way value
8 is created and how much reflects endeavors on the part of our
9 business community to stretch existing capital and labor
10 resources in ways that are not sustainable over the long run.

11 I have stressed technology's crucial role on the
12 factory floor and in distribution channels, but technological
13 innovation has spread far beyond that. Biotechnology is
14 revolutionizing medicine and agriculture in ways that were
15 unimaginable just a few years ago, with far-reaching
16 consequences for the quality of life not only in the United
17 States but also around the world.

18 Even more intriguing are those as yet unrealized
19 opportunities for computers and information technology to
20 expand our scientific knowledge more generally.

21 As I indicated earlier, the major contribution
22 of advances in information technology and their incorporation
23 into the capital stock has been to reduce the number of
24 worker hours required to produce the nation's output, our
25 proxy for productivity growth.

1 Echoing a debate that is as old as Adam Smith,
2 some view this so-called labor displacing investment and the
3 introduction of innovative production processes as a threat
4 to our economy's capacity to create new jobs. But because
5 technological change spawns so many opportunities for
6 businesses to expand, the introduction of new efficiencies
7 has today, as in the past, created a vibrant economy in which
8 opportunities for new jobs and enterprises have blossomed.

9 Another intriguing aspect of the recent wave of
10 productivity acceleration is that U.S. businesses and workers
11 appear to have benefited more from the recent advances in
12 information technology than their counterparts in Europe or
13 Japan.

14 Those countries, of course, have also
15 participated in this wave of invention and innovation, but
16 they appear to have been slower to exploit it. The relative
17 inflexible and, hence, more costly labor markets of these
18 economies appear to be a significant part of the explanation.

19 The elevated rates of return offered by the
20 newer technologies in the United States are largely the
21 result of a reduction in labor costs per unit of output. The
22 rates of return on investment in the same new technologies
23 are correspondingly less in Europe and Japan because
24 businesses there face higher costs of displacing workers than
25 we do.

1 Here, labor displacement is more readily
2 countenanced both in law and culture. Parenthetically,
3 because our costs of dismissing workers are lower, the
4 potential costs of hiring and the risks associated with
5 expanding employment are less. The result of this
6 significantly higher capacity for job dismissal has been,
7 counterintuitively, a dramatic decline in the U.S.
8 unemployment rate in recent years.

9 But one less welcome byproduct of rapid economic
10 and technological change and the necessary heightened level
11 of potential job dismissal that goes with it is the evident
12 insecurity felt by many workers despite the tightest labor
13 markets in decades. This anxiety stems, I suspect, from a
14 fear of job skill obsolescence, and one very tangible measure
15 of it is the pressure on our education and training systems
16 to prepare and adapt workers to effectively run the new
17 technologies.

18 These pressures are likely to remain intense,
19 even though they may wax and wane, because I see nothing to
20 suggest that the trend towards a greater conceptual content
21 of our nation's output and, thus, towards increased demand
22 for conceptual skills in our work force, will end.

23 The rapidity of innovation and the
24 unpredictability of the directions it may take imply a need
25 for considerable investment in human capital. Even the most

1 significant advances in information and computer technology
2 will produce little additional economic value without human
3 creativity and intellect.

4 The heyday when a high school or college
5 education would serve a graduate for a lifetime is gone.
6 Basic credentials by themselves are not enough to ensure
7 success in the workplace. Today's recipients of diplomas
8 expect to have many jobs and to use a wide range of skills
9 over their working lives. Their parents and grandparents
10 looked to a more stable future, even if in reality it often
11 turned out otherwise.

12 Workers must be equipped not simply with
13 technical know-how, but also with the ability to create,
14 analyze and transform information and to interact effectively
15 with others. Moreover, learning will increasingly be a
16 lifelong activity.

17 Certainly, the notion that human and physical
18 capital are complements is not new. Technological advance
19 has inevitably brought with it improvements not only in the
20 capital inputs used in production, but also new demands on
21 workers who must interact with that increasingly more complex
22 stock of capital. Early in this century, these advances
23 required workers with a higher level of cognitive skills, for
24 instance the ability to read manuals, to interpret
25 blueprints, or to understand formulae.

1 Our educational system responded. In the 1920s
2 and 1930s, high school enrollment in this country expanded
3 rapidly, pulling youth from rural areas, where opportunities
4 were limited, into more productive occupations in business
5 and broadening the skill of students to meet the needs of an
6 advancing manufacturing sector. It became the job of these
7 institutions to prepare students for work life, not just for
8 a transition to college.

9 In the context of the demands of the economy at
10 that time, a high school diploma represented the training
11 needed to be successful in most aspects of American
12 enterprise. The economic returns for having a high school
13 diploma rose and, as a result, high school enrollment rates
14 climbed.

15 At the same time, our system of higher education
16 was also responding to the advances in economic processes.
17 Although many states had established land grant schools
18 earlier, their support accelerated in the late nineteenth
19 century as those whose economy specialized in agriculture and
20 mining sought to take advantage of new scientific methods of
21 production.

22 Early in the twentieth century, the content of
23 education at an American college had evolved from a
24 classically based curriculum to one combining the sciences,
25 empirical studies, and modern liberal arts.

1 Universities responded to the need for the
2 application of science, particularly chemistry and physics,
3 to the manufacture of steel, rubber, chemicals, drugs,
4 petroleum, and other goods requiring the newer production
5 technologies. Communities looked to their institutions of
6 higher learning for leadership in scientific knowledge and
7 for training of professionals such as teachers and engineers.

8 The scale and scope of higher education in
9 America was being shaped by the recognition that research,
10 the creation of knowledge, complemented teaching and
11 training, the diffusion of knowledge.

12 In a global environment in which prospects for
13 economic growth now depend importantly on a country's
14 capacity to develop and apply new technologies, our
15 universities are envied around the world.

16 The payoffs -- in terms of the flow of
17 expertise, new products and start-up companies, for
18 example -- have been impressive. Here, perhaps the most
19 frequently cited measures of our success have been the
20 emergence of significant centers of commercial innovation and
21 entrepreneurship where creative ideas flow freely between
22 local academic scholars and those in industry.

23 Not all that long ago, it was easy to recite a
24 relatively short list of places where these activities were
25 clustered. But we have witnessed in recent years a great

1 multiplicity of these centers of innovation. State support,
2 both for the university system and for small businesses, has
3 been an important element in the vitality of these centers.

4 Certainly, if we are to remain preeminent in
5 transforming knowledge into economic value, the U.S. system
6 of higher education must remain the world's leader in
7 generating scientific and technological breakthroughs and in
8 preparing workers to meet the evolving demands for skilled
9 labor.

10 With two-thirds of our high school graduates now
11 enrolling in college and an increasing proportion of adult
12 workers seeking opportunities for retooling, our institutions
13 of higher learning increasingly bear an important
14 responsibility for ensuring that our society is prepared for
15 the demands of rapid economic change.

16 Equally critical to our investment in human
17 capital is the quality of education in our elementary and
18 secondary schools. As you know, the results of international
19 comparisons of student achievements in mathematics and
20 science, which indicated that performance of U.S.
21 twelfth-grade students fell short of their peers in other
22 countries, heightened the debate about the quality of
23 education below the college level.

24 To be sure, substantial reforms in math and
25 science education have been underway for some time, and I am

1 encouraged that policy makers, educators and the business
2 community recognize the significant contribution that a
3 stronger elementary and secondary education system will make
4 in boosting the potential productivity of new generations of
5 workers.

6 I hope that we will see that the efforts to date
7 have paid off in raising the achievement of U.S. students
8 when the results of the 1998-1999 international comparisons
9 for eighth-graders are published.

10 Whatever the outcome, the pressures to advance
11 our education system will continue to be intense. As the
12 conceptual share of the value added in our economic processes
13 expands further, the ability to think abstractly will be
14 increasingly important across a broad range of professions.

15 Critical awareness and the abilities to
16 hypothesize, to interpret, and to communicate are essential
17 elements of successful innovation in a conceptual-based
18 economy. As with many skills, such learning is most
19 effective when it is begun at an early age, and most
20 educators believe that exposure to a wide range of subjects,
21 including literature, music, art and languages, plays a
22 considerable role in fostering the development of these
23 skills.

24 As you know, school districts are also being
25 challenged to evaluate how new information technologies can

1 be best employed in their curricula. Unfortunately, this
2 goal has too often been narrowly interpreted as teaching
3 students how to type on the computer or permitting students
4 to research projects over the Internet.

5 Incorporating new technologies into the
6 educational process is, indeed, likely to be an important
7 element in improving our schools, but it must involve more
8 than simply wiring the classroom. Human capital in the form
9 of our teachers and technology are complements in producing
10 education output, just as they are in other business
11 activities.

12 To achieve the most effective outcome from new
13 technologies, we must provide teachers with the necessary
14 training to use them effectively and to provide forums for
15 teachers and education researchers to share ideas and
16 approaches on how best to integrate technology into the
17 curriculum. And we must create partnerships among the
18 states, the school systems, labor and industry to develop
19 appropriate standards and guidelines for the teaching of
20 information technology in the classroom.

21 A crucial concern today -- and I know that the
22 National Governors' Association is working hard to address
23 this issue -- is that the supply of qualified teachers will
24 be insufficient to meet the demand. Indeed, a substantial
25 number of teachers are scheduled to retire over the next

1 decade, and how to replace them and meet the additional
2 demand from rising enrollments is certain to be a significant
3 challenge in the years ahead.

4 Finally, the pressure to enlarge the pool of
5 skilled workers also means that we must strengthen the
6 significant contributions of other types of training and
7 educational programs, especially for those with lesser
8 skills. It is not enough to create a job market that has
9 enabled those with few skills to finally grasp the first rung
10 of the ladder to achievement.

11 More generally, we must ensure that our whole
12 population receives an education that will allow full and
13 continuing participation in this dynamic period of American
14 economic history.

15 We need to foster a flexible education system,
16 one that integrates work and training and that serves the
17 needs both of experienced workers at different stages in
18 their careers and of students embarking on their initial
19 course of study.

20 Community colleges, for example, have become
21 important providers of job skills training not just for
22 students who may eventually move on to a four-year college or
23 university but for individuals with jobs, particularly older
24 workers seeking to retool or retrain.

25 The increasing availability of courses that can

1 be taken "at a distance," so to speak, over the Internet
2 means that learning can more easily occur outside the
3 workplace or the classroom, an innovation that may be
4 particularly valuable for states with large rural populations
5 for whom access to traditional classroom learning is more
6 difficult.

7 In summary, we are in a period of rapid
8 innovation that is bringing with it enormous opportunities to
9 enhance living standards for a large majority of Americans.
10 Our ability to take advantage of these opportunities is not
11 only influenced by national policies but is also determined
12 importantly at the state level.

13 States with more flexible labor markets, skilled
14 work forces, and a reputation for supporting innovation and
15 entrepreneurship will be prime locations for firms at the
16 cutting edge of technology.

17 Not all new enterprises will succeed, of course,
18 but many will, and those that do will provide the impetus for
19 further economic progress and expanding opportunities in
20 their communities.

21 Your leadership as policymakers will be a key
22 element in promoting an environment in which you join with
23 others in business, labor, and education to realize the
24 potential that technological change has for bringing
25 substantial and lasting benefits to our economy.

1 Thank you very much. It's been a pleasure being
2 with you this morning.

3 (Applause.)

4 CHAIRMAN LEAVITT: Thank you, Dr. Greenspan.
5 Your comments were obviously thought provoking and very
6 helpful on a subject of great interest and importance to all
7 of us as Governors. We have enjoyed very much having your
8 presence here today.

9 The nature of Dr. Greenspan's work obviously
10 makes it difficult for him to take questions and, therefore,
11 he will not be today, but we want you to know how much we
12 appreciate your presence and thank you again.

13 We will now move to the committee report and the
14 consideration of our business today.

15 DR. GREENSPAN: Thank you again, everybody.

16 (Applause.)

17 CHAIRMAN LEAVITT: We'll now begin to adopt the
18 proposed policy positions, alphabetically by committee, with
19 the Executive Committee being last. These policies were
20 originally sent to all of you on the 23rd of June.

21 The packet reflects the policies as they've been
22 proposed with amendments by the standing committees. They
23 require a two-thirds vote of those present and voting. To
24 expedite the matters, I'd like to ask each chairman of a
25 committee to move all of the committee policies en bloc and

1 I'd like to begin with Chairman Hodges of the Committee on
2 Economic Development and Commerce. Governor Hodges.

3 GOVERNOR HODGES: Thank you, Mr. Chairman. We
4 approved four policies dealing with marine and air
5 transportation, telecommunications and employment security,
6 and one resolution supporting efforts to modernize insurance
7 regulation, and we submit them to the full membership for
8 adoption.

9 CHAIRMAN LEAVITT: You've heard the motion. Is
10 there a second?

11 GOVERNOR SUNDQUIST: Second.

12 CHAIRMAN LEAVITT: I have a motion and a second.
13 Any discussion on those matters? All in favor say aye. Any
14 opposed? The motion carries. Those are adopted.

15 We'll now move to Governor Huckabee, the
16 Chairman of the Committee on Human Resources. Governor
17 Huckabee.

18 GOVERNOR HUCKABEE: Mr. Chairman, the Committee
19 on Human Resources met yesterday and we talked about how
20 states can take care of the least empowered citizens in our
21 communities. One of the key factors that we looked at was a
22 very important discussion with Representative Nancy Johnson,
23 chair of the House Human Resources Committee.

24 She complimented Governors for their role in
25 helping to bring about perhaps the only significant

1 successful program in the history of America in terms of a
2 social program, and that is welfare reform, and she properly
3 paid tribute to the Governors for having done that.

4 As most of us all are painfully aware, the TANF
5 reauthorization is coming before Congress in the coming
6 months and she has urged us and let me perhaps say challenged
7 us to do something that it is in our best interest to do, and
8 let me bring this to the attention of my colleagues.

9 It is very important that we meet individually
10 with the members of our Congressional delegations and
11 encourage them for the reauthorization of TANF, because there
12 are many issues unresolved about what they might do in the
13 reauthorization process.

14 One of the suggestions that came forth from our
15 meeting was the idea of actually asking our Senators and our
16 Congressional Representatives to meet with us for press
17 opportunities in the specific districts where we have
18 successful programs.

19 One of the things that we have to acknowledge as
20 Governors is that we may have taken all the credit for having
21 accomplished welfare reform, but the truth is we couldn't
22 have done it without the partnership of our Congressional
23 delegations in giving us this flexibility and freedom to
24 begin with.

25 And it is really in the best interest of our

1 citizens, not so much ours but of our citizens, that we make
2 sure that our Congressional delegation understand the
3 successes we've had and their role in having made those
4 successes by having given us that authorization and that we
5 urge the continuation of the authorization and the
6 continuation of the level of funding plus inflation. And the
7 best way we can do that is to do this one-on-one rather than
8 just wholesale assuming they're going to hear our message.

9 So, Mr. Chairman, I would like to encourage my
10 colleagues. We will be sending a letter from the committee
11 as well outlining this proposal. So we'd like to make that
12 in the form of announcement.

13 The committee would like to recommend the
14 consideration of two new policy positions, two new
15 resolutions and amendments to nine existing policy positions,
16 one which is in the form of a substitute, and, Mr. Chairman,
17 I move the adoption of these new policies and policy changes
18 en bloc.

19 GOVERNOR CARPER: Second.

20 CHAIRMAN LEAVITT: You've heard a motion, heard
21 a second. Any discussion? All in favor say aye. Any
22 opposed? Motion carries. The committee report is adopted.
23 Now go to Governor --

24 GOVERNOR THOMPSON: Mr. Chairman.

25 CHAIRMAN LEAVITT: Yes, Governor Thompson.

1 GOVERNOR THOMPSON: Before you get off the
2 subject, Governor Huckabee was absolutely correct and
3 Congresswoman Nancy Johnson suggested very strongly that we
4 set up a subcommittee or some sort of a committee from NGA to
5 start working in January on the reauthorization.

6 And all of us that have been through it before
7 know how important that is, and I just would like to
8 reiterate what Mike has indicated and what Nancy has
9 indicated, that we should have a committee ready to go in
10 January when the new Congress for the reauthorization of TANF
11 and make sure that the funding is the same and to look for
12 opportunities, which she strongly encouraged us, for ways in
13 which we might be able to expand the program to help the
14 working poor and at the same time not supplant state programs
15 with federal dollars.

16 But I think it's one that's vitally important,
17 and I just would like to reiterate and encourage the new
18 Executive Board and the new Chairman and Vice-Chairman coming
19 in to set up that committee.

20 CHAIRMAN LEAVITT: It seems almost inconceivable
21 that that much time could have gone since we went through
22 that the first time. We've made great progress. Governor
23 Engler.

24 GOVERNOR ENGLER: I certainly agree with that,
25 that it does seem impossible that the time has come already.

1 For the newer Governors, the one thing that probably needs to
2 be looked at in your respective states I think is to what
3 extent there are TANF balances period and what's being
4 planned with those, but also we'll be coming up on that
5 five-year lifetime limit, too, and how that's structured is
6 real important.

7 And these are all things that will get caught up
8 in any reauthorization, it's just inevitable that they will,
9 as well as the Title 20, the children services block, which
10 has been kind of consistently trimmed back each year and
11 we've lost some ground with flexibility and actual aggregate
12 dollar amount over the time of the program. And I think some
13 of those things, and your staff really needs to be looking at
14 this.

15 And the reauthorization debate will be coming at
16 a time when many of the legislatures and particularly those
17 who've got the legislatures that meet only once every two
18 years, it will be happening during that time. So we need the
19 input in early.

20 CHAIRMAN LEAVITT: Thank you. In many states,
21 they have actually imposed on themselves limits that are
22 shorter than five years and there are many states now who
23 have been through that, and for those of you who are just
24 moving toward it, it's an experience worth learning from.

25 Any other comments on this matter? If not,

1 let's go to Governor Vilsack, who is Vice-Chairman of the
2 Committee on Natural Resources.

3 GOVERNOR VILSACK: Thank you, Mr. Chair. On
4 behalf of Governor Guinn, I submit the following report on
5 Committee on Natural Resources.

6 We had the opportunity yesterday to engage in a
7 discussion about two important national issues, the
8 conservation of private agricultural land and abandoned coal
9 and hardrock mines. Two practitioners, a farmer from Iowa
10 and a rancher from Wyoming, who both implement conservation
11 practices every day on their farms and ranches, shared with
12 us their views on the subject.

13 We also heard an informative presentation on the
14 environmental and public safety dangers from abandoned mines,
15 both coal and hardrock. We appreciate Governor Ridge's
16 willingness to spend time, notwithstanding his busy schedule,
17 where he stressed the need for full distribution of the
18 revenues that are held in the Abandoned Mine Fund.

19 Sylvia Baca from the Department of the Interior
20 shared her views about the fund and Alan Coyner from Nevada
21 described what their state is doing to rehabilitate abandoned
22 hardrock mines.

23 Several Governors on the committee also urged
24 their colleagues to lobby their Senators specifically
25 regarding the CARA legislation, to urge that it be reported

1 out of the Senate Energy Committee next week.

2 At the conclusion of our meeting, Mr. Chair, the
3 committee recommended amendments to three existing policy
4 positions, one reaffirmation of an existing policy and one
5 resolution. Those recommendations were forwarded to you and
6 to the body as a whole for your consideration, were
7 unanimously adopted by the committee, and I move their
8 adoption in total and en bloc.

9 CHAIRMAN LEAVITT: We have a motion.

10 GOVERNOR FOSTER: Second.

11 CHAIRMAN LEAVITT: And a second. Any
12 discussion? Hearing none, all in favor say aye, opposed no.
13 The ayes have it. The motion carries. The committee report
14 is adopted.

15 At this time I'd like to ask for a motion to
16 move the Executive Committee policy on public pay and pension
17 plans which was earlier distributed. The Executive Committee
18 has already adopted this as a statement of interim policy.
19 It now requires the affirmation of the entire body.

20 Is there a motion to approve the, or to ratify
21 this interim policy?

22 GOVERNOR KEMPTHORNE: So moved.

23 CHAIRMAN LEAVITT: We have a motion.

24 GOVERNOR ENGLER: Second.

25 CHAIRMAN LEAVITT: And a second. All in favor

1 of ratifying the previously passed policy say aye. Any
2 opposed? The motion carries. It is affirmed.

3 That concludes the resolution portion of our
4 business. May I just say that there is I suspect no group of
5 people who know any better than those of us who serve in this
6 job the demands of this job and also the rewards,
7 particularly when it's going well.

8 Today we have four departing Governors that we
9 choose and would like to recognize and honor today because of
10 the things that they have done to improve the value of their
11 states, to enhance the nature of this country. Each of them
12 leaves behind a record, a legacy of achievements, both in
13 their states, and they have so honorably served both as state
14 leaders and as national leaders on a myriad of topics and
15 issues.

16 I feel a particular kinship to these as being
17 one of the rookie nine that joined in 1992, as we gathered in
18 Colorado Springs to begin this adventure. Those are moments
19 that I don't suspect any of us will ever forget.

20 Marc Racicot and Pedro Rossello, Ed Schafer and
21 Tom Carper, I'd just like to express to you personally, on my
22 own behalf as well as on Jackie's, the deep respect that we
23 hold for you and your spouses, the delight with which we have
24 savored every moment of our service together, and the
25 anticipation that we have for the future on friendships that

1 will endure forever.

2 I'd like to ask one at a time if each of you
3 would come forward with your First Lady, and we would like to
4 make a small presentation to you as a remembrance of our
5 affection and the great sense of kinship we feel to you.

6 Perhaps we could begin with Governor Schafer and
7 Nancy, could you come forward. I'd like to ask Governor
8 Thompson if you would make some parting remarks, recognizing
9 their great service.

10 GOVERNOR THOMPSON: Thank you so very much, Mr.
11 Chairman, and you certainly summarized it as adequately as
12 anybody can about the greatness of these wonderful Governors
13 who have served their states so well, but served this
14 organization just as ably.

15 Ed Schafer, it's a privilege for me to say a few
16 words about you and your lovely bride, Nancy, because you are
17 truly a delightful couple and you make us very proud to be
18 associated with you. Ed Schafer is finishing his second term
19 as North Dakota's Governor, being not only the first
20 Republican Governor to win a second four-year term in that
21 state but getting 67 percent of the popular vote in doing so,
22 and that really is remarkable.

23 I can remember coming to the North Dakota
24 Republican convention when you were a candidate, speaking for
25 you at the convention, and your mother telling me that don't

1 worry, Ed's going to win. And I thought that was probably a
2 little biased on her part, but she certainly predicted that.
3 And it was a pleasure meeting you then and it's always been a
4 pleasure to meet you ever since.

5 Ed has promoted a very aggressive program of
6 economic development in North Dakota. It has been able to
7 produce a vibrant economy that sees record low unemployment
8 and, yes, a 10 percent increase in the number of jobs by
9 lowering unemployment insurance tax and workers' compensation
10 rates, and Ed made that a centerfold of his campaign, he also
11 being a very successful entrepreneur in his own right before
12 he became Governor, and he carried through and continued in
13 that as Governor.

14 This wonderful economic prosperity in North
15 Dakota has enabled a significant growth in funding for
16 education, a 30 percent increase in funding for K through 12
17 and a 21 percent increase for higher education, elderly care
18 programs, as well as in infrastructure investments and
19 technology and water development projects, to extend that
20 prosperity to all areas of North Dakota and to all their
21 citizens. And yes, all of this, ladies and gentlemen,
22 without a general tax increase for the last six years.

23 Ed has also been a true leader on a regional and
24 national scale. He's past chairman of the Western Governors'
25 Association and the Midwestern Governors' Association and

1 currently very ably chairs the Republican Governors'
2 Association. Here at NGA he has been an involved participant
3 in many different subject areas, held many positions.

4 He co-led the Governor on Agriculture for the
5 past two years, a long-serving member on the Natural
6 Resources Committee, serving as its vice-chair in 1998 as
7 well as in 1999, past vice-chair of the Committee on Economic
8 Development and Commerce and co-chair of our Transportation
9 Task Force, which was probably the most successful in
10 Washington when he did that. And we all are in your debt for
11 that, because we finally were able to get some needed federal
12 dollars for infrastructure.

13 Ed, on behalf of all of us and me personally, we
14 thank you for all of that service to our nation, to North
15 Dakota, to the NGA and to the Republicans, and we wish you
16 and your lovely wife, Nancy, all of the best. And on top of
17 that, both of them ride Harley Davidson motorcycles. So
18 you've got to realize they're great Americans and great
19 citizens and great friends and we congratulate you and thank
20 you.

21 (Applause.)

22 CHAIRMAN LEAVITT: Governor Rossello and Maga,
23 could you come forward. I'd like to call on Governor Patton
24 to recognize the good Governor and First Lady from Puerto
25 Rico.

1 GOVERNOR PATTON: To Pedro and Maga, on behalf of
2 all of the Governors, thank you so much for all of the things
3 that you have done for your people and for our country and
4 for this Association and for us as individuals.

5 I remember very well the summer meeting in
6 Puerto Rico in '96 when Judy and I first became actively
7 associated with this group, and, as new to the group, your
8 personal hospitality and professional hospitality certainly
9 helped us make that transition and we certainly personally
10 appreciated it.

11 We've had the opportunity to visit Puerto Rico
12 three times since then, and your continued hospitality is
13 very, very much appreciated. And, having talked with your
14 people, I recognize how well liked and respected that you
15 are.

16 Efforts at health care, when I guess something
17 like half of your people had health care insurance available
18 eight years ago when you went into office, now that's
19 virtually 100 percent. That is truly amazing, something that
20 I know that every Governor at this table would hope that they
21 could emulate by the end of their term.

22 Your emphasis on education again is truly
23 remarkable and your realization that, in fact, jobs are vital
24 to the success of your people, and you've felt the lowest
25 unemployment rate in Puerto Rico in many, many years, and

1 you've done all of these things while I understand decreasing
2 the tax burden on the working part of your population by
3 almost 50 percent. Certainly, you have done an outstanding
4 job.

5 Your emphasis on integrating English into the
6 language of your territory is very helpful in hopefully one
7 day making it a full partner in this great country, and your
8 efforts on that task have really been monumental and I pray
9 that one day that dream will also be realized.

10 So your active leadership with us has truly been
11 amazing, not just with NGA and the many task forces and
12 projects that you've worked with us on, from welfare reform
13 to the fatherhood issue to other things have been very, very
14 admirable, but working with us in leadership of the Council
15 of State Governments, headquartered in my home state, and in
16 the Southern Governors' Association and in the Democratic
17 Governors' Association.

18 Your leadership of those groups and the
19 opportunity to work with you in those endeavors have been
20 very, very personally rewarding, and I know the same goes for
21 all of the members of this Association.

22 So for Judy and myself and for all the Governors
23 and their spouses, thank you so much for having had the
24 opportunity to just know two of the most genteel people that
25 we've ever had the pleasure. Good luck to both of you.

1 (Applause.)

2 CHAIRMAN LEAVITT: Governor Racicot, would you
3 come forward. We'd like to honor you. I'd ask Governor
4 Janklow if he would speak on our behalf. Yesterday we were
5 in a meeting and Governor Janklow walked in, Marc Racicot
6 leaned over to me and said uh-oh.

7 GOVERNOR JANKLOW: I know Marc as a neighbor,
8 but something more importantly, as a friend. I look across
9 the border over the last several years and I watch you as the
10 chief executive of Montana.

11 You know, all of us that are in politics would
12 like to think that everybody likes us or should like us.
13 You're a gentleman who when you sought reelection in 1996, 80
14 percent of the voters in your state returned you to office,
15 by far the highest victory margin in the history of the state
16 of Montana. It probably comes close to setting a national
17 record in contested elections in the modern era.

18 But 80 percent of the citizens -- Democrats,
19 Independents, Republicans -- that went to the polls reelected
20 you. They reelected you for a reason. They reelected you
21 because they realized that they had to entrust to somebody
22 their lives and their liberty and their property. They had
23 to entrust those things to someone who would exercise
24 executive judgments in such a way that they wouldn't have to
25 worry about those kinds of issues.

1 You're a gentleman that inherited a state in
2 deficit. As a matter of fact, in a small state,
3 population-wise, like Montana, by 1993, if I recall, it had
4 grown to approximately 200 million dollars in shortfall in
5 your economy. By 1995, you'd turned that into a 22 million
6 dollar surplus, literally a 220 million, almost a quarter of
7 a billion dollar turnaround in your state, and returned that
8 money to the taxpayers of Montana.

9 Deeply involved in what I'll call traditional
10 issues. All Governors get involved in things like workmen's
11 compensation, where you were a leader in your state. Welfare
12 reform, 50 states and territories all worked together doing
13 welfare reform. You set a national example in the things
14 that you were able to do in Montana. But really, my friend,
15 Marc, you're not going to be remembered for those things.
16 You're going to be remembered because you did, in fact, make
17 a difference. That's why you're going to be remembered.

18 You're a man who has always understood that none
19 of us as adults have ever grown so tall that we can't kneel
20 down to help a child, that we can't do what we can do to make
21 sure that every child has an equal opportunity in life. You
22 were the first president, the first president or, excuse me,
23 chairman of the board for Jobs for America's Graduates.

24 Very recently, President Clinton has appointed
25 you to the Board of Directors for the Corporation for

1 National Service. So, although you didn't have to do those
2 things, you had to do the other things, you took the time to
3 do the extra things to make sure that the young people of
4 America had the kind of chances in life that you feel that
5 you've had.

6 And if you really want to know the measure of
7 somebody in this era where we live where everybody is kind of
8 self-aggrandizing important or at least thinks they're
9 important, go to someone's neighborhood and ask their
10 neighbors what they think of them. When you were reelected
11 by 80 percent of the vote in Montana, your neighbors in that
12 state, the people of that state told America what they
13 thought of Marc Racicot.

14 And your achievements, your caring about people,
15 the integrity that you brought to your office, the candor, a
16 man who every meeting he ever holds, and all the Governors,
17 I've got to believe he's the only one, there is no meeting
18 that he conducts that isn't open to the press. Even the
19 private most deliberative discussions that he has as a
20 Governor are open to the press.

21 You've brought such openness to your government.
22 You've brought such candor to your government. You've really
23 brought refreshment in a time in America when so many people
24 criticize aspects that we have of democracy.

25 And so, my friend, we're going to miss you, but

1 you've set an example. You've really set an example for all
2 of us on that ladder of public service that all of us hope to
3 achieve during our remaining times. As they say, hasta la
4 vista, sayonara, auf Wiedersehen, or we'll see you later.

5 (Applause.)

6 CHAIRMAN LEAVITT: My friend, Tom Carper, would
7 you come forward. I don't think Martha's -- she had
8 to depart, I think, early, didn't she?

9 MR. CARPER: Went back to work running that
10 Dupont Company.

11 CHAIRMAN LEAVITT: I'd like you to envision some
12 years ago a young Air Force officer who returned home to
13 Delaware, decided he was going to devote himself to public
14 service.

15 MR. CARPER: Wait a minute, Navy.

16 CHAIRMAN LEAVITT: Navy. Excuse me. A young
17 Navy officer decided he would come back and devote himself to
18 public service. No one thought he had a chance. He ran for
19 state treasurer and won and was elected I think five times,
20 beginning a run of ten times being elected statewide in the
21 state of Delaware. I don't know how a person could either be
22 more significant to his state's history than that or, for
23 that matter, more beloved by the citizens. Elected to five
24 terms of Congress, twice now as Governor.

25 Looking back over his time as Governor, it will

1 be easy to pick out his plentiful accomplishments.
2 Overhauling, literally overhauling the state's education
3 system, not only overhauling Delaware's welfare system but
4 playing an absolutely essential role as the lead Governor of
5 NGA during a period of welfare reform, leading the fight in
6 Congress for us all to be able to have welfare return to the
7 states and then using that tool to literally streamline and
8 completely change for the better the system in the state of
9 Delaware. Strengthening families against the challenges that
10 they face today, specifically focusing on reducing teen
11 pregnancy, improving every aspect of life in Delaware.

12 Now, here's an accomplishment that I think is
13 remarkable. When he began working 25 years ago in the state
14 of Delaware as the state treasurer, they had at that time a
15 credit rating that was the worst in the nation to now it is a
16 triple A bond rating, the best possible bond rating. That is
17 a remarkable achievement, Governor, and one that you bear
18 responsibility and some satisfaction I am sure.

19 He was the chairman of the NGA. His theme was
20 smart kids for our future. We all focused under his
21 tutorship on education accountability, on expanding learning
22 opportunities and harnessing information technology.

23 The person you see in front of you, while not
24 solely responsible, I believe that Ed-Flex would not have
25 happened were it not for his continual efforts in Congress as

1 chairman of this organization. He was relentless in the
2 latter days of that session, being on the floor, being in the
3 offices, being on the phone, calling all of us, spurring us
4 on to better and greater things to make this happen.

5 We owe a great debt of both appreciation and
6 admiration for what you have done as NGA chairman. During
7 the time that he was the chairman of this organization, we
8 were recognized as one of the most effective organizations in
9 Washington.

10 Tom, I was the vice-chairman during the time
11 that you were chairman and, therefore, I have particular
12 appreciation for your effectiveness, but I also came to
13 understand in direct ways your kindness. I think if anyone
14 were to say what is it that personifies Tom Carper, they
15 would say he is just such a kind, genuine person. My
16 children have observed that and I'm grateful that they had a
17 chance to see that directly with you.

18 We honor as well today your great spouse,
19 Martha, who served as the head of the spouses organization of
20 the NGA, a remarkable person, so remarkable that, as I
21 remember the story, the first night that Tom met her, he
22 decided she was the one. It took him a while to convince
23 Martha, but I think he made that decision right off the bat.
24 And the first time I met her, I could see exactly why.

25 So, Tom, with our great appreciation, our

1 admiration and our affection, and looking forward, I
2 understand that you have no intention of stopping here in
3 your public service and we look forward to working with you
4 in future capacities and maintaining long and fruitful
5 friendships.

6 (Applause.)

7 CHAIRMAN LEAVITT: Governor Carper, it appears
8 that we're going to call on you for some brief remarks on the
9 Education Clearinghouse at this time. Did you know about
10 that?

11 GOVERNOR CARPER: I'll take just a moment.

12 CHAIRMAN LEAVITT: We'll make them brief then.

13 GOVERNOR CARPER: Very, very brief. First of
14 all, I just want to say to Mike Leavitt, thank you very much
15 for those wonderful, wonderful, kind remarks. I only hope
16 back in Ashland, Kentucky, Paul, I hope my mother was
17 watching.

18 One of the things that we've worked on as
19 Governors together is trying to raise student achievement.
20 In every one of our states there's a school, maybe a school
21 district which is doing wonderful things and infusing
22 technology into the classroom to bring the rest of the world
23 into the classroom, make learning exciting, interesting. And
24 if we knew how they were doing it, if we knew how they were
25 enabling their teachers to use that technology, we would all

1 benefit in our states.

2 Somebody in one of the schools of the Governors
3 sitting around this table, we've got somebody's who done,
4 they have a great way to reduce disruptive behavior in our
5 classrooms. If the rest of us knew how that was happening,
6 we could replicate that in our own states. Somebody's
7 schools or schools around the table, somebody's figured out
8 how to reduce absenteeism, truancy on the part of kids, to
9 increase the learning capability.

10 Somebody's figured out how to compensate
11 teachers in ways that reward the best and brightest and
12 attract the best and brightest, and if the rest of us knew
13 how that was happening, we could do that in our states.

14 Later this fall, we will bring on-line and put
15 up on the web a site that we can all visit, not just
16 Governors, not just Governors' staff, not just our
17 Departments of Education, not just our school districts,
18 superintendents or teachers, they can all access it, but, you
19 know, so can average citizens, business leaders, parents, to
20 find out what's working around the country to raise student
21 achievement, whether it's in Puerto Rico or it's in South
22 Dakota, Wisconsin, you name it.

23 And it's a part of the Center for Best
24 Practices, and I'm just grateful to everybody who's worked
25 hard to make it a part of the Center, the Clearinghouse. One

1 of the great things that we do as Governors is we steal ideas
2 from each other, don't we?

3 In fact, in the first New Governors School that
4 I attended with Ed and with Marc and others, Pedro and others
5 around the table, that was the thing that struck me most
6 about the NGA. Here's an outfit that really wants to help
7 all of us get the best ideas and use them.

8 And this Education Clearinghouse which is being
9 sponsored by a number of our corporate citizens will go
10 on-line later this year and will really be a legacy for all
11 of us to enjoy, to benefit from, and to help our kids. To
12 everybody who's worked on it I just want to say a real
13 special thank you and for giving me the chance to be the
14 chairman of not just this organization but for the last year
15 the chairman of the Center for Best Practices. I really want
16 to say thanks.

17 And to Martha, who's back at work running the
18 Dupont Company, our boys, who are off at boy scout camp today
19 and can't be here, we thank you all for the privilege of
20 serving with you. We love you.

21 (Applause.)

22 CHAIRMAN LEAVITT: The chair recognizes Governor
23 Engler for a brief set of remarks on the Entrepreneurship
24 Academy of States.

25 GOVERNOR ENGLER: Thank you, Mr. Chairman. Let

1 me just say that it's been a delight to be in an
2 entrepreneurial state like Pennsylvania under the able
3 leadership of Tom Ridge these past few days. And during
4 these days, of course, this conference and I think the focus,
5 Mr. Chairman, some of the work that you and Governor
6 Glendening have done to bring in front of us a lot about the
7 new economy and the new economic environment in which we're
8 all governing.

9 And as we've talked about that and thought about
10 it, and certainly Chairman Greenspan's remarks this morning
11 were most appropriate to this whole topic, it's pretty clear
12 the engine of America's new economy is fueled by these
13 entrepreneurs who are developing new wealth, creating new
14 jobs and generating greater economic activity in communities
15 across the land. And I think Governors have a great deal to
16 learn about how we sort of feed these engines of prosperity
17 and what additionally can be done to turn them loose in some
18 of the less prosperous areas with respect to states.

19 And, Governor Leavitt, you had announced at the
20 winter meeting that the NGA Center for Best Practices would
21 have the support of the Kauffman Center for Entrepreneurial
22 Leadership. The Kauffman Center is based in Kansas City,
23 Missouri, and this center is going to convene a Policy
24 Academy for states to assist them in studying and
25 strengthening their economic development education policies,

1 all designed to encourage entrepreneurial activity and
2 growth.

3 And the goal of the Policy Academy is to provide
4 Governors in these states and their teams really an
5 opportunity to build a focused policy initiative around these
6 strategies of encouraging and supporting entrepreneurs, with
7 the assumption that is a very key component of economic
8 development and of growth.

9 And we had a lot of interest from Governors, a
10 lot of response, and in part because of the response, because
11 of the interest, we actually were -- the Kauffman Center was
12 kind enough to come up with a few extra dollars and expand
13 the universe. So the following teams have been invited and
14 they will meet in the first of two academy work sessions this
15 fall, and these are pretty intensive sessions that everybody
16 had to commit to participate in.

17 And the bottom line after that's all done is the
18 Center then will host a national forum on entrepreneurship.
19 It will be later, it will be next year. And the purpose of
20 that is to share the outcomes and the best practices with all
21 states. And hopefully the national forum then inspires state
22 and local leaders, engages everybody in a national dialogue,
23 and that would then assist us in building necessary 21st
24 century entrepreneurial capacity.

25 So here are the teams: Idaho, Illinois,

1 Maryland, Michigan, Minnesota, Mississippi, Nevada, Utah,
2 Washington and Wyoming. And they'll be getting to work. And
3 we again want to just thank the Kauffman Center for
4 Entrepreneurial Leadership for their leadership, and that
5 center was put together in 1992 by the Ewing Marion Kauffman
6 Foundation and we're just delighted that they're now a
7 partner with the NGA Center for Best Practices in all these
8 states and I look forward to seeing this project completed
9 during my tenure as chair of the NGA Center for Best
10 Practices. So the ten states will be right at it.

11 Thank you, Mr. Chairman.

12 CHAIRMAN LEAVITT: Thank you, Governor. During
13 the past four days, Penn State University has been standing
14 on its toes in readiness for our visit. Today with us is
15 Chairman Junker and President Spanier. Would you please
16 stand and allow us to thank you.

17 (Applause.)

18 CHAIRMAN LEAVITT: I now call on Governor
19 Almond, who will issue an invitation formally for the 2001
20 NGA annual meeting in Rhode Island.

21 GOVERNOR ALMOND: Thank you very much, Mr.
22 Chairman. Marilyn and I want to join you in thanking Tom and
23 Michelle Ridge and Penn State for their great hospitality for
24 this meeting. It's really been a wonderful experience.
25 You've given me a tough act to follow.

1 But let me tell you next summer we're going to
2 be hosting Governor Glendening and his lovely wife, Frances,
3 and all of you in Rhode Island, the ocean state. And there
4 will be a day at the beach. We've been working hard at it.
5 If you like tennis, we have the International Tennis Hall of
6 Fame. We have the jazz festival, which is, of course,
7 famous, the folk festival. We have sailing. You'll be at
8 the sailing capital of the world, Newport, Rhode Island. You
9 can sail on an America's Cup challenger. I've done it. It's
10 spectacular. You can go to Black Island. You can go to our
11 wonderful beaches. It will be truly a great, great
12 conference.

13 So I would urge all of you to come, bring your
14 families. If you'd like to have an extended stay, please let
15 us know as early as possible. We are a tourist attraction,
16 so things can get busy there. But I know you'll have a great
17 time and we really, really are going to look forward to
18 hosting you next August in the ocean state. So come on and
19 come early. Thank you.

20 (Applause.)

21 CHAIRMAN LEAVITT: Yesterday I had the privilege
22 of imparting my final remarks. So today I will simply tell
23 all of you but most specifically the NGA staff how much I
24 have appreciated and valued this experience.

25 I would say that I have grown personally from

1 it. My admiration for you has expanded and my impression and
2 understanding of the importance of this organization as the
3 best, I believe, and most important spokesorganization for
4 the institution of the American state. I believe during the
5 course of the year we have truly outlined an agenda to
6 strengthen the American state in the new economy.

7 With that I would now like to call on Governor
8 Rossello for a report of the nominating committee for the
9 year 2000-2001.

10 GOVERNOR ROSSELLO: Thank you, Mr. Chairman. The
11 nominating committee respectfully recommends that the
12 following Governors serve on the Executive Committee for
13 2000-2001: Governor Mike Huckabee of Arkansas, Governor
14 Thomas Carper of Delaware until the conclusion of his term,
15 to be succeeded then by Governor Ronnie Musgrove of
16 Mississippi, Governor Dirk Kempthorne of Idaho, Governor Paul
17 Patton of Kentucky, Governor Michael Leavitt of Utah,
18 Governor Howard Dean of Vermont, and Governor Tommy Thompson
19 of Wisconsin, Governor John Engler of Michigan as
20 vice-chairman and Governor Parris Glendening of Maryland as
21 chairman.

22 Mr. Chairman, this concludes the report of the
23 nominating committee.

24 CHAIRMAN LEAVITT: Before I call that to a vote,
25 I recognize there is one thank you I have neglected. That is

1 Joanne Newman. Joanne, would you please stand.

2 (Applause.)

3 CHAIRMAN LEAVITT: The extended nature of that
4 applause will make clear indication to you, I believe,
5 Joanne, that you have gained and earned not just our
6 affection but our great respect, and no one will be more glad
7 to see this over than her.

8 Having made that, may I say you've heard the
9 Governors and the nominating committee's report and motion.
10 Is there a second?

11 GOVERNOR THOMPSON: Second.

12 CHAIRMAN LEAVITT: We have a motion and a
13 second. All those in favor say aye. All opposed say no.
14 The committee's report is adopted.

15 Congratulations, Mr. Glendening. May I point
16 out that the train's arrived ahead of schedule and under
17 budget.

18 (Applause.)

19 CHAIRMAN GLENDENING: Mike, thank you very much.
20 First, if I might present my wife, Frances Ann, who most of
21 you know and who many people swear I'm only here because of
22 her, but Frances Ann has been a leader in her own right in
23 children's health and women's health issues as well as the
24 arts. Frances Ann.

25 (Applause.)

1 CHAIRMAN GLENDENING: Let me also thank my
2 departing colleagues for all of their service to this
3 association. I've enjoyed so much working with you and will
4 miss you. And special recognition to Tom Carper, who's not
5 only been a colleague here but my neighboring state all the
6 time I've been Governor and has just been a great help to me.
7 Tom, thank you and all of the colleagues here as well.

8 My very first order of business as new chair of
9 the NGA is to honor our most recent chair. It is a great
10 pleasure to do that. I have the privilege of presenting the
11 traditional commemorative gavel, which I will read, but I'm
12 asking you to stay seated for a moment, if I might. And this
13 says: Presented to Michael O. Leavitt, Governor of Utah, for
14 his outstanding leadership as Chairman of the National
15 Governors' Association 1999 to 2000 on the occasion of the
16 92nd NGA Annual Meeting July 11, 2000.

17 Having said that, let me also note if there's an
18 award for an understatement, I think I've just earned it,
19 because I do not believe that simply saying this is
20 outstanding leadership begins to describe what Mike has meant
21 to the NGA, to us as Governors, to our states, and to the
22 citizens of the state.

23 Mike, one year ago I remember clearly you
24 challenged us to change the way we do business as an
25 organization and as Governors. You challenged us to

1 radically rethink our role in this new economy and you
2 challenged us to join in rethinking federalism and how we
3 might preempt federal preemption.

4 You also challenged us to work with the private
5 sector to create new ways of doing business consistent with
6 our borderless economy, and you challenged us to an
7 extraordinary task to save our state and local sales and use
8 tax systems, and you challenged us also to bring our own
9 states and practices into the new economy. And lastly, you
10 challenged us to do this together amid the high tensions of a
11 political year.

12 Mike, when I think about what you've been
13 through, I'm reminded sometimes of the story of El Sid. In
14 some ways you are the modern El Sid. You know, we all helped
15 you put on your armor, we helped get you up on the horse, we
16 raised the gate and we sent you out to do battle on our
17 behalf, and while we stood behind the battlements we prayed
18 for you, we cheered you on, we stood with you, way behind you
19 in many cases.

20 But when I think of what you have accomplished,
21 we are very, very pleased. I marvel at the many arrows that
22 you have taken this year and you've done that in many cases
23 on our behalf, notwithstanding some of the political
24 challenge you might have had in your own state as you spoke
25 for us.

1 I also know that you've given more than would be
2 expected to this organization and as a result of these
3 accomplishments and your leadership there's really no tribute
4 that we can say other than just thank you very much.

5 (Applause.)

6 CHAIRMAN GLENDENING: Before I go into a few
7 details about the agenda for this year, I want to take the
8 opportunity to recognize and thank John Engler for serving.
9 John will be my vice-chair. I will say that Tom Carper and
10 Mike Leavitt have really set an example of how chairs and
11 vice-chairs can work together and I have been the beneficiary
12 of that.

13 And, John, I just want to thank you. Our first
14 work session at luncheon there I thought went very well, and
15 I look forward not only to working with you but to relying on
16 your long expertise here as well, and I want to thank you for
17 working as well.

18 (Applause.)

19 CHAIRMAN GLENDENING: Let me also again thank our
20 host, Tom Ridge, and the University and, Mr. President, thank
21 you all. This has truly been tremendous. If I might, just a
22 matter of personal honor, we're joined here today by U.S.
23 Congressman Steny Hoyer, who, as you know, has worked with
24 the Association so closely as well.

25 Let me also tell you he was out of the country,

1 flew in just to be here for this occasion. I told him it
2 wasn't necessary, but he said he had wanted to do so. I
3 thought what a wonderful act of friendship, but then he also
4 reminded me that he's also my home congressman and he hopes I
5 vote for him, but, Steny Hoyer, thank you so very much.

6 (Applause.)

7 CHAIRMAN GLENDENING: And let me lastly in just
8 recognition thank my tremendous staff, both Elizabeth Pyke,
9 my Washington office, who has done such a phenomenal job and
10 who this may be the last time you get a chance to see her
11 when she's not just stressed out and nervous as anything
12 because of the responsibilities that go with this position,
13 as well as Major Riddick, my chief of staff. I'd ask each of
14 them to stand for just a moment if I could, as well.

15 (Applause.)

16 CHAIRMAN GLENDENING: Anything anyone wants from
17 me as chair of the NGA, anything whatsoever, feel absolutely
18 free to call upon either one of them and they'll take care of
19 it.

20 You know, Mike, we are very fortunate that your
21 initiative focused on strengthening the states in the new
22 economy. Your agenda is kind of a natural lead-in to the
23 main points of emphasis for my year as chair. Sometimes it
24 seems like this new economy kind of exploded on the scene and
25 we all, both in the public sector and the private sector, had

1 to learn the new rules of the game.

2 One new rule that we have learned is that
3 high-tech companies that are the driving engine of this new
4 economy, that traditionally that businesses have, in fact,
5 chosen a location based primarily on tax structure and
6 availability of work force, but now these new businesses find
7 that they can locate just about anywhere in the world and
8 they make their decision as much on the quality of the work
9 force and the quality of life that is offered.

10 As Governors, of course, it is our
11 responsibility to provide the tools that our citizens need to
12 be safe, to be well educated, to have good family supporting
13 jobs and to be happy with the place where they live. When we
14 fail to pay attention to how we grow, when our growth
15 patterns destroy the beauty of our communities, when those
16 patterns of growth make our congestion worse, and when growth
17 forces our citizens to pay higher and higher taxes to meet
18 the large cost of sprawl, then it is time for some new
19 thinking about how we use land in this nation.

20 What I am proposing this coming year is that we
21 give a serious look at the basic question of where do we grow
22 from here. And most of you have the initial little pamphlet
23 that outlines some of this discussion. And the question is,
24 to look beyond economic prosperity to community prosperity
25 and well-being, how do we get there.

1 It is my intention that we as Governors share
2 our best strategies for growth and quality of life. We can
3 learn from each other and we can share our ideas on how to
4 safeguard and improve the quality of life that our citizens
5 cherish. Americans are struggling to have enough time to
6 spend with their families, from eating dinner with the whole
7 family to attending a child's soccer game instead of sitting
8 in traffic. These are the challenges that we as Governors
9 face, because our citizens want us to help overcome these
10 obstacles.

11 This is about choosing how we grow, choosing how
12 our communities look and how they function. It is about
13 communities both in the urban centers and in our rural areas
14 in all regions of all of our states. It is about communities
15 that are vibrant and growing. It is about roads that are
16 less congested, and it is about neighborhoods where citizens
17 can walk to stores and restaurants and schools and work, and
18 it is about a more efficient use of taxpayers' dollars to
19 build infrastructure and to provide services.

20 It is also about preserving the value of
21 farmland, forestland, ranchland and rangeland and protecting
22 the natural resources that make each of our areas unique
23 places where people want to live, and it is the natural
24 beauty that provides a little respite from our hurried lives.

25 Large or small, urban or rural, east or west,

1 all communities are facing similar problems associated with
2 land use patterns. And the way we have grown has been a
3 major challenge for the last couple of decades. In Georgia,
4 for example, the federal government recently suspended
5 financial assistance for new highway construction due to air
6 quality concerns, and that is why Governor Barnes and the
7 Georgia legislature established the Georgia Regional
8 Transportation Authority within months of his taking office.
9 That Authority can, in fact, overturn local planning and
10 transportation decisions.

11 And in the West, in Colorado, for example,
12 communities are taking charge of their own destiny and
13 planning for their future as a result of Governor Owens'
14 Smart Growth Program. And like our program in Maryland, it
15 is a specialized package of incentives, not mandates, that
16 are geared towards saving natural landscapes and promoting
17 stronger neighborhoods and building transportation for the
18 future while providing economic opportunity for the entire
19 state.

20 And right here in Pennsylvania, where more than
21 25 percent of the farm acreage has been lost to other uses
22 and more than 24,000 farms have disappeared since 1970,
23 Governor Ridge and his Growing Greener initiative is making a
24 difference. Governor Ridge spent 1999 listening to citizens
25 all over Pennsylvania. He wanted to learn from them how and

1 where they wanted to grow. And Governor Ridge's listening
2 tour has been extremely effective. He's already putting some
3 of the citizens' plans into action.

4 Additionally, Governor Huckabee's agenda for the
5 Southern Governors' Association this year is from fiber optics
6 to fly fishing, and it's about the need to protect the very
7 qualities that are also so unique to the South even as we
8 aggressively strive for economic prosperity.

9 Governor, I remember when you were in Annapolis
10 just recently and brought the members of the Southern
11 Governors' Association up there, the story that you told
12 about how when meeting with high-tech executives one of the
13 questions that you posed is, why not come to Arkansas? And
14 their response was, more than anything else, they were
15 interested in the quality of education and the quality of
16 life.

17 And I thought about that and I'll also tell you
18 a quick story that I related to you. We had a similar
19 experience with a company in southern California that was
20 looking to expand and that met with people, leaders from
21 North Carolina, from Virginia, from California, and from
22 Maryland, and they made the decision to relocate their
23 headquarters in Maryland and to bring about 1,200 jobs with
24 them.

25 And I had a conference and I asked the owner of

1 that company if he would talk to his colleagues, the other
2 high-tech individuals, about why. Now, I thought he was
3 going to say because of the tremendous leadership of the
4 Governor, but he said he's at the point in his life that he
5 can afford to enjoy life. He liked the Chesapeake Bay, he
6 liked to sail, and that was one of the main reasons for
7 moving to Maryland.

8 He also, by the way, since he established his
9 company there, has purchased a small number of sailboats
10 which he provides free to his employees as an incentive to
11 have some of these high-tech employees locate in that
12 company.

13 What we should recognize in all these cases is
14 that this is a national phenomenon. In fact, my first speech
15 outside of the NGA will be at the National Association of
16 Counties just this Friday, in which they have asked me to
17 speak about the role of smart growth as well.

18 We should make this clear. Governors do not
19 want to stop economic growth. We do not want to slow
20 economic growth. In fact, much of our effort is about
21 increasing economic growth. We're simply seeking smarter
22 ways so that states can, in fact, stop subsidizing haphazard
23 costly land sprawl that eats up the countryside, destroys the
24 quality of life, and costs us more.

25 It is, indeed, a false dichotomy to say either

1 you're going to be for the environment or you're going to be
2 for the economy. We can and must do both really well and so
3 many of our states' success show that that is, indeed,
4 possible.

5 Governors uniformly agree that we need sound
6 economic growth as the foundation for a strong state and a
7 strong national economy, but we also are increasingly
8 concerned about the challenges and unintended consequences of
9 this new growth and of the sprawl.

10 For next year's agenda, Governor Engler and I
11 plan to share states' best practices for achieving better
12 growth. To do that we have invited six Governors to join us
13 on our Growth and Quality of Life Task Force. Governor
14 Barnes of Georgia, Governor Whitman of New Jersey, Governor
15 Kitzhaber of Oregon, Governor Owens of Colorado, Governor
16 Hull of Arizona, Governor Almond of Rhode Island, and
17 Governor Ventura of Minnesota have all agreed to serve.

18 And during the year we hope to hold as many as
19 three regional policy forums on growth issues, including a
20 land conservation forum to be co-hosted by Governor Vilsack
21 of Iowa this spring. We will also establish a web page that
22 will highlight policy reports and examples of best practices
23 around the country. And finally, we'll be focusing on smart
24 growth issues at our winter meeting in Washington and
25 particularly at our summer meeting in Providence.

1 Let me also note that next year we will focus as
2 well on the importance of higher education and the challenges
3 that our institutions of higher education, learning, and the
4 importance of that, face in the new economy.

5 The fact that Governor Ridge has proposed that
6 we meet here at Penn State is an example of the role that
7 higher education plays in this very crucial emerging economy,
8 and also we heard the comments of Chairman Greenspan on this
9 just today. The states will play a very crucial role in this
10 area.

11 And as we look at higher education, I think we
12 have to ask some fundamental questions of those institutions,
13 what is their vision of excellence, how much will it cost to
14 achieve that vision, and how do we measure results and
15 accountability for that vision.

16 I'll be looking forward as we kick off a
17 three-year study by the NGA Center for Best Practices to
18 focus on this need for lifelong learning as well as the
19 changes in higher education. We'll be hearing more about
20 this throughout the course of the year.

21 Again, thank you for the opportunity to serve
22 this wonderful organization in the past and now as its chair.
23 I appreciate it so very much. Thank you.

24 (Applause.)

25 CHAIRMAN GLENDENING: Now, as we wrap this up,

1 we're going to have a concluding press conference in room 109
2 of this building immediately as I put the gavel down. I'd
3 ask all Governors if they'd like to join us there, John
4 Engler, of course, and Tom Ridge and Mike Leavitt, myself.

5 Also, immediately after that press conference,
6 the new Executive Committee and committee leadership will be
7 meeting in room 204 of this building. And now it is my
8 pleasure, the very first action of this, to adjourn the 92nd
9 Annual Meeting of the NGA. Thank you very much.

10 (The proceedings were adjourned at 11:06 a.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the notes
3 taken by me on the within proceedings and that this copy is a
4 correct transcript of same.

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Sherry Bowes, RMR, CRR
Notary Public

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