STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

NATIONAL GOVERNORS ASSOCIATION

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PROCEEDINGS AT HEARING IN RE: *
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93RD ANNUAL NATIONAL GOVERNORS *
ASSOCIATION MEETING PLENARY SESSION *
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RHODE ISLAND CONVENTION CENTER
PROVIDENCE, RHODE ISLAND
SUNDAY, AUGUST 5, 2001
11:00 A.M.

GOVERNOR GLENDENING, CHAIRMAN
GOVERNOR ENGLER, VICE CHAIRMAN

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GOVERNOR GLENDENING: Ladies and gentlemen, good morning. If I could ask everyone to take their seats, please. I'd like to say good morning to our governors, our distinguished guests, ladies and gentlemen who have joined us and welcome you to the opening plenary session for the 93rd annual meeting of the National Governors Association.

I'm going to give a very special welcome to Jane Swift of Massachusetts who is attending her first conference for the NGA and, Governor, let me also congratulate you on your twins. We're so pleased that you're here with us.

(APPLAUSE)

GOVERNOR GLENDENING: We have a lot of business to cover this morning. We're going to begin this session with the discussion of the Chairman's Initiative Growth and Quality of Life. This session will include a video presentation as well as an electronic tool kit, as we call this.

We'll also hear from our distinguished guest, Theodore Roosevelt, IV, on the subject of conservation and private land management. Then we'll recognize the NGA distinguished service awards winners as well as recognition of the departing Governor.

Finally, Governor John Engler who has been doing a tremendous job as the vice chair, will be our new chair, will provide us with an update on the activity of the NGA Center for Best Practices.

I'll also mention that during the course of the entire annual meeting we will discuss a number of critical issues of importance to the states, with particular focus on Smart Growth in higher education.

On Monday morning we will hold three committee sessions, and on Monday afternoon we will hold two concurrent special sessions, the first is entitled Smart Growth in Action, New Tools for Helping Communities Plan Their Future, and at this session, we'll be joined by Tony Nielsen who will illustrate the visual preference survey for community-based planning and design. We will also be joined by David Gordish (phonetic) and Jim Giacobe who have practical experience turning the vision of Smart Growth in reality for our citizens, and joining us as well will be Fay Morellis Marks (phonetic), vice president of Fannie Mae's National Housing Impact Division.

The other concurrent session will be about building a better E-govern system and that will be

co-chaired by Governor Paul Patton and Wyoming Governor Jim Geringer.

Paul, would you like to add any comments on that session since I was obviously biased to the growth sessions?

GOVERNOR PATTON: We'll have a lively discussion. I would urge as many of the governors as possible to attend, but Governor Geringer keeps us all on your toes, so I'll look forward to it.

GOVERNOR GLENDENING: Great. Thank you. This year we're trying something a little bit different, a little bit new. We'll try to make these summer sessions a little bit less programmed to allow governors more time with each other to be able to discuss some mutual issues. We all know one of the most valuable things that comes out NGA is that we share ideas, or as one of my colleagues said at a prior session, we steal solutions from one another. I think Jim Hunt used to say that all the time. It clearly was the case.

I remember getting my first idea on the Hope Scholarship Program from Governor Zel Miller down in Georgia. I remember getting my first ideas on the children's health programs from what Governor Dean had

done in Vermont, and all of us have borrowed or stolen or whatever ideas from one another. Since we hope to hope -- to offer a lot of opportunity for those discussions, we've taken what were most meetings of various task force and made them into real hands-on formal work sessions. I hope everybody will participate in those.

At our closing plenary session on Tuesday, we will discuss the future of higher education with a very distinguished panel of experts. We hope to enlighten and challenge you with an outstanding agenda that is planned for the next three days.

I will now formally call the 2001 annual meeting of the National Governors session to order, and if I might have a motion -- I thought you disappeared on me -- the one thing we have absolutely scripted here, and I turn around -- if I could have a motion for the adoption of rules of procedure for the meeting.

GOVERNOR ENGLER: I would so move.

GOVERNOR RIDGE: Seconded.

GOVERNOR GLENDENING: We have the motion and second for the rules of procedure. All those in favor.

(VOICE VOTE TAKEN)

GOVERNOR GLENDENING: The rules are adopted. Part of the rules require that any Governor who wants to submit a new policy resolution for adoption of this meeting will need a three-fourths vote to suspend the rules. I ask if you have any additional proposals, please submit them to Frank Safroff (phonetic) director of the State Federal relations of NGA by 5:00 tomorrow, by 5:00 Monday.

We also announce the appointment of the following governors to the nominating committee for the 2001/2002: NGA Executive Committee Bill Graves of Kansas, Governor Tom Ridge of Pennsylvania, Governor Ronnie Musgrove of Mississippi, Governor Bob Holden of Missouri and Governor Jim Geringer of Wyoming who will serve as chair.

At this time I'm also pleased to recognize and thank our host for this annual meeting, Governor Lincoln Almond and Marilyn Almond. Before Governor Almond comes forward to give his welcoming remarks, let me tell you how we're enjoying the great hospitality and the arrangements that have gone into this. Everyone had a great evening last night and to be able to not only have that type of support but to

showcase success in what modern revitalization is all about.

Lincoln, if you would come forward and let us welcome you, we'd appreciate that as well.

GOVERNOR ALMOND: Thank you very much, Governor Glendening. Marilyn and I are just delighted to have all of you here in Rhode Island. We have a great program for you, great working sessions, and of course, some great social activities for all of the governors and their spouses and all of our guests.

This evening we're going to have a great event. I would urge all of you to come up and see the State Capitol in Rhode Island. We're going to have some great food, we're going to have Jeffrey Osborne, wonderful bands, some nice music. Then we're going to have something called Water Fire that will be downtown here. I'll let you see that for yourselves. That is going to be a spectacular event. Around 11:00 we'll have a great fireworks display in honor of your presence, some more business, and then tomorrow night to The Breakers down in Newport to see one of our summer cottages. Just think of a summer cottage that was built in 1900 at a cost of several million

dollars, that will give you an idea of where we're going to have dinner tonight.

So welcome to all of you, and Marilyn and I are really delighted to -- we've enjoyed your hospitality; enjoy ours. Thank you.

GOVERNOR GLENDENING: Thank you, Governor Almond, for your hospitality and personal involvement. We're having a great time in Providence.

As you know, one of the reasons that we brought this summer's NGA meeting to this city is the great work that has been done in the area of revitalization. We've been talking about Smart Growth and quality of life issues at NGA for most of this year, and here in Providence you can see firsthand Smart Growth in action.

The challenges of how to reinvigorate our older cities and at the same time encourage new growth are not issues that are peculiar to Rhode Island or Maryland or to any single state, but in differing degrees are common to all of our states.

You've heard me speak about growth and quality of life issues a number of times, but in order to really, truly appreciate the effects that growth has upon our

states, it's best to hear from some of the people in their own words.

Let me ask we pause at this time and have a video that illustrates what is going on here.

(VIDEO SHOWN)

GOVERNOR GLENDENING: Let me just say as I was watching that, I know that NEED -- just about every Governor here could put the same video together in terms of both the challenges but also so many of the solutions you've been working. Paul, I was thinking about when we were down last week driving through Kentucky, and as you know, one of those projects looked very similar to that which you and I dedicated together. So many states are doing exciting things exactly like this.

Many of us have in fact discovered that growth can be a lens through which our governmental decisions can be viewed more clearly and more comprehensively. If we become smarter about how we deal with growth, if we encourage better designs and greater use of existing structures, and if we insist on more sustainable land use practices, then we can create more jobs for our citizens, protect our rivers and streams, our forests and farms, save millions of

dollars on infrastructure, and most importantly, improve the quality of life for our citizens. These are goals that are worthy of all of your times and so many of us have been involved in this for a number of years. Whether we call it sustainable development or growth management or long-range planning, or as we do in Maryland, Smart Growth, our overall goal is the same, creating economic prosperity while enhancing quality of life. There are many facets on this issue and there are many tools that can be tapped to help us reach our share of goals.

With that in mind, I invite you to open your gift box in front of you, because we're going to have a little practice here to show you what our tool box is.

(GOVERNORS OPENING BOXES)

GOVERNOR GLENDENING: What we have here as you pull out your Palm Pilots, is a true marriage of the technology issue that so many governors have championed and growth issues that have been so focused to all of us and so important to our management.

The Palm Pilots you are holding contain the NGA growth and quality of life tool kit. This tool kit allows us to share success stories, learn from

experience from other states and discover the opportunities from initiatives within our own states.

Some of you already know how to use the Palm Pilot and some of you may not. So, here's what we're going to do, the first thing you do is turn around and summon the first person you see who is under 30 and ask them if they can help you with this.

Seriously, it's easy and fun. To turn on it, simply push the black button on the top, it will go on. Everyone's got that. Then you pull the stylus out from the back. The stylus on the side -- I see you struggling, Mary, are you okay? Now, I'm sure most of you know how you use a stylus, gently tap on icons or other items on the Palm Pilot to get you where you want to go. Once you turn it on, you will see the NGA logo on the screen and four items below it. The first is our growth tool kit. If you tap on that gently with your stylus, now on your screen, you should see the six major categories of our tool kit.

If, for example, you tap on the tool kit heading that says "create state vision," if you can follow this through and have fun doing a bunch of them later on, it will give you four different approaches to create a state division for growth and building public

support. One of these gauges, the third one is called "Engage the players." Use your stylus to tap on that and the description of this tool will come up along with a box that says "examples." Tap on the examples box, you will see examples of six different states and how they've engaged the players on the growth issue.

The one on the list that intrigues me the most is the first item, tap "Envision Utah." If you go to that for a second, and you will see what Governor Leavitt did in terms of bringing this issue to the forefront in a state that historically many of us would not have thought of, was fighting the issue of Sprawl. Mike, would you like to comment just a moment on this?

GOVERNOR LEAVITT: Thank you, Governor, I would. Utah is the sixth most urban state in America, and that surprises people. We have a 150-mile strip of land that contains 88 percent of our population. So, we do have many of the problems along with -- when you combine that with one of the fastest growing populations in the country, we have the problem of growth. And it's true -- it's very clear that the best kind of planning comes from people and not from laws. So we set about to preserve the level

of quality with grass roots citizens' efforts to give people a chance who care about growth to roll up their sleeves and formed what's known as Envision Utah.

Envision Utah is a public/private partnership, it includes 150 community partners. It focused across the broad spectrum. It was -- the whole idea was to keep the state beautiful and prosperous and neighborly.

We invested several million dollars. It's a very serious, long-term effort. Our purpose actually was to assure that we were able to maintain a sense of local control. We knew we needed to do it voluntarily. It is to be a market orientation, and we had to impose a conservation ethic as part of it.

We established through a series of these over 148 meetings four alternative visions. If I can go to the next slide, I will just show you that we put these into a tabloid-type publication, put 550,000 of them and asked communities and families all across the state to have a discussion about which of those visions they wanted for their community.

I'd just like to relate a personal experience. My family, because of our public service, was asked to take a picture of the discussion that we would have,

and so I gathered, with some effort, all of my children and we sat around the table in front of a photographer with the idea we'd have a picture taken while we had this discussion. Well, it was really quite pro forma, given the fact that we were struggling to get everyone there. But a discussion erupted around the table as my children began to have a conversation about what they wanted their community to look like. Some of them began to advocate A, which was more open space, fewer buildings; others started to say, no, we want to live in a city that looks like D. I had children at that time who were ranging from 8-years old to 22-years old and they all had different views. But it was a very positive discussion, far more positive, I think, than we could ever had, absent this kind of framework.

Over the course of the next three or four months we had 17,000 families who responded formally after having such a discussion. We then had 150 different meetings and we brought together what ultimately became a consensus of what we wanted our community to look like. We then formed teams and have gone into every community and have gone to work to train, to teach local communities how they can achieve that

vision.

It's been a very positive thing. As I indicated, it's a long-term effort. We've seen some successes. Over the course of the couple of years -- last year alone we had 10,000 acres of critical land that was preserved. We've created a multi-model transportation system that was voted approved, including freeways and light rail, and we're now talking about commuter rail. There is a groundswell of development or rather of walkable developments that are taking place. It's been a very positive experience. We'd be happy to supply more information to all of you. Thank you.

GOVERNOR GLENDENING: Thank you very much. I must tell you, in part of the learning process when you first asked me about our Smart Growth package in Maryland, I did stop and think, in Utah, I didn't realize the extent of how urban it is, and so I certainly appreciate your leadership both at home and across the country. Thank you.

The technical staff from Event Centric (phonetic) will be with us all weekend to help anyone who has questions about the Smart Growth tool kit and the Palm Pilot. In addition, they can load the tool kit into

anyone else's personal Palm Pilot. So if you already have one and you want to transfer it so you don't have to carry two, or if you want to transfer it to key staff members to have them work with it or whatever, and this is a gift from the NGA to you, and the staff from Event Centric will be around all weekend.

Let me end this meeting tutorial on this particular point, but if you follow different paths to different places, you will find scores of tools that you can find useful, no matter how much experience your state has already had in addressing growth issue. In the text of the Palm Pilot, for example, there is an outline of the groundfield initiative, including one of the most successful industrial site cleanup locations in the nation.

Governor Tom Ridges's land recycling program in Pennsylvania, which is an absolute model to this. As a neighbor, Tom, we look to you as a leadership which you have done in this area.

There are broad visionary profiles in the Palm Pilot as well, such as Governor Ruth Ann Minners, Livable Delaware Initiative that called for the creation of a cabinet committee on state planning. There are also very specific initiatives like

California Governor Gray Davis' use of federal transportation funds to help local governments, make schools safer and more accessible by foot or bicycle. And there are regional efforts to limit Sprawl such as the Minneapolis-St. Paul Regional approach to transportation planning, and I know when I visited Minnesota at a conference that Jesse Ventura had how committed he was to this issue as well.

All in all, you will find over 150 different programs profiled in the Palm Pilot. While these tools will be helpful to us all, there is no substitute for seeing success firsthand.

Earlier I mentioned the transformation of our host city here. If you look at how Downtown Providence looked when it was a little more than a railyard rather than the State Capital, if you look at this slide carefully and, Linc and I were talking about this just yesterday, this is -- when you looked out this main window over here from the conference center, this is what you saw. Now look at how beautiful the city has become with the majestic dignity of the State House restored.

These efforts build upon themselves. Just yesterday Governor Almond announced, for example, that

financing has been secured to turn the old abandoned Masonic Temple into a first class hotel complex that will further strengthen Downtown Providence. I notice there was details to that in yesterday's paper. Again, congratulations for your leadership on this.

If there is one thing that Smart Growth has taught us is our past does not have to be our future. If we do not like the way we are developing our land, we can change it. As you travel around Providence during this meeting, I hope you take a moment to look at displays here in the Convention Center, at the adjoining mall as well and the State House and the airport that explains some of the programs used to create that dramatic change.

When cities like Providence are transformed, it not only enhances the quality of life for its citizens but also attracts businesses and jobs while saving taxpayers the cost of supporting Sprawl development out there somewhere.

Just think, and I always tell people that issue of Smart Growth is really a fiscally conservative issue. If you just think about this, it costs anywhere between 3 million and $12 million to build a mile of highway under normal circumstances and even

can cost more, depending on acquisition costs and environmental mitigation. It can cost as much as $8 million to build an elementary school and $30 million for a high school, at the same time it costs millions to provide police, courts and social services to cities and towns suffering from disinvestment and abandonment. While the number is hard to calculate, I can assure you, it is big and Sprawl is, in fact, fiscally irresponsible.

There are qualifiable costs of Sprawl to our citizens, but there are also other costs that cannot be so easily qualified but are of equal importance. What value do we place on the protection of our best and most productive farm land and ranch land? How important is it for us to have a clean, safe environment to have plenty of trees and a habitat for wild life? What is the value of clean air and clean drinking water? How do you put a price on how many hours people spend in their cars every day instead of being at home with their families or their daughter's soccer game?

All of our states have come a long way in a short time in addressing these problems but far too often we see there become this (indicating).

As our population rapidly expands, the pressure for development is unrelenting and our environment seems more fragile with every passing year. The tools we have assembled over the past year as part of our NGA growth and quality of life issues will help each of us address these issues. But we must act with a sense of urgency. We simply cannot afford to wait. If we act now, it is within our power to create vibrant, viable, walkable communities where people can walk to work, have dinner, visit a museum or attend a theatre in safety and comfort. Our precious national resources are not just projected but restored for future generations, and a future where economic prosperity and community prosperity go hand-in-hand.

That is what our Smart Growth initiative and variety of different terms that each of you have used on this is working.

I remember, for example, I went with Governor Huckabee down to Arkansas to talk about the impact of his programs in the berms of the new economy.

Let me pause at this time to introduce our guest to bring these issues into focus. It is now a pleasure to invite to the podium Theodore Roosevelt, IV. Theodore Roosevelt has established a national

reputation for bringing fresh thinking to and strong advocacy for conservation. I also find it of historic interest that he is the great-grandson of Teddy Roosevelt who, by the way, was instrumental in creating the NGA nearly 100 years ago.

Conservation at that time brought governors together. Now Mr. Roosevelt is helping all Americans come together around the conservation theme.

Theodore Roosevelt is the chairman of the League of Conservation Voters, a non-partisan political voice for over nine million members of the environmental group and is the only national environmental organization dedicated full time to educating citizens about environmental voting records of members of Congress.

Mr. Roosevelt is also a member of the Governing Council of the Wilderness Society and a vocal support of environment protection. He has delivered many speeches and testimony before Congress asking for greater protection of national refuge and wildlife. His full-time job is managing director and partner of Lehman Brothers in New York City.

Several governors heard Mr. Roosevelt speak at the NGA very successful policy summit on Working Lands

Conservation this past March. Before we hear from Mr. Roosevelt, I ask Tom Vilsack of Iowa for some brief conversation about the conversation of the Summit report. Tom.

GOVERNOR VILSACK: Thank you very much, Parris. I appreciate the opportunity to briefly visit with the governors before Mr. Roosevelt's remarks. We're here today to release a report of national significance to those who are interested in a better environment and to those who are interested in more prosperous communities, particularly in rural areas. The report is entitled Private Lands, Public Benefits. The principals who are advancing working land conservation. As issued in conjunction with the NGA's Center for Best Practices, and I want to thank Governor Glendening and Governor Keating, in particular, for their role in allowing us to having this conference last March which led to this report.

This report essentially highlights the covenant that Mr. Roosevelt talked about when he keynoted the conference last March. The covenant we have with future generations of Americans as we look to conserve and to enhance our natural national resources and the covenant we have with Mother Nature, if we do right by

her, she will do right by us.

The report recognizes the economic realities that so many private landowners face as they attempt to do what's right with their land. They need help, they need more resources. This report also emphasizes the important partnership between the State and Federal governments to not only provide the resources, but as importantly, to educate the public about the benefits that can accrue from private land conservation. The report focuses on five basic principles. Those principles are that policy makers, including governors of states, need to recognize that expanded and coordinated working land conservation programs can help to produce better environmental benefits than either land retirement programs or regulation.

Second, that working land conservation programs need to be better coordinated and more simplified to make them easily accessible and customer friendly.

Third, governors and other elected officials must work hard to more effectively communicate the benefits and to build public support for expanding working land conservation programs.

Fourth, working land conservation programs also need to do a better job of demonstrating the valuable

and measurable environment benefits that can accrue.

And last but not least, working land conservation programs need additional resources.

The effect of following these principles, in my view, will be a healthier environment that produces benefits and a higher quality of life, all of which we're interested in. It will also provide for more prosperous communities, particularly in rural areas, and the time for that is needed. It creates a new way, a third way, for promoting the environment and private land conservation. And finally, and most importantly it helps us keep faith with the covenant that is so important.

This is a document which I sincerely hope every Governor reads and reviews. I think it has tremendous potential for not only improving the environment but also helping out the economy of our states, and certainly hope as the Farm Bill is being discussed this year and next that conservation takes a front and center part of that discussion.

Again, I want to thank the staff of the Best Practices Center and Governor Glendening for your leadership and Governor Keating for his assistance in promoting the conference, which I think was

extraordinarily successful. Any time you can get the Farm Bureau and the Sierra Club to agree on something, you know you've got something good. Thank you very much.

GOVERNOR GLENDENING: Thank you very much for your leadership, both on the report and the very successful policy session we had on this time. Let me at this time introduce Theodore Roosevelt, IV, and thank him for being here today.

(APPLAUSE)

MR. ROOSEVELT: Governor, thank you very much for that warm and somewhat heady introduction. I do remember the very good advice, perhaps in a somewhat different context that a former resident of Washington, D.C. gave when in the presence of heady substance, he said, don't inhale.

Now I do, with a lot of, respect want to thank the Governor for the introduction, but I do question his judgment that he wants to hear the same speech twice. Since it is the National Governors Association, I have to admit that it reminds me of the incident that occurred in the jail in Roundup, Montana not far from where I live. There were two guys in the jail, they were looking despondently down at their

meal, finally one looked up at the other and said, "You know, the food was better in here when you were Governor."

But it is a great pleasure to be here today and have an opportunity to share with you some of my views on conservation and private working lands. Certainly in terms of this issue, there is simply not a more important or influential group of policymakers than our governors. You are on the front lines, ensuring your communities prosper and flourish. You are, therefore, on the front lines in meeting what are and sometimes falsely set forth as competing priorities, economic growth and environmental health.

When we talk about conservational and private lands, we often come against two apparently irreconcilable points of view. Those standing firm for our right to act as we see fit without Federal overload or lands for which we work hard to pay the mortgage and those telling us that we can't. That is, the Commonwealth is profoundly affected by bad management practice on private land. Therefore, the Commonwealth has an interest in it.

To me, the points each side makes in this debate are not nearly as half as good as the one each is

missing, the other guy's.

I should be stating the obvious here. America's public land simply cannot provide all the economical and recreational services that our growing population requires. These lands are currently overtaxed beyond their productive and ecological capacity.

Lands protected purely for conservation account for only for about five percent of the land in the lower 48, with one-fourth of that on the least productive soils, and almost half in the highest elevations. 80 percent of the habitat requirements for most species are met on non-federal land. More than 60 percent of listed species are found principally on private lands.

Most importantly, in my view, private lands serve in protecting what may become the world's most prized and rare resource in this century, water, not oil. Private lands are essential in preserving ecosystems health and stability, vis-a-vis maintaining a wide range of habitats.

In short, private lands carry ecological values of immense importance to the commonwealths. On the other hand, there is currently no market value for the ecological services provided by the good stewardship

of private land resources. Our ranching, farming and timber communities are hard pressed, and it is patently unfair for us to ask them to carry societal burden of such great value, while giving them scant support to do so.

In sum, the 65 percent of Americans who consider themselves environmentalists and that increasingly small percentage of Americans who actually work close to the environment, should be on the same side.

Here's how one Wendell Barry puts it: If we want the land to be cared for, then we must have people living on and from the land who are able and willing to do so. If landowners are accountable to their fellow citizens for their stewardship, then these landowners must be granted equitable membership in the economy.

So what is the problem? The problem is that Wendell Barry seems to be the lone voice of knowledge, reason, compassion in a sea of self-serving special interest.

Generally, I try to be somewhat diplomatic when I give a speech, mostly because I prefer applause to heckling. But I tell you this topic has been angry -- so I'll shoot straight from the hip. I am a

Republican, and in some circumstances I'm even considered a Conservative. After all, I work on Wall Street. I did serve in the Armed Forces and liked it, and I own a working ranch, though, I'm obviously fortunate in that my income does not depend on that ranch. I am also an environmentalist, a committed environmentalist, and the rhetoric on the both sides of this issue makes me angry. It harms both the environment and our equally endangered rural communities.

The debate as it is now framed is a colossal waste of time, and in my view and in that of most scientists, we have very little of that particular resource left to waste. So I'd like to take a moment to look at this rhetoric which you may find infuriating because it is infuriating on both sides. But along the way some legitimate issues, I hope, will be raised and perhaps if we separate the wheat from the chaff, a path forward can be found.

To my left are the environmentalists who point to the following: agriculture and ranching have destroyed more wild land and development, a total of 65 to 75 percent of private land. Agriculture has eradicated entire byoms, such as the tall grass prairie, most of

the mid-grass prairie, and almost succeeded in destroying the lower Mississippi Valley ecosystem. In addition, farm lands and ranch lands fragment remaining habitats to such a degree that it is often unsuitable for supporting much in the way of wildlife.

They also point out that irrigation of the western states accounts for about 82 percent of all water withdrawals from those states. And the final insult to some environmentalists is that these activities are financed by the Federal Government, which, in 1999, paid out more than $26 billion in direct agricultural payments, while it spent a mere $30 million on the nation's endangered species system.

Now, you may disagree with some of the parts of these assertions. But let's say for the most part, these are valid points. The problem arises with the next step, what do we do? From my left the suggestions include the following: first, buy the land, especially that which is basically unsuitable for grazing or farming and turn it back to nature.

Well, land acquisition from willing sellers in critical locations is a useful tool. We certainly

need it here in the Northeast and Southeast to preserve lands that come up for sale from being turned into shopping malls.

Land acquisition, however, cannot provide all that we need in terms of ecosystem services. Even if we could buy it all, there is no way we could manage it all. And in the face of that particular proposal, I've asked, well, what about the people in rural communities? Unfortunately, the responses are often less than one might hope. I was told tourism could replace job losses in those communities; that's an attractive proposition. Let's put those free-spirited cowboys to work as bus boys. Then there's my favorite suggestion which attacks the problem from the consumer end of things; Americans should eat less meat. One person actually told me, if people want to eat meat, let them hunt. Shades of Marie Antoinette.

Well, I'm a big supporter of hunting, but I would hate sharing that activity with all of New York City. What gets overlooked in that particular brand of conservation is people. People regarded it as the problem and not as part of the solution, or they are only part of the solution as long as they agree to live on beans and build their houses from used tires.

It may come to that, but we aren't there yet.

Now speaking of people reminds me of another one of my Montana stories. There are a couple from, I guess from New Jersey, they were driving east of Roundup. They saw a lot of cows and they saw more cows. Finally, they saw my friend Red, and he was with his Blue heifer moving a herd of heifers down the road. They rolled down the window and said, "You got an awful lot of cows out here. There are more cows than people." Red looks back. "Yup." "Well, why is that?" "We like them better."

Now, returning to the people problem, my view of the people problem is in fact somewhat different. At the turn of the last century when TR convened the nation's governors to discuss conservation, nearly one-third of our nation were farmers. At the turn of this century, less than two percent.

In 1910, four cents of every dollar spent on food went to the farmer. Today they see just seven cents of that dollar. Small farmers and ranchers are hemmed in by the escalating costs of inputs, shrinking profit margins and the pressure to sell to developers or large agribusiness. Farmers aren't even counted in the census anymore. Family farmers and ranches who

survive in this new century are often so deep in debt, they're losing hope that their way of life can be saved. As one writer put it, much of the U.S. Corn Belt is owned and operated today by and for the benefit of people who don't live there.

What is in jeopardy here is what one writer called the "Culture" in the word "Agriculture." How do we develop the land ethic that Aldo Leopold urged upon us if our people are lost from the land?

To quote Wendell Barry again, "Conservation clearly cannot advance much further, lest conservationists and small landowners and farmers can make common cause together."

So again I ask, what is the problem? And now I'd like to take a look to my right at the rhetoric of those conservatives who don't want to conserve anything. Here is just one small example of this rhetoric from the National Review. In honor of Earth Day, the columnist in question set himself the task of debunking all the lies of the environmental left. Apparently, there is no better way to do that than tell a few whoppers of your own. The topper for me, which is that proclamation of species distinction are

declining, and in his words, we haven't lost any really cute animals in a long time.

Now, I can choose any number of scientific references with which to refute this gentleman, but I'm going to go look at a book titled The Greening of a Conservative American by John Blease (phonetic). He writes, "More than 250 species have gone extinct in the U.S. since 1980, and as of September 30, 1999, the Fish and Wildlife Service listed almost 1200 plants and animals as endangered or threatened. In addition, it has a huge backlog that it needs to investigate. The Nature Conservency has identified 6500 species in our country at risk of extinction." Blease then goes on to quote another conservative, "One need not subscribe the Doomsday theories of total environmental collapse. To question whether the world of vanishing species, unraveling ecosystems and deteriorating environmental conditions is really a world we want to inhibit or bequeath to our children. The incredible complexity of overlapping species relationships, what we call biodiversity, gives an ecosystem strength and resilience."

My friend, Jack Ward Thomas, the chief forester who preceded Mike Dombach (phonetic) and who is not

known for his liberal views says that, "Ecosystems are not only more complex than we think, they're more complex than we can think."

Dismantling the components that make ecosystems healthy and upon which we rely for essential services is injudicious at best, and at worst, it is outrageous arrogance. But our columnist at the National Review reassures us that no really cute animals have gone extinct in a long time.

This brings to mind something that TR urged Americans to remember. He said an uncontroversial truth is a safer companion than the safest falsehood. When we choose a safe and easy, a politically compatible falsehood over good science and good economics, then we're playing Russian Roulette with our future. And those who work in timber and agriculture, they are the ones on the front lines, both in terms of preventing ecosystem failure and paying the most substantial price if it occurs.

In fact, we are beginning to see portents of this when renewable resource industries are pitted against one another, generally over, yet again, water.

It's not the East Coast liberal environmentalists that are most directly affected. No, it's the other

men and women who are struggling and who are dependent on the resource.

In the Mississippi Delta, when the Department of Agriculture urged farmers to convert their fields to soybeans, thousands of acres of hardwood forest were bulldozed down to make way for extremely marginal croplands. Previously those forests had filtered runoff from the fields. The result, the farmers were no better off, indeed, they were worse off. Those marginal croplands flooded every other year and the farmers lost money. In addition, the streams and aquifer in the area became severely polluted, which in turn, had an impact on fisheries. In fact, one of the Delta rivers where TR once caught black bass, the fish now carry the highest levels of DDT and toxaphene in the nation.

Water quality is, in fact, a very serious issue in the Delta. Millions of people depend on the lower Mississippi River for their drinking water and 30 percent of the nation's fish catch comes from their coastal waters. This year the Hypoxic Zone, which is a very large dead zone at the mouth of the Mississippi, is no longer the size of New Jersey, no, this year it increased by another 50 percent.

Think about it, at the mouth of one the world's greatest rivers, the one Lincoln called the Father of all Rivers, a dead zone significantly larger than New Jersey.

65 percent of the pollution that is causing this comes from agricultural runoff. One article quotes a Louisiana farmer who said we're working around the dead zone but it's getting harder and harder to make a living, just as it's also harder and harder for the family farmer to invest in good conservation practices.

The Mississippi Delta, however, is also a story of great hope, both in terms of conservation and in terms of improving the farmers' economic life. It is largely an unsung success story, though the final chapters have yet to be written. It began when the fish and wildlife service, several conservation groups, farmers and businesses, joined forces, essentially to save the Louisiana black bear.

The Delta can claim some truly dynamic fish and wildlife biologists as well as private citizens and, my God, they just moved heaven and earth. They made uses of every conceivable Federal, State and private program they could get their hands on. In addition,

they talked to everyone from timber companies to utility companies to environmental NGOs and everyone was brought into this effort.

In fact, the Wetlands Reserve program and the conservation program were the result of a combination of these interests that lobby to put those programs in place. In terms of agriculture and conservation, these programs are a stunning success. Those hardwood forests that were clear cut to make way for soybeans are coming back. Pesticide use is reduced, soil conserved, buffer zones established along riparian areas, so, the streams are much cleaner. And with the help of private landowners they are connecting up badly fragmented habitat for the black bear and other species.

In fact, as I understand, our friends in the lower Mississippi River Valley have made such good use of the Wetlands Reserve program that they managed to cap out the program this year with the enrollment of over half the acreage in the value. Incredibly, these and several other successful programs, such as the Environmental Quality Incentives programs appear to be in jeopardy, while the Conservation and Wetlands Reserve Programs take land out of production, the

environmental quality incentive programs fills an important niche by helping to make structural improvements for land and production to protect water and habitat.

We have few examples of programs like these that serve both the greater commonwealth interest and a healthy environment while strengthening local rural community. Unfortunately, President Bush may not renew either Conservation Reserve programs or the Wetland Reserve program or the Environment Quality Incentive program, which is woefully underfunded. These programs need, in my opinion, better funding and their caps need to be increased.

It is inconceivable to me that we would not seek ways to build on their success rather than undermine them. But there are others programs out there. There is great program on the Malpighi (phonetic) borderlands that probably most of you heard about.

In Wyoming there is the Institute of the Environment and National Resources which is doing a terrific job in working with ranchers and bringing people together with the environmentists.

In the paper that the NGA has just presented today, Private Land, Public Benefits is just an

excellent basis for that. Building on success. As Aldo Leopold advised more than 60 years ago, conservation ultimately will come down to rewarding private landowners who can serve the public trust.

In conclusion, I would like to borrow an idea from the Old Testament. One of the more usual tenets from the Judeo-Christian tradition is that God made a covenant with man. That word "covenant" appeals to me even more than stewardship. Stewardship seems to leave us alone with our responsibilities, to shoulder them as best we can and at whatever personal cost, but the word "covenant" conveys a sense of mutuality that we have mutual obligations to one another.

I suspect that this may be something that Thomas Jefferson had in mind when he envisioned a commonwealth of small landowners educated and well-informed who could find enough good among themselves to sit down and talk to one another to engage with one another fairly to get past the rhetoric and pursue the common good.

In terms of our national world, I believe that we enter into a covenant, not only with God and our community but with future generations, what Theodore Roosevelt called the number within the womb of time

compared to those now alive formed but an insignificant fraction.

I further believe that the American people who are so blessed with the bounty of this land can find the good will and good sense to honor that covenant.

(APPLAUSE)

GOVERNOR GLENDENING: Our speaker has agreed to take a few questions or comments if the governors would like.

MR. ROOSEVELT: I can handle the press, but I'm not sure I can handle you guys.

GOVERNOR GERINGER: Thank you for your remarks. We appreciate the perspective you brought. Since you do spend a little time in Montana in and the Rocky Mountain area, you are, I'm sure, aware of some of the challenges are quite different in the West than they are in the East. Where Governor Glendening has visited with us in the past about how many thousands of people per square mile there might be. In Wyoming, we have 125 acres per person, almost within hindsight of each other.

The other difference in the West is the predominance of Federal ownership of the natural resource, where it's almost absent in the East. In

fact, anything east of Wyoming, Federal ownership is almost absent if that is what is being discussed as more likely.

From your perspective, since you've seen both where the dominance of Federal ownership in the West dictates -- in fact, many times preempts state's development of their own economy, how do you envision a balance in the West at the same time looking at a transfer of ownership, possibly, or at least of management in the East? Any perspective you have might there I'd appreciate.

GOVERNOR GLENDENING: I told you they'd ask hard questions.

MR. ROOSEVELT: It's a very good question. I think part of the answer to that question may lie -- there has to be probably a different relationship between the Federal Government and the people in the West, but it's going to require building up of trust on both sides.

The environmental community isn't yet convinced that the people in the West will actually manage their lands in a responsible way, but once they become convinced of that, and there is a lot of evidence to indicate that that is happening now, I believe we

could have a different relationship, one which there be a sense of greater collaboration and people who live in the West will have a greater seat at the table, a more important seat at the table than they currently enjoy. But that's going to require this building up of the trust that I was talking about. There is a very interesting book which will be published this fall written by Dan Chemiss (phonetic) who is at the Rocky Mountain Institute and he talks a little bit about this. We're going to have work our way through this. But I think he lays out some good ideas in this and how the relationship between landowners out in the West and the environmental community has to change. The distrust and the lack of sensitivity on the environmental community, and I've been publicly telling I don't think they're showing enough sensitivity to the nature of the problem out in the West, the incredibly hard lives they're leading for economic reasons, yet they want to be part of the land, it's part of their heritage, and they want to stay part of that, and we can't rightfully disenfranchise them. I don't know whether that answers your question, but...

GOVERNOR GERINGER: It's a start.

GOVERNOR GLENDENING: Jim, as you're probably aware, Governor Hall of Arizona had a Smart Group conference where she specifically brought together some people to discuss this issue in the Phoenix area, for example, the tremendous problems with Sprawl, but in Arizona overall problems similar to what you're saying as far as Federal ownership of land and what it means as well.

Governor Leavitt, of course, has been very aggressive in terms of trying to build devices for exactly this type of consensus. Other questions for our speaker? Governor Siegelman.

GOVERNOR SIEGELMAN: One comment to end on a positive note. I'd like to say Alabama has made the single largest land purchase in our history, one of the largest, we understand, in the nation's last 25 years. We bought -- we now control over 100,000 acres of the Mobile Tinsaw Delta (phonetic) which is one the most environmentally contiguous areas in the Northern Hemisphere. So we now have that under our public protection. We tripled our green fields in the last two and a half years.

MR. ROOSEVELT: Congratulations.

GOVERNOR GLENDENING: Thank you,

again.

(APPLAUSE)

GOVERNOR GLENDENING: They were saying your purchase was so large that you were afraid you were trying to purchase Mississippi.

(INAUDIBLE)

Thank you again for your remarks and taking time out of your busy schedule to be here. We appreciate your very important voice across this country on conservation on private and land management. In general we think that the Smart Growth really has two aspects of protecting the land, both building, protecting land and Mr. Roosevelt has provided insight to the first. At our working session on Monday we'll here from a community division expert, Tony Nielsen, who will focus on the second and I invite all governor and others to attend.

Our next order of business this morning is a special one and that is to present the National Governors Association distinguished service awards. This program, which was established in 1976 by the NGA Executive Committee is a way for governors to bring national recognition to their state's most valuable civil servants and private citizens. These awards

focus attention on the commitment of state administrators and the importance of the contributions of private citizens to make state government and the arts work and be responsive to our communities.

The individuals and programs we're recognizing today truly represent the best from the states and the best we have to offer public service, community activism and to the arts.

I thank all the governors who submitted nominations for this year's awards programs. All the nominees were outstanding. In addition, I want to thank Diane Rossborro (phonetic) who chaired the selection committee and other members of the arts review panel.

Awards will be presented by State officials -- presented to the State officials to private citizens in the art categories. As I announce each honoree, if you will please come forward, and if the Governor from that state is here, could you join us as well so we may have the famous photo op. of this as well.

We'll begin with the state official category. First is Dr. James R. Ramsey, Kentucky's budget director, and I would ask Dr. Ramsey and Governor Patton to come forward. Dr. Ramsey has

served as budget director for five and a half years, the second longest tenure in the position in Kentucky's history. His public service period, however, spans the administration of five governors and dates back to 1981.

In 1988 Dr. Ramsey took on the responsibility of being the state's chief economist, and under his direction, Kentucky instituted a concensus revenue forecasting process, which involves economic experts from the Legislative and Executive branches, the private sector and the state university. Census implementation, the margin of error for revenue has been the lowest in the state's history. He is also credited for helping to reform Kentucky's post-secondary education system, and Governor Paul Patton said, and I'm quoting, "Jim's vision and dedication has served the Commonwealth of Kentucky well and hopefully will continue to do so for some time. He has laid a solid foundation for future -- upon which future success will be built."

GOVERNOR PATTON: Jim is the greatest example of Rule 1 in our administration, and that is, get good people and claiming credit for everything they do, and I'm claiming credit.

GOVERNOR GLENDENING: Our next winner in the state official category is David Sprynczynatyk, director of North Carolina's Department of Transportation. Before being named by North Dakota Governor John Hoeven as to be director of Department of Transportation, David had served 29 years on the State's Water Commission. His direction and dedication helped ensure the passage of North Dakota's first statewide water management program. He was also instrumental in relieving the chronic water shortages and water quality issues of thousands of residents in southwest South Dakota that they faced prior to 1991. And in his capacity as state water engineer in the engineer branch office of the National Guard, David worked to protect and evacuate Grand Forks, the state's second largest city in the system of recovery following the Red River Valley flood of 1997. Governor Hoeven said that David is a tremendous public servant. He has served the people of North Dakota as a man of uncommon vision and action.

GOVERNOR HOEVEN: Just a quick word about David. I think his wife Connie is here, too, aren't you, Connie. A couple of years ago they celebrated their 20th wedding anniversary, and instead

of taking a Caribbean cruise or going to Hawaii or doing something like that, they started training and they ran in the Ironman Marathon in Washington, D.C., the Marine Corps Marathon together. It shows you the kinds of dedication we're talking about. Congratulations, Dave.

GOVERNOR GLENDENING: Our last winner in the state category is Luceille Fleming, director of Ohio's Alcohol and Drug and Addiction Services. I would ask Ms. Fleming and Governor Taft if they would come forward.

In 1989 Ms. Fleming was recruited to create a cabinet-level department to prevent alcohol and drug addiction. Since that time the agency has served nearly 800,000 men, women and children, many of whom would have been unable to afford treatment without the State's system of certified publicly funded agencies.

Shortly after her tenure began, she made an arrangement with the Ohio Community Foundation to put $1 million aside from a one-to-one match for better prevention education. The funds resulted in the establishment of 19 new statewide projects aimed at preventing pregnancy and drug abuse among young girls.

Governor Bob Taft says that the best public servant in the world is only as good as the network he or she has created. Luecille has built a network of knowledgeable and influential colleagues who have helped change the face of addiction and prevention throughout Ohio and the U.S. Congratulations.

(APPLAUSE)

GOVERNOR TAFT: I would just like to point out that Luceille has served under three Ohio governors, including myself, one Democrat and two Republican governors, and we stole her from Pennsylvania. She held a similar position with Governor Thornberg in Pennsylvania. She says I'm allowed to tell you that she is 77 years young. Congratulations, Luecille.

GOVERNOR GLENDENING: Next we recognize the award winners in the private citizen category. First from Arkansas is Colleen Nick, founder and executive director of the Morgan Nick Foundation. If Governor Huckabee and Colleen would come forward.

On June 9th, 1995 Colleen suffered what is surely every parent's greatest fear, her 6-year old daughter, Morgan, was abducted in a ballfield in Alma,

Arkansas. For many of us, such a tragedy would be cause to simply withdraw, but Colleen Nick has overcome personal tragedy to lead Arkansas in the development of a rapid response communication system to help find abducted children. She has also established a network to lend guidance and support to families of missing children.

Colleen formed the Morgan Nick Foundation to raise awareness about children abduction and helped to establish the Morgan Nick Alert. The alert is a statewide communication system among state and local law enforcement agencies and more than 250 Arkansas radio and television stations.

Ms. Nick has also authored a book, Family Survival Guide to lend guidance to families during the first 48 hours following the disappearance of a child. She also helped form the Arkansas Resident Leadership program that immediately responds to families of missing children.

Governor Mike Huckabee says that Colleen's actions as a public leader make her an outstanding role model for all of us. She defeated the face of tragedy by enacting positive change through an innovative program which stimulated enhancement in

procedures statewide. Colleen, congratulations.

(APPLAUSE)

GOVERNOR HUCKABEE: I appreciate the wonderful affirmation you've given to Colleen Nick, because I want to tell you, this is a remarkable lady who has taken a tremendous personal tragedy, beyond which most of us cannot comprehend, and from small towns to the Oprah Winfrey show, she has taken her story to this country so that hopefully no other parent in America will ever experience the incredible grief she's known.

We all continue to have hope that one day Morgan will be found, but because of Colleen, there will be a lot of Morgan Nicks who will never be lost. Colleen, thank you for being a wonderful soldier on the front lines of courage and compassion to other people. You're an inspiration to us all.

(APPLAUSE)

GOVERNOR GLENDENING: Next from Louisiana is Leslie R. Jacobs, member at-large of the board of elementary and secondary education and I would that ask Leslie Jacobs and Governor Foster come forward. Leslie Jacobs is recognized throughout the state as the chief architect of the public school

reform plan and achieved remarkable results. Quite simply, Ms. Jacobs is changing the state's future. Thanks to her vision, tenacity and insight, Louisiana over the last three years has improved in every single indicator of student achievement. In addition, Education Week ranked the state's accountability program as one of the top 12 in the country and Fordham Foundation ranked it in the top 7.

All of her work has made her the single most consequential force in the achievement of systematic statewide standards-based school reform in Louisiana. Governor Mike Foster says that the conservation -- the conversation about education in Louisiana is no longer about who is to blame for our failures, but about making sure each child learns and each school succeeds.

Leslie has changed that conversation and I'm grateful for her service to the students of Louisiana. Congratulations.

GOVERNOR FOSTER: I think all of you as governors every now and then learn something that is a real truth. One of the things I've learned with Leslie is a lot of other people, too, but particularly Leslie, is how many people there are out there in your

communities who are very, very busy, stop what they're doing and volunteer to help Government to help the greater good. In Louisiana we were probably on the bottom of every educational list that I could think of.

I met Leslie years ago when I was in the State Senate -- I'm not going to talk too long but she has a such history with me, I've got to say a few things. When I was in the State Senate, we were reforming Workers' Compensation, we were having a committee meeting and actually we did completely fix our Workers' Compensation system in Louisiana about eight years ago. She just walked into the meeting and she said, "I'm Leslie Jacobs and I'm here to help." I said, "Ms. Jacobs, we don't need any help." She said, "I don't really care, I'm going to stay here and I'm going to help." And she did.

When I was elected Governor -- maybe some of you have the same situation, I have a nine-man board, all but three are elected, so we have a responsibility for education. We don't really have the ability to totally impact it. We get blamed for what happens, but it also shows what you can do when you put a leader on a board like that. I put Leslie on this

board and this changed the whole board from a board that used to sit around and not do great things. This board has been the leader in changing public education in Louisiana.

I've got to tell you, everything that is happening at the national level, we're doing it. We stopped social promotions. We've totally identified good and bad schools. I guess that's the real story.

And the other thing I wanted to mention to you, this lady is the most successful insurance agent in the State of Louisiana. She found time to do this and was listed among the 100 most successful insurance ladies in the whole world and still finds time do all this; so that's the story.

(APPLAUSE)

GOVERNOR GLENDENING: Leslie was telling me the system just received an award for fourth graders making the greatest improvement of any state's fourth graders in the country. That was just announced. Congratulations.

Our final winner in the private citizen category is Ambassador Peter Secchia of Michigan. Mr. Secchia is a former ambassador to Italy. He is a tireless champion of improving state government. His aim is to

encourage limited government that is more accountable to people and effectively delivers the best services possible to citizens. He most recently chaired the Michigan Commission on Public Pension and Retiree Benefits, which recommends issuing regular report cards on pension performance. The Commission also calls for improvements in the management and retiree health care plans and for stricter penalties against cities that mismanage pension funds.

In addition, the Ambassador chaired the Landmark Secchia Commission whose goal has been to make Michigan state government smaller, more efficient and better equipped to implement the innovations made possible by information technology.

In particular, the Commission's proposal to create a regulatory reform office resulted in Michigan becoming one of the first states to put in its entire administrative code online in a searchable database. This has resulted in the elimination of more than 4700 sections of the code that were either duplicative or obsolete. Governor John Engler says that, "Public service is more than a part of Peter's life; it is his life, and he has served and continues to serve creatively and energetically at the state, local and

federal level." Congratulations.

(APPLAUSE)

GOVERNOR ENGLER: Thank you very much, Governor Glendening. There is a copy of the report that was referred to in Governor Glendening's commendation of Ambassador Secchia. Peter was Ambassador to Italy for the Bush Administration, but prior to going to Italy, and then since his return, he has been somebody that we've always been able to call upon in Michigan, and his work has literally saved millions of dollars and dramatically improved services. He does this all while being chairman of the board of a major wood products company that is very big in this country. So he's truly a guy who always has time, and right now he is involved in Millennium Park Project in the City of Grand Rapids, his hometown, and when it's complete it will be bigger than Central Park. So I was thinking of him earlier today when we were talking about Smart Growth because they're planning for 2050 with a park that will be truly sensational. Ambassador, congratulations.

(APPLAUSE)

GOVERNOR GLENDENING: Next we recognize the winners in the arts category. The

winner in the artistic production category is the Utah Shakespearean Festival, now in its 40th year of operation. It's one of North America's oldest and largest Shakespearean festivals. The event continues to thrive under the direction of founder, Fred C. Adams. Accepting the award on behalf of the Utah Shakespearean Festival is Douglas M. Cook, producing assistant director, and I'd ask Mr. Cook and Governor Leavitt if they would come forward.

As Governor Leavitt comes forward to say a word, I hope everybody has an opportunity to observe this, it is actually a Shakesperean tie.

GOVERNOR LEAVITT: 40 years ago in a small town in southern Utah a group of citizens had a dream to create a Shakespeare festival. They laid a platform on the back lawn behind an auditorium and tried to drag some tourists off the freeway. It began to grow, it began to grow because the community embraced it.

As an 11-year old boy, I remember sitting behind that stage with my 8th grade teacher sewing sequins on a dress the night before opening night.

It has grown and grown and grown to the point that this year it received the coveted Tony Award as a

production. It plays to audiences throughout the course of the summer to 98 percent capacity. It is not just a great production, it is a dream come true. To the Shakespeare festival, we honor you.

(APPLAUSE)

GOVERNOR GLENDENING: Our final winner in the category of art support is the Des Moines National Poetry Festival. Accepting this award is the festival's coordinator is Louanne O'Shay. If Louanne and Governor Vilsack will come forward. Begun in 1991 the Des Moines National Poetry Festival is an annual three-day event that is held at locations throughout the city. It brings poets into schools, workplaces the community at large and attracts visitors from surrounding states.

The festival, which is free to the public, promotes the appreciation of poetry and develops new and culturally diverse audiences throughout event promotions and readings and educational activities. The celebrity poetry reading, while only a small part of the event, has drawn 11 Pulitzer prize winners and one Nobel Laureate.

Governor Vilsack has been a guest poetry reader at the festival and says that the event enhanced his

own appreciation and interest in poetry. He says, "I'm only one of the thousands of Iowans who has felt the impact." Congratulations.

GOVERNOR VILSAK: Lieutenant Governor Peterson and I have an interesting partnership in the State of Iowa. We try to share credit for activities, and it would be inappropriate for me if I were to take credit for this. The fact is that the founder of the poetry festival is in fact Lieutenant Governor Peterson's husband who is himself a noted and published poet as well as an author, Jim Audrey, from the State of Mississippi, I might add, and it is an opportunity for Iowans to reflect on the quality of life.

It is an extraordinary opportunity for those of us to take a minute to reflect on those who can speak in short sentences and briefly. So with that, I will take the road less taken and go back to my seat.

(APPLAUSE)

GOVERNOR GLENDENING: Let us recognize all of our award winners and acknowledge their tremendous achievement. We thank them and praise them for their services they've provided the state; they're excellent examples to follow. As we all know,

in each and every one of our states there are dozens of people that are doing a similar extraordinary things, and so we could give recognition one last time.

(APPLAUSE)

GOVERNOR GLENDENING: This year the State of New Jersey and Virginia have their regular elections for Governor. In both cases we will be bidding farewell to the present sitting governors, Governor Jim Gilmore of Virginia and Acting Governor Donald DeFrancisco of New Jersey. Governor DeFrancisco cannot be with us today, nevertheless, we recognize his service to the people of New Jersey as well as his work during his brief tenure here with NGA, where he worked with us on the Committee for Economical Development and Commerce.

Governor Jim Gilmore is with us today. Jim has been a three-year member of the NGA Committee on Economic Development and Commerce. We all know his passion for advancing technology issues, not only in Virginia but throughout our country, and this has been one of the hallmarks of his term of office. When you go to Governor Gilmore's website, you're first greeted by the quote from the governor that says, "We live

today in a constantly changing commonwealth, our economy and our society is no longer" -- "no longer embodies the traditional notions of sleepy southern state. Virginia is emerging as a progressive and inclusive leader in the dynamic new age."

Jim, you have been a leader and a vibrant voice for technology and the committee work NGA. We thank you for your service. We'll ask you if you would come forward so we can give you a remembrance on behalf of the NGA.

(APPLAUSE)

GOVERNOR GILMORE: Ladies and gentlemen, thank you very much for the opportunity to receive this nice remembrance of NGA and a chance to just say one or two words. NGA has a long and proud record and background, particularly dealing with important policy issues that have come forward during the years. I think NGA has often discussed tax policy, education, quality types of issues, welfare reform. Many of the policies that are now the law of the United states and policy of the United States today. I think we have a long and proud background in that. I think the best opportunity to participate in NGA is the opportunity to meet, to work with and get

to know my fellows from both parties, Democrats and Republicans, the personal relationships that I've been able to develop with my colleagues across the country and with their families and my family and their families, has been truly remarkable and something to cherish and to be proud of for many years. I look forward to working with you in many different aspects in the years to come. Thank you very much.

(APPLAUSE)

GOVERNOR GLENDENING: At this time let me turn to our vice chair, Governor John Engler, to give us an update on the activities on the NGA's Center for Best Practices.

GOVERNOR ENGLER: Thank you very much. We've got several things to cover this morning and I'll try to do these very quickly. One report that you might be wondering why is it on the desk, it's the Asia in the School's report. Governor Jim Hunt chaired this commission. Governor Lyles of Virginia was also a member, a number of distinguished people, the Asia Society was very involved with preparing the report and funding the commission's work and Gill Grovner from National Geographic was one of the key people that was part of this and quite a

partnership they put together. The report -- the conclusion and Governor Hunt asked that I bring this up to the National Governors Association that he has served so long and so well and is so important to us that I thought it was meritorious to be mentioned, and I also had a little role on the commission, too, so I thought that was good to bring this up.

The conclusions said the America's young people are dangerously uninformed about the rest of the world, and especially about Asia. Then it goes on to give some examples of that. Only 1 in 4 college-bound high school students could name the ocean that separates the United States from Asia. Or 87 percent of adults could not identify India as the largest democracy. You have some issues.

What Governor Hunt has asked and what the report asks today and what I ask today is that you take this and you look at it and give it to your education advisors, to some of your business leaders and several of the states are being asked, and I know already Governor Siegelman, I think, has talked, Governor Hunt and Locke, Governor Ridge, Governor Easely, Michigan we're doing this, are looking at a follow-up in what the report really calls for is each state to sort of

look at this issue, given the significance of the U.S./Asia community relationships today both economically and culturally and look to see how you can implement some of the recommendations of the report. And there are a lot of very good ideas and there is a special person who is here today, the vice president of the Asia Society, is going to be working with Governor Hunt and with me and with NGA to help follow up on this, that's Vivian Steward, and she would be happy to meet you or if staff people that want to meet Vivian today, she's right behind me. Vivian would you stand up. She's here and a very important resource.

Thank you, Vivian, for coming and please take a look at this report. I wanted to get that plug in before I do my Center update, which I will move right to now.

You all have on your -- at your places also this folder, your name on it, the NGA Center for Best Practices. And the Center, as you know, 501 C through your corporation is governed by a board of four governors and next year the chair will be Governor Patton will chair that board and he will take over where I'm leaving off, and the mission of the Center

for Best Practices is really to help governors and our key staff develop solutions to understand what's happening, what is really the best practice in any particular area of state activity.

In some cases provide very tailored technical assistance, to share information on some of the national trends, and the report that you have in the folders goes into great detail about what the Center has done with your state.

Since July of last year some 435 requests by our Center for Best Practices have been handled for tailored technical assistance, and every state at least once has had the occasion to use the Center. The leading state -- the biggest state, California, had some 30 plus requests. So those are pretty significant. More than half the states had eight or more requests, and this is something that your dues help support, but more importantly, it's what the NGA does to help go out and raise the money, I suspect. You see some of the corporate folks that are here. We go out and seek foundation support, we seek all kinds of resources to keep the Center going, and we're very proud of what it's been able to do, and the examples are numerous.

We also use the Center to go out and talk to groups, and I'll have an announcement at the end of my remarks today that I'm excited about. Earlier we worked for the Kaufman Foundation. They helped to fund a state academy on entrepreneurship. We got ten state teams that were selected by the governors from those ten states to work on policies that help support entrepreneurship and job creation in the new economy Gilmore has talked a lot about.

We have an announcement that will be released I think this very meeting Governor Geringer, Governor Patton on E-governance, the tool box they will be talking about, another online resource for governors. We've worked each -- I think 40 some states have $25,000 planning grants and the Center worked with each state on integrating criminal justice information systems in education, a whole host of work done on school readiness and post-secondary education, the employment and social services unit.

One of the interesting things there was the area of work force where we've hosted conferences and workshop training activities, but we put together an E-learning or a report on E-learning and work force training.

In June alone this report happened to be downloaded some 30,000 times from the website at the Center for Best Practices. So, if you haven't read it, or if the staff hasn't looked at this and mentioned it to you, you probably guess what 30,000 downloads in June alone, some of your states are looking at it, so you might want to get updated on that.

We brought together all the criminal justice advisors, the governors this past year. Again, the network -- this is one of the most important functions I think the Governors Association has really trying to take the best practices and let us borrow from each other. I know I've always been happy to do that, and it's been of great assistance.

Our health unit, a lot of technical assistance there on such things as state pharmaceutical programs. We've had a training academy, 28 states participated in this in how to expand some of the dental benefits, oral health benefits under S-Chip and Medicaid programs. You're going to hear about a cancer initiative what we've been working year long to see what we can do to help fight chronic disease.

But as for Resources Unit, certainly where do we

grow from here initiative that Governor Glendening has so successfully led. He has had support from the Natural Resources Unit for the Center of Best Practices and Governor Keating mentioned the National Summit on Terrorism.

Again, the Center was very involved in that. So it really has been a facet the Governors Association has worked very, very well and those of you are going to be on the board in the coming year have got a challenge to continue the momentum. I really think we have hit on something that really does work well, and the future is very, very bright, indeed for the Center of Best Practices. That's the report.

I want to call on Governor Ridge, if I can, he has a cancer initiative that he has been working on, but he also in the process worked for the Center for Best Practices and sort of an example of how the Center could work with a Governor on a particular issue, and I think the result of this was something that Governor Ridge rightfully is very, very proud of because he has been a leader and he has been an annotator. Governor Ridge.

GOVERNOR RIDGE: Thank you, John, and thank my colleagues. I think I'm the last remaining

speaker between you and lunch, is that correct, Mr. Chairman? So I will ask you to indulge me for a few moments. Actually, I want to share these thoughts with you on behalf of our colleague, Roy Barnes, as well. We've been working together on this initiative and we thought now is the time to bring it to our colleagues to encourage your participation.

Several years ago there was a fairly popular book out called All I Really Need to Know I Learned in Kindergarten. And one of the lessons in that book was, quote, "Share everything." And that's what we do in the Center for Best Practices. We share everything, we borrow ideas.

One of the pieces of information or areas of information and data that we've been sharing and 35 states have participated has been Cancer Control Best Practice Clearinghouse, where public health officials in these 35 states -- actually all 50 states and territories can pull down the most recent medical research as it relates to cancer prevention, cancer detection and everything else related to this horrific chronic disease.

And our appeal to you today, the appeal is really not bipartisan, it's an appeal through the National

Dialogue on Cancer that is chaired by Former President Bush, the vice chair is Senator Diane Feinstein of California. Roy Barnes and I share the initiative to create state cancer plans in all 50 states. Our appeal to you, because 26 of our states do not have state cancer plans, is to work with the National Dialogue on Cancer, which is an apolitical group of 160-plus organizations, the Centers for Disease Control, a variety of academic and research institutions, every major cancer group is represented, academic medicine.

What they're trying to do over the next ten years is to create a comprehensive response to the chronic disease of cancer that 100 years ago was the eighth leading cause of death in this country. It is now the second leading cause of death. One out of four deaths in America this year, one form or another, will be attributed to cancer. It will cost in terms of -- you don't want to put it a dollar sign on it, but it ravages families and individuals, but it's over a $100 billion epidemic annually.

In this group of legislators and governors and practitioners and scientists and the like have developed a plan, trying to develop a comprehensive

plan with the immediate goal of preventing one million cases of cancer over the next ten years and reducing the number of cancer deaths by 500,000 over the next ten years. But to do that, part of the effort is to create a comprehensive database that would include all 50 states developing their own cancer plans. That's taking a look at public and private resources. What are we doing in our individual states to promote early detection? What are we doing to promote prevention? Is everybody involved? Are all citizens involved in early clinical trials? Do we make our clinics and prevention programs and research programs available to all our of citizens? Questions of accessibility. All of these things are embodied in state cancer plans. 24 of the 50 states and territories have cancer plans and we need to continually upgrade those.

Pennsylvania has had it for several years. We're in our third or fourth upgrading and expansion of that cancer plan. So on behalf of our colleague, Roy Barnes, and myself and behalf of the National Dialogue on Cancer, I just wanted to alert you, and if you don't know enough about the National Dialogue on Cancer, there's is a handout that talks a little bit about it. Roy and I will be contacting you by letter

and we'll make some phone calls see if you can assign someone in your respective administrations. I know some of you will be moving on, your term limit on January 2003, I certainly am, but a lot of you will be seeking reelection and, hopefully, you will be able to implement the plan and execute the plan in the next couple years. But the goal is for all 50 states to have a comprehensive cancer state plans by the year 2003, and then implement the plans by the year 2005.

So I appreciate the chairman, Chairman Glendening, giving me the opportunity to share this with you and our colleague, John Engler, so that I could make this appeal to you on behalf of the National Dialogue of Cancer and on behalf of our colleague, Roy Barnes. They've got an exceptional cancer plan down in Georgia.

Again, we want to provide some of this information in our Best Practice Clearinghouse but we stand prepared as members of the National Dialogue on Cancer to work with your respective administrations.

Cancer has -- cancer discriminates against everybody. There are no geographical barriers, political barriers, gender barriers; it's an equal opportunity illness; it's an equal opportunity

disease. What the National Dialogue on Cancer is trying to do is have the governors take the lead in one of six areas, develop these plans so we can go about the very serious business of utilizing both public and private resources to identify, to prevent and to expand our clinical trials and to expand access for the individuals and families that have to deal with the scourge of cancer in their private and personal lives.

I thank my colleagues for giving me this opportunity to share this with you. Don't forget, it's the National Dialogue on Cancer, the goal, state cancer plans in 50 states by the year 2003, executing the plans by the year 2005, and Governor Barnes would be pleased and honored to work with you to help your states develop plans. I thank you very much.

(APPLAUSE)

GOVERNOR ENGLER: Thank you, Governor Ridge. Following up, if you want to check in with clearinghouse on some of these Best Practices, the head of the Center for Best Practices, everybody knows Ray Shapot (phonetic) and John Tomasian, he's right over there. John, stand up, any questions you have, any Best Practices you need, any information, this man

has it all right at his fingertips, John Tomasian, so just contact him. If he doesn't have it, he can get it literally in minutes; he is that good.

Finally, the last announcement that relates to the Center for Best Practices is a new center project that we're undertaking with the N.E. Casey Foundation and this is designed at something that we're very much focused on during this meeting, and it seems like it's part of what we do every week as a Governor, and that's how do we help strengthen low income working families, what we can do to continue the remarkable success that we've had with Welfare Reform. How do we take it to the next level.

Well, the three-year partnership that we're announcing together is between the NGA Best Practices and the N.E. Casey Foundation. What this will do is expand rather dramatically some of the Center's current efforts to help governors and state officials continue to devise and support programs that strengthen low income working families.

Here for the N.E. Casey Foundation I have two of the principals that will be working with us in our direct contact is Martha Viker. Martha used to be on Governor Carpenter's staff, was around when we were

having debates about Welfare Reform. As we talked yesterday, John Monahan, John and Martha, I don't spot where you guys are seated, they were here somewhere, but they're here and will be available, we can put you in touch with them as well.

But the whole project here is we've had all the success of moving folks from welfare into work. What do we do now to help people working in lower income jobs, make that next step or several steps up the economic ladder, improve the quality of lives for themselves and their children. The long-run solutions, obviously, involve a broad array of government services.

We often have talked to Michigan about how smart you have to be to be entrapped in poverty because there is so many different agencies and programs, trying to figure out what services and how do we keep track of all people that are supposed to be working with us. One of the things we're looking at through this project is what can we do to improve the integration when we're dealing with work force, education, child support, child care, health, transportation, housing all of that. There is some wonderful models, wonderful successes we've talked

about at previous governors' meetings. We want to try to develop those. We want to peer review them to make sure they are in fact as good as they're purported to be, and then make those widely available to everyone so that you can model those.

The other thing that I had sort of have a keen interest in is what are the measurements, because that's the other thing. We see a lot of reports and a lot of data is used, but what are the best measurements, what data gets used to allow us to make decisions and understand the comparability of a program from state-to-state, and so we want to look at how do we design and implement effective measure systems in the states, so we can truly make the case that there has been the success that we know, but we want to be able to document it, whether that's a documentation for testimony in front of Congress or a conversation with a reporter for a national newspaper. It doesn't matter. We want to be able to say, here's the data, here's the reliability, and we're going to work on that as well.

So, we want to get to the point where we're focusing on the outcomes rather than just weighing the inputs. That's what we're up to on this. There will

be some workshops, hosting opportunities. If you say I'd like to host a workshop in this area, talk to us about it, because that often is the case with the Center for Best Practices, this is a group out of Washington, D.C. into the states. We'd love to come to Denver and have a meeting, Bill, or someplace else. Thank you very much.

(APPLAUSE)

GOVERNOR GLENDENING: John, let me thank you for your leadership on this, and sometimes as governors may not realize how often our staff takes advantage of some of the expertise there and if you glance at the list of who is doing what, I was also curious of how many staff were attending conferences. We know it's all for good purpose. But, John, I thank you for your work there as well.

Governor Ridge, let me just congratulate you on your leadership with regard to the Dialogue on Cancer. I don't think there is one of us in this room that has not had a real challenge of this. The most important part is a lot is preventable, especially with early intervention and change of lifestyle. So I certainly appreciate the work that you've been doing.

Let me remind everyone this will conclude the

morning session. We do have a Governors-only work session which will begin at 1:00 in Room 552, which is a relatively few minutes from now. So if everyone becomes hungry -- our main focus will be on the fiscal condition of the states and some of the major impacts on those conditions, including the rising cost of Medicaid. We'll see you all in a few minutes in Room 552. Thank you.

(PLENARY SESSION CLOSED AT 1:00 P.M.)

C-E-R-T-I-F-I-C-A-T-E

I, LINDA L. GUGLIELMO, do hereby certify that the above is a true, accurate and complete transcript of my notes taken at the time of the above entitled hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this

_____day of AUGUST 2001.

_____

LINDA L. GUGLIELMO, NOTARY PUBLIC/RPR-RMR

(MY COMMISSION EXPIRES AUGUST 13, 2005)

IN RE: PLENARY SESSION, NGA
DATE: SUNDAY, AUGUST 5, 2001

C-E-R-T-I-F-I-C-A-T-E

I, LINDA L. GUGLIELMO, do hereby certify that the above is a true, accurate and complete transcript of my notes taken at the time of the above entitled hearing.

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LINDA L. GUGLIELMO, NOTARY PUBLIC/RPR-RMR

(MY COMMISSION EXPIRES AUGUST 13, 2005)

IN RE: PLENARY SESSION, NGA
DATE: SUNDAY, AUGUST 5, 2001

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

NATIONAL GOVERNORS' ASSOCIATION

PROCEEDINGS AT HEARING IN RE: :
:
93RD ANNUAL NATIONAL GOVERNORS' ASSOCIATION MEETING PLENARY SESSION :

DATE: TUESDAY, AUGUST 7, 2001
TIME: 9:30 A.M.
PLACE: RI CONVENTION CENTER
PROVIDENCE, RHODE ISLAND

GOVERNOR PARRIS N. GLENDENING, MARYLAND, CHAIRMAN
GOVERNOR JOHN ENGLER, MICHIGAN, CO-CHAIRMAN
PETER HARKNESS, MODERATOR,
EDITOR AND PUBLISHER, GOVERNING MAGAZINE

GUEST SPEAKERS:

(INFLUENCING THE FUTURE OF HIGHER EDUCATION:)

FREEMAN A. HRABOWSKI, III, PRES. THE UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, BALTIMORE, MD

J. JORGE KLOR DE ALVA, CHAIRMAN/CEO, APOLLO INTERNATIONAL, PHOENIX, AZ

BELLE WHEELAN, PRES., NORTHERN VIRGINIA COMMUNITY COLLEGE, ANNANDALE, VA

ALLIED COURT REPORTERS
115 PHENIX AVENUE
CRANSTON, RHODE ISLAND 02920
401/946-5500

(PLENARY SESSION COMMENCED AT 9:50 A.M.)

GOVERNOR GLENDENING: Ladies and gentlemen, if we could take our seats, please. I have to tell you, as I mentioned the other day, college professor, 27 years, I'm still so awed that this group actually pays attention and immediately settles down. Freeman, you understand what I'm talking about, you don't walk into a class where you often get this kind of response, do you.

Let me welcome everyone, and I'm particularly pleased to see people here after some serious entertainment and partying last night, and, Lincoln, I'll make some comments later, but congratulations, everyone had such a great time. I do want to give the hard stomach of the year award to Howard Dean, because he was back there eating with great enthusiasm early this morning, the ice cream and chocolate syrup, and after last evening --

GOVERNOR DEAN: They said it was from Idaho, but I know better, it was from Ben & Jerry's.

GOVERNOR GLENDENING: Again, welcome everyone, and this is the Closing Plenary Session for the 2001 NGA Annual Meeting. This morning we are going to focus on the Future of Higher Education. We

have several distinguished guests who will be working with us on this. In addition, we will consider our proposed policy positions as well as elect the new Chair.

We begin our discussion of Higher Education as critical importance to the States and the Nation's prosperity, this is an issue of critical importance to all of us. Importance to me, because not only in my capacity as the Chair and as Governor, but as someone who comes out of the education community and who taught at the University of Maryland College Park for 27 years, also, as a father of a college student senior, and, also, and I think this is far more important, but it is the vehicle for prosperity. It is the vehicle for prosperity for a civil society, both for us individually, for our States and for the Nation. And I feel, as I know many people do here, a personal commitment on the Higher Education, because I, like so many Americans and like so many of my colleagues, first person in my family on either side ever to go to college, and the opportunities that I had, clearly, have been a result of that exposure to Higher Education. So with that in mind, we are very, very pleased to put this focus on

Higher Education.

There is widespread agreement that Higher Education is the engine that will propel our society to a brighter and more prosperous future, and, especially, in the knowledge-based economy that's before us and that is emerging even stronger, in terms of the type of components that make up our economy. We should remember, however, that knowledge is also important for knowledge of the State; yes, obviously courses in computer science are important and a key part of our economic well-being, but courses in history and poetry are as important in terms of our civil well-being. Higher Education is essential in achieving both a thriving economy and civil society. Many of you recall our discussion with Federal Reserve Chairman Alan Greenspan at last year's meeting, he spoke of the importance of human capital in the 21st Century economy. The fact is, our colleges and universities, our technical schools, and our virtual campuses have never been more important than they are today. In 1959, only 20 percent of all jobs required some college level education. Today, most jobs require education beyond high school.

We already know that in the future,

Higher Education will become an absolute necessity for application to most employment opportunities. That is why I appointed lead Governors in Higher Education, Governor Paul Patton and Governor Tom Ridge from Pennsylvania, undertook this task. They skillfully provided leadership on the NGA's Future of Higher Education. Since we launched this initiative in March, NGA's Center for Best Practices has convened 23 of our states to discuss important issues, such as seamless Pre-K through Grade 16 systems and combining high school and college access facilitating actions and things of this type. Later this year, States will have the opportunity to work on a third and final goal of this initiative, better connections between the Universities and State Economic Development, and, in fact, in December, Governor Patton will be hosting ten states on this topic.

For our 21st Century economy, we need 21st Century colleges that are flexible and adaptive, that are performance-driven, that are accountable and that are customer focused. NGA explores how competition, technology, and change in the student body are driving reforms in our post-secondary education system in the various reports, and I hope

everyone has had an opportunity to see these three reports on "Higher Expectations, Essays of the Future of Post-Secondary Education," and the second, "The State of E-Learning in the States," and, lastly, "A Vision of E-Learning for America's Workforce." We have copies, of course, here available today.

I'm pleased at this time to present our Moderator for this morning's discussion, Peter Harkness. Peter, as we all know, has been editor and publisher of "Governing Magazine" since it was founded fourteen years ago. Prior to that, he was editor and deputy publisher of "Congressional Quarterly." In these capacities, he has watched government from all capacities, from Washington to the states to the cities and to the counties. Peter is a recipient of the Raymond Clapper Award for Investigative Awarding, which is awarded by the White House Correspondents Association. Mr. Harkness will moderate the discussion with our Panel Members, but I'm also pleased to welcome here today and to help us reflect on these issues -- that's the privilege of introducing them, Peter, because I am so familiar with a couple of them and the work that they have been doing -- first, I want to present Freeman Hrabowski, who is a good

friend and colleague of mine for many years. Since 1992, he has served as President of the University of Maryland, Baltimore County, and under his leadership, the University has become a major force in research and technology, not just in the Baltimore region, but known nationally, as well; a Doctor in Mathematics, Dr. Hrabowski was instrumental in the formation of the Governors Academy for Mathematics, Science, and Technology, he has served Maryland as a member of the Business Round Table for Education and the Maryland High Technology Council.

Second, our panelist is Dr. Jorge Klor de Alva, who is President and Chairman and CEO of Apollo International. Apollo International is a recently-founded global education and training company with operations in Netherlands, Germany, and Brazil, and others coming forth very shortly, Mexico, China and India. Dr. Klor de Alva has been President of the University of Phoenix and a Professor of Anthropology at the University of California, Berkeley, Princeton, and San Jose State.

And, lastly, Dr. Belle Wheelan is a President of Northern Virginia Community College, the second largest community college in the Nation. Prior

to this position, Dr. Wheelan also served as President of the Central Virginia Community College. As a community college graduate myself, I'm very, very pleased to welcome you to bring the community college perspective on this vital part of our Nation's Higher Education system.

Let me, at this time, ask Peter if you would moderate the discussion and lead the questions, and we ask the Governors to jump right in to the middle of these discussions as well. Peter?

MR. HARKNESS: Thank you, Governor. I want to say that I have something at stake here. I'm a funder of Higher Education, I just wrote the first installment of a series of checks that I will be writing this year for a young man to go to a small liberal arts college in Ohio, and the cost by the end of the year will be $30,000, and you do that four times, and it really gets your attention, so I have something at stake here.

We have an upcoming story on college enrollment, as it happens, and I got advanced text of it, and the numbers are staggering. They are now calling college entrance, Tidal Wave 2, a sequel to the demographic demands so famously brought on by the

Baby Boom. Now, between the mid-1980's and mid-1990's, undergraduate enrollment shot up by 30 percent in the Southern States, growth has been more manageable in New England and the Midwest, but the Southwest has seen increases topping 15 percent, while attendance in the far West has shot up 17 percent. These trends are not coming down, they are only going up. California alone is expected to add 715,000 more undergraduates to its public campuses by 2010, an increase of one-third over the current level. Nationwide, there are going to be 20 percent more high school graduates by 2012 than there were last June. On-line courses and joint use of physical plants are, thus, not only the kinds of cost-saving measures that any Governor can get behind, but probably the only sufficient pressure valve available to Colleges and Universities faced with a continuing enrollment boom. As one official of the California state system said, there's no way we could build buildings fast enough to accommodate the growth.

Nontraditional students, working students are swelling the enrollment numbers, and, perhaps, having the most practical impact. The State University of New York's Learning Network, an on-line

network, has doubled its enrollments in just the past year. California is pushing more students to take advanced placement courses, earning them cheap college credits, cheap for the State, that is, before they graduate from high school. Our largest state, also, is promoting increased use of summer sessions, so now almost every campus is operating year-round, and summer attendance is up almost 50 percent. Many of our elite flagship state universities are admitting more students than they had projected, as more and more of the State's best students, who in the past might have opted for the Ivy League, are now eager to attend these excellent public universities. Newly created schools are filling up fast; two-year schools are being converted to four-year schools. Increasingly, Governors, under pressure to improve their state workforces, have a sense of urgency about making Higher Education more responsive to the needs of their states and their economy. That is going to require a fundamental shift in the way of learning, aligning curricula to state needs, and finding out ways to measure what value has really been added. There is a concern that the system is not keeping pace. A substantial percentage of the echo boom of

kids are low income and minority. Most of the new jobs, by some estimates, 80 percent of the new jobs the economy is going to generate, will require at least some college. The most potent force in closing the gap in income is Higher Education, but costs are rising faster than inflation and at a time when state revenues are beginning to fall.

So Governors are asking, how can we help define the outcome; are state university systems reinventing themselves the way so many of our other institutions in our society have; are they more accountable; will they serve the interest of economic development in their states.

So with that, let me ask some of the first questions, and then I'll turn it over to the Governors. Let me ask the Panel, given these demographic challenges and the demands presented by this evolving new globalized economy, can you describe how our Higher Education system will have to transform itself in, say, the next decade. Belle, do you want to start?

MS. WHEELAN: Thank you very much for the opportunity to be with you today, and, Governor Glendening, thank you for having the good sense for

starting at a community college, and, Peter, you could have saved a lot of money if you had done that, it is a great system.

One of the things that is happening is the swiftness with which the growth is occurring and upon us and the needs of the business communities. One of the things that community colleges have always prided themselves on is being responsive to the needs of the community, and, yet, the knowledge-based economy that has hit us, left us just a little short; we didn't have the equipment for it, and because the equipment changes so rapidly, it is tough for some colleges to keep up with those formations. So one of the things that I think the Governors can do is to help in their economic development packages, to ensure that business and Higher Ed partnerships exist, because there is no way that colleges and universities can keep up with that transition in technology without the help of some extra funding. I don't know that the States themselves can put that kind of money, sometimes, that is necessary into each college for that to happen. In Virginia, for example, the Virginia General Assembly, because we are state supported, did give money for that, and it was a

significant investment and one that continues, because of the constant changing that's going on. I think that recognizing that adult learners, many times, have been away from schools so long, that there is an insecurity in going back to school, and they still want to be in a classroom where they can be nurtured by the faculty member that's there. We are finding, for example, in our on-line courses, we have over 9,000 students enrolled in our distance learning courses at my college alone, but the completion rate of those courses is only about 40 percent, because people don't realize that it is a self-paced phenomenon, and there's always something else in one's life that one can be doing rather than sitting in front of a computer and doing some work. So that while I think that e-learning is wonderful for some people, there is still a significant number of the population that's not going to be successful by doing e-learning, because we're still very traditional. Next generation coming up, it will be a piece of cake, because they are the computer generation. My son and I get into this conversation all the time, "You can't do that, Mom," and it's real humbling being a college president and having to ask your 16-year-old to go

back and get you out of a loop that you are in in the computer.

One of the other things that we are facing is salaries for faculty. There are so many more jobs nowadays that pay so much better than teaching, that we're finding it difficult to recruit new faculty, and I know that is happening on the K-12 system as well. Living in Northern Virginia, where the economy is very strong, but very expensive, our starting faculty sometimes make less than $40,000 and $45,000, which is poverty wages in Northern Virginia, and it's true everywhere, given whatever state is. So somehow putting some teeth into the salaries that go in, I think, is going to be necessary as well.

The constant conversation between the four-year schools and the community colleges for the articulation that's going on, will make life a lot easier. I don't think that people often realize that freshman classes at four-year schools are often larger than the junior class, because there's such a high attrition rate at many of the institutions between the freshman year and the junior year. There is absolutely no reason why community colleges could not fill those junior and senior classes without an

increase in the number of faculty that are needed in those four-year institutions if we had a very strong articulation agreement in place. So putting in place policies that would ensure strong articulation agreements between the community colleges and the four-year schools, I think, is something that can also help. Is that enough?

MR. HARKNESS: Just one quick question. I read in the local paper, neighborhood paper in Northern Virginia, just this last week, you are saying you may have to start turning away students at some point in the near future; is that correct?

MS. WHEELAN: It is. Our budget has not kept up with the cost of instruction. We have had a freeze on tuition for five years, and, yet, not an increase in the state funded support that comes with it. We have enjoyed a 60 percent/40 percent ratio in full-time/part-time faculty mixed, meaning that 60 percent of our instruction is taught by full-time faculty, and over the last five years, we've dropped down to 50 percent. It's not bad, because adjuncts bring a lot to the classroom, but it does begin to impact the governance of the institution, hours that faculty is available to students, so the quality of

education we begin to be concerned about at that particular point. I'm not getting enough money to invest in full-time faculty, I can't find the part-time faculty. A lot of full-time faculty are retiring. Trying to find people to replace them is becoming more difficult, and because our capital budgets were frozen this year, in Virginia, you have to have the enrollment before you can justify the space, and ten years ago, I had the enrollment of one campus to justify a building that just got to the top of the funding list and then it was frozen. So I'm running out of space, and I don't have faculty either, so, yes, real soon, I'm going to start turning away students.

MR. HRABOWSKI: The question involving the transformation of Higher Education in the next ten years, we need to begin by thinking about what is going to be most important as we think about preparing leaders for our society, as we think about preparing the general public.

The education that many of you receive will still be important 10 years, 25 years from now, a liberal arts education, and I'm speaking as somebody from a research campus that focuses heavily on science

and technology, more than anything else we can say today, is the fact that students need to learn how to think critically and need to learn how to deal with and adapt to change, and the course work that will best prepare them for that will be a liberal arts foundation, we start there. So the ability to read and think and to be curious will continue to be very important in our society. And there will be many 18- to 20-year-olds who will go to wonderful places, liberal arts colleges in Ohio or to my institution or wherever, to get that traditional education, but even within the traditional education, there will be many changes focused heavily on technology. I want my English majors to have a strong set of experiences in the use of technology. Many of my humanities graduates are getting jobs in the IT fields, not because they have majors in that area, but because they know some basic things about languages, and because, most importantly, they are comfortable with technology, but I think the biggest change that I need to think about as I focus on a research campus, is that we will have many more types of students in all of our institutions. You have those students who are well-prepared; we have more students who are

completeing AP courses than ever before, and that's heavily tied, quite frankly, to the wealth of families, the better educated the parents, the wealthier the parents, the more experiences they can give that child, and the greater the probability the child will be able to complete AP courses in high school. At the same time, as you've talked about here before, we have larger and larger numbers of children coming from poor families, whether they are minority or white, the fact is that we have large numbers of kids coming as first generation Americans. We have large numbers of people who are coming back to college, and these people, whether they are 17 or 35, have a number of academic skills issues that we have to address. And, so, Governors and states are going to have to look at both the need to make sure that we are preparing the very best for leadership positions on the one hand, while dealing with a critical factor in our society, which involves the lack of training, the poor education that so many of our children have when they are graduating from high school, if they graduate from high school. And as a math teacher, I will tell you what I said in many other states, no skill is more important than reading. So whether you

are talking about the college experience or the K through 12 experience, I do think that a heavy dose, emphasis on reading and math skills will continue to be very important.

And, then, finally, in Higher Education, I think that we are going to need to look more carefully at public/private partnerships. For my own campus, it has been great, we are in a state -- and I say this around the country -- where we have an education Governor, he has been a college professor, we are getting major increases in our operating budgets, and that helps tremendously, but it also allows us to work with companies, and I think that we are going to see partnerships at a level of intensity that we never have before, and lots of universities are looking at ways of working very carefully with companies in that region, to see how to build that economy. That means faculty going back and forth, that means companies coming in, looking at curriculums and giving advice, that means finding ways of making sure meeting the workforce needs, of not only the companies that are in the state, but those that might be coming to the state. So we are going to see a very different model than we have in the past.

MR. HARKNESS: Jorge, speaking of different models, in case anybody missed it, the first segment of 60 Minutes last Sunday was about the University of Phoenix, and it was very laudatory, or, perhaps, you could give us some background on private education.

MR. KLOR DE ALVA: Well, let me -- first, thank you very much for inviting me, inviting all of us to make these presentations, which I think are, needless to say, extremely important.

Although I totally agree with my colleagues here, I want to take a slightly different tact. Needless to say, we are firm believers that Higher Education is an industry, and we have dealt with Higher Education as an industry from the beginning. We have been at it for about 30-some years, and from 1976 to the present, we have seen the University of Phoenix grow to be the largest private University in the United States. Currently, we have about 90,000 students at the University and growing at a fairly fast rate. The distance education side of the University grew 87 percent last year, it is now at about 25,000 students, and the balance of the students, of course, are in our class-based,

face-to-face campuses, which we have about 100-and-some campuses throughout the U.S. and another 200 or so corporate sites. So that's the setting from which I'm speaking on the domestic front, and I'll begin with the domestic front.

I think to attempt to address your question, and, certainly, not to answer it, it's a huge question, but to begin to address it, I think you cannot educate for the 21st Century when you are guided by medieval institutional principles that are delivered through a cottage industry. The approach lacks scalability, the approach lacks uniformity, it lacks quality assurances, and it lacks any kind of productivity standards. And, clearly, the kind of competition that we see today in the Higher Education field comes from rethinking the notion of how the institution should be structured altogether, and that means everything from unbundling faculty roles so that, indeed, you can industrialize the process of Higher Education, to increasing productivity, to creating the right incentive structures in order to be able to incent what works and in order to destimulate what isn't working. All of that requires tremendous amount of leadership, and, needless to say, that

leadership has to come from the top. And it's a wonderful opportunity to be here with this body of Governors, precisely because I can't imagine at the state level anybody with more responsibility for addressing this issue, than, of course, the Governors.

I would begin by saying that although having more money and putting more money in Higher Education is a very important thing, I don't think that's the critical issue at all. I think the critical issue is figuring out how you make more productive and how you get a higher return on the investment that you make, on the investment that is politically feasible for you to make, because you are not going to invent money simply because you need more money, certainly, you are not going to print money because you need more money, and, so, you have to figure out how you are going to be more productive. There are a number of things that are critical in order to make that productivity possible, but I don't think that there is anything more important than the re-regulation, I won't say deregulation, but the re-regulation of Higher Education, rethinking the processes by which rules and regulations are

constructed, rethinking what the economic and productivity consequences are of the regulations that are currently in place, particularly, in a dramatically changing environment as has been described, Peter, by yourself and others here, and that means rethinking everything from the reporting structures within the institutions, from the assessment structures in the institutions, the way in which performance-driven activities can be put together, so that you are addressing both increasing values at the academic level, and, of course, increasing value to customer service and proper student services in general. And, then, tied to that, of course, is accountability, and, ultimately, an incentive structure. I would say that without the incentive structure within the institution, all of the processes of accountability and such are going to be fairly irrelevant. If everybody is going to get paid, essentially, the same amount regardless of the productivity in the institution, just exactly what incentive is there for the institution to become more productive; I have a hard time seeing it, and I spent 30 years teaching at fairly good universities, it's just not possible. The universities today are,

essentially, a cottage industry, and were I a cynical man, I would say, my God, I congratulate you, all you Governors, you have terrific institutions, please don't do a thing to change them, because, certainly, the way things are today is very good for the University of Phoenix, but if you look at it overall, given the tremendous growth in students, given the role that Higher Education plays as an industry here, not only attracting -- not only providing for the needs of the workforce, but, also, just in terms of the attraction globally for people to come into the states and to bring their money to supplement our institutions, it's clear that something very serious has to be done in order to address the productivity issue.

And I would, Peter, begin by looking at it from that perspective. If we are speaking about policy and policy implications, I would begin, you know, not focused on, you know, how do we increase more money, which is a totally different issue than the one that we are, I think, raising here, but, rather, how, given the investment that is made today, how can we transform these institutions in order to be able to be more productive, and by more productive,

means providing the right value in order to be able to align themselves with the interests of the states, in terms of increasing productivity for the state as a whole.

MR. HARKNESS: I think that will be the nub of the question that the Governors want to hear about.

Let me ask one more question, and then I'm going to turn it over to the Governors. This is on access. The greatest determinants between the have and the have-nots, increasingly, will be the degree of post-secondary education. To assure that the income gap doesn't grow any wider or that it even shrinks, we have to increase the rate that our minority and our low-income populations attend and complete college. How can we improve access and college success among our least-advantaged kids?

MR. HRABOWSKI: Let me start for this reason, I focus on very high-achieving minority students. My campus is a predominantly white campus, but we have about 20 percent Asian, and about 14 percent African-American, and about 3 percent Hispanic, and my research focuses on very high-achieving African-Americans. The students in my

special program have SATs that range from about 1200 to 1500, and we're looking at producing scientists, black scientists, we are the largest producer of African-Americans that are going into science Ph.D.'s in the Country.

Now, I say that for this reason. At the same time, I think it critical that every institution look at this very question, and I would say several things; Number 1, we need even stronger ties between our universities and our K through 12 system, and I know the Governors' group was looking at K through 16 initiatives. Number 2, we need to be focusing on preparation of teachers, particularly, teachers who can deal with children who come from families where often the family may not be doing what it needs to do to prepare the child for school -- just put it out there in that way. And, so, how do we help teachers, people who are going to be teachers, first of all, to become interested in these groups of people, whether it is a rural area or inner-city, and then how do we give them the skills that they need in order to motivate and work with those children, and, then, finally, how can states and school systems and universities and companies, the entire community, look

at a different model for preparing children, and that means everything from after school programs, because if you don't give that child the after school program, the child is in trouble after school, and to making sure the child does the homework, to summer initiatives, programs that will help supplement what goes on in that home and in that school.

So I would suggest that if we are going to talk about increasing access for minorities or for children from poor homes, we need to focus first and foremost on the academic skills preparation of those students, coupled with financial processes that will talk about ways in which we can make sure the students can actually get into college. But the biggest issue for them is that the child cannot read, I go back to that. I have gone around the country to almost 30 states, the same issue is for minority children and poor white children, they cannot read at just a basic level, and you start with that basic issue.

MS. WHEELAN: I agree with that. I think that coming to the realization that the growth that's occurring in the United States, the largest percentage of it is among minorities, and they have the lowest college-going rate, you know, because they

are, most of them will be, for this generation, first-time college-going students, and recognizing that is a big plus, so I commend you all for focusing on that.

The other thing to realize is, as Freeman pointed out, there is a deficiency in the basic skills, and unless there are some programs that will help them develop that, then they will be at my place in remedial courses. You cannot complain that we have a high enrollment in remediation if you are not going to take care of it in the K through 12 system, because they have to come to us, you want them employed, we all want them employed, and, yet, if they can't read, write, count, think, and speak correctly, they are not going to get a job anywhere in America, at least not one that's going to make enough money that will produce enough to give you enough income back in your states, so it's a vicious circle. So I think strengthening the K through 12 curriculum, whether it's after school programs, year-round school system, you know, extra stuff in the classrooms, smaller classes, whatever it takes, or we are going to continue to have this vicious circle.

Also recognizing that many adults who

come to us are also in remedial courses, not because they don't have the academic skills, but they never took those courses, first of all. Algebra II was not required when many adults graduated from high school, and, yet, it is very basic in finishing college math today, or they have been away so long, I hesitate to say that any of you who come back to college, might have to take a remedial math class, I certainly would before I could move on, so it's a question of rebuilding those skills, and in some cases, just building some awareness and some self-esteem that I can do this, I haven't been away so long that I can't do that. So it's a combination of all of that that directly impacts the economy.

MR. HRABOWSKI: It's not cool for a lot of kids to be smart in America, regardless of race. There was a recent study done in China that asked them who was their hero from the past, and the name was Albert Einstein, that speaks volumes about the values there. If we look at our society and look at the popular culture, and we look at incentives that we give kids to do different kinds of things, when is it that you see a child from high school in the paper? In almost any community, it's going to be in sports,

and that's not a disparaging comment about sports, but it says what are we doing as a society to help children to want to be smart, to do well. The first example about attitude and the importance of attitude can be found in looking at first generation Americans. There are certain groups, my students from Russia, Nigeria, come in, whether they know English extremely well or not, they are so focused and so hungry for the knowledge, that they go to the top.

So the challenge is how do we develop a climate in our society that will encourage children and families to want those children to be smart, because a kid has to want to read well and to do math and see math as cool. My son says I'm a mega-nerd because I get goose bumps doing math problems. We want every kid to get goose bumps doing math problems, that's the point.

MR. KLOR DE ALVA: I agree with what has been said, of course. I particularly agree with Belle's statement with regard to the need to tie up the K-12 side to all of this.

If I were to focus on a policy, on a very tough policy -- how would I put it -- program, more than just a decision, a program, I would say

something like the following: It is impossible to increase the participation of, let's say, African-American students, of Latino students, of students that have been, in one form or another, either more recent comers in the Higher Education field or have been low participants in it. It is going to be very difficult, again, without creating the right incentive structures and without creating the right performance and accountability. And this is the way I would approach it, and I say this having spent a good bit of time working in the State of New York in the past, heading up the Commission for the State of New York and redoing the K-12 curriculum in order to assess, precisely, these kinds of issues.

I think that the state universities have a very, very, important role to play in this issue, and I want to link this to the relationship between Higher Education and the K-12 side, how should these two pieces be linked? It seems to me that Higher Education at a local level, at the regional level, should be primarily responsible for the performance of the K-12 institutions in their bailiwick. Why do I say that? Because, generally, they are responsible for the education of those

teachers, and to a great extent, they are the ones that are providing the administrators for these institutions. If the state, for instance, were to contract with local, with local public institutions, for them to take on the job of increasing retention and increasing performance at the K-12 level, and then rewarding the Higher Education institutions for the success of that performance by linking up schools of education along with other faculties within the Higher Education system, in order to be able to provide the best minds, if you want, the best intellectual fire power that's available at the local level, to resolve what is, although a huge national issue, it is at the end of the day, a local problem. And if those two pieces were put together, that is, making local, state institutions partly accountable for the performance of local, state K-12 schools, and then rewarding them in that sense, that is, a part of that budget going through that contractual process is, in fact, linked to the performance of the local schools. If you want, bailiwick, that's one thing.

The second thing is that the state itself, in order to make that possible, has to do the intellectual heavy-lifting, that is, from the

Governors on down and their staff, they have to take it upon -- your position, in my opinion, is one of the very few positions within the government structure where you can do some heavy intellectual, how would I put it, intellectual investment, that is not only at the political level, but at the level of a policy guidance that would permit you to, while taking in as much input as possible, permit you to focus on what it is that you think the state needs in terms of their K-12 and Higher Education system, and once you have a certain clarity, and I don't mean it with a series of specificities of regulation, but a certain clarity from the PR side of what it is that the state needs, so that then the kind of contracting could be guided in a way that has political support and at the same time, at the end of the day, it would have support from the faculties and otherwise, because I think faculties do want to become engaged in this issue, and they also want to be rewarded for this, and I think the institution should be rewarded for it, and I think it goes back to the question of productivity again. So, that, without necessarily increasing budgets, the issue here is that you change some part of how the Higher Education is funded, so that that Higher

Education can truly take responsibility for the performance of the K-12 below them, and I don't just mean that as mere oversight, but significant participation in the development of policies within K-12 in order to make Higher Education, ultimately, a reality for a lot of students who are just not going to participate in it otherwise.

MR. HARKNESS: The Governors' Initiative on Higher Education is run by Governors Ridge of Pennsylvania and Patton of Kentucky, why don't I turn it over to them for the next questions.

Governor Ridge?

GOVERNOR RIDGE: I would like to just change our focus a bit from K-12 to Higher Education itself, because the discussion with regard to performance standards and assessments, accountability and money that the Governors have focused on over the past several years, and we think we are making substantial progress in K through 12, for a long time has been not part of the discussion with regard to Higher Education. We don't really talk in terms of performance standards, assessment tools, and accountability. We do talk a lot about money. We have this rich diversity of both public and private

schools in Pennsylvania, well over 100 institutions, and the State itself is in direct control of 14 of them. It seems to me over the past couple of years, as Governor, I have noticed that tuition in all of these institutions has gone up much, much faster than inflation, in some years went up faster than pharmaceutical costs, and one of these days, the American public is going to say, enough. We talk a lot about access, but it just seems, again -- and I say this respectfully -- part of it is predicated upon your ability to finance that education, and there has been, seems to me in recent years, very little control on the cost of Higher Ed.

So understanding, of course, that there is always a debate about financial support for Higher Education, it would be, I think, very productive at the same time we're talking about more money, we talk about assessment tools and standards of performance, and I'm just very interested as we look anecdotally, particularly, at public education, public Higher Education, where graduation rates are not as good in private schools, where students are taking five, six, seven years to get through traditional four-year programs in the social sciences, and I don't mean

nontraditional students. So we have, tuition goes up, curriculum isn't quite as relevant to the work world, students are spending longer in school, spending more money, and it just seems to me that Higher Education has a responsibility, while we appreciate the nexus that you are trying to create with K through 12, when we talk about standards and assessments, could you make any recommendations, just generically, to all of us, because I think you have rightly identified we have to do some of the heavy lifting in terms of directing our public Higher Education, could you make some recommendations with regard to performance standards, assessments? Obviously, the tools we are using in K through 12, we can't use, we are not going to test the student body, the curriculum is much more diversified, we can't use the traditional tools, but could you make some recommendations?

MR. HRABOWSKI: Several points. The American Council on Education recently did a study of opinions of the public regarding the cost of our education, and I would recommend that you look at that study, because it does suggest that while people want to make sure that costs don't go out of hand, that people have been fairly satisfied with the costs.

GOVERNOR RIDGE: I'm going to stop you right there. That's a pretty self-serving study. I sit down and talk to a lot of parents of kids that are going to my schools -- and I don't want to get into an argument with you -- but tuition keeps going up, kids are staying longer in school, and a lot of these kids coming out, they're not prepared for the marketplace. I can understand why you have the study --

MR. HRABOWSKI: There's the study, you can make of it what you will, Governor.

What I would suggest would be several things. Number 1, that we look at what employers have to say about the graduates. It seems to me that universities are working more and more closely with employers, because you want to know, first of all, what do the employers say about the students who are coming from those institutions, in terms of level of preparation, whether or not they have the right attitude, whether they have the skills they need. More important than any other group, it seems to me, if we are talking about building the workforce, we want to make sure that those companies are saying, yes, we want more of these graduates, because they are well-prepared, we start there. For us, we look at the

employers, we look at students going on to grad and professional schools, because we are trying to produce physicians, for example, we want to make sure they are well-prepared for that profession.

And, then, secondly, it seems to me, that we look at the amount of time that it is taking. One of the points that I say to parents all the time concerning the length of time, many more students are working part-time while going to school, I think it's important to look at that population. In fact, we often encourage our students to take more time in college while working on the outside, particularly, in certain disciplines, in technology, for example. So a great model will be a student will work 15 to 20 hours on the outside, a week in technology, he makes good money, he's going to school, he has been able to connect what he does in the workplace with what he does in the classroom, so he or she may take five, five and-a-half, six years, but when he or she gets out, what's very clear is the student is well-prepared, the student has been making money to help with his or her education, and that company wants to employ that person full-time.

So I wouldn't want you to think that the four-year

period is necessarily the ideal model for everyone, it is very important, but I would say looking at what employers say, not only in terms of the graduates and how they do, but are there connections between those employers and those academic departments to make sure that we are covering that material which is most important. You talk about the liberal arts foundation, but in a lot of disciplines, the real question is are the students getting what they need.

One of the really great points about that is that often our students will come back from a technology company and say they're not doing it like that anymore, and that's great, that's good, you want that kind of connection, so I would see that as one approach that you could take.

MS. WHEELAN: Of course, Governor, our students are different. Seventy percent of my students are part-time, they are working, they have families, and, so, those traditional assessments that we've had for generations for assessing successes of Higher Educational institutions, won't work at community colleges. Only a third of the students come to us, and this is generically, with the intent of transferring. Another third of them come with the

intent of getting a degree or certificate that will put them in the job market. And, so, the things that we can look at, and I think would probably work, are not just graduation rates, but also transfer rates. Many of our students will transfer before they get a degree from us, which is painful for us if you are measuring me on graduation rates, and, yet, I think I have been successful if, indeed, the student came to me with the intent of transferring eventually anyway, if they transferred before they graduated. So transfer rates is another one.

I think completion rates of certificates, which are generally not considered, because it is either graduation, and a certificate completion is not graduation. If our students came to us, as many adults do, to take two or three classes that will then get them a promotion on their job, that's certainly a successful thing, so the promotion rates that people have in their jobs, getting jobs. We are becoming the graduate schools of the 21st Century, because all of his liberal arts majors are coming back to me to learn the skills so they can go out and get a job, because the business and industries are saying that they want people with liberal arts

education, but then they also need those technical skills, so that's why we have the partnership with our two institutions, so that can go on.

I think, also, looking at the amount of money that's spent on curricular issues or instruction as opposed to, you know, other parts of the operating budget, is significant. We have no research dollars in community colleges because we don't do research unless it is anecdotally, but we are putting our money in actually educating students. So looking at -- when you look at the fact that I have put in a million dollars in technology this year, look at the fact that I also had a 12 percent increase in the number of students who took technology-related classes.

MR. HARKNESS: Governor Leavitt, did you want to interject something?

GOVERNOR LEAVITT: I'd like to ask a question or at least make a point. I have observed with interest that many in industry feeling some level of frustration with the speed with which our system has responded, has really created their own level of measurement, competency measurement. They have begun, through the development of various certification programs, a measurement of competencies, they define

what a student needs to know, not just in a training sense, but skills they need -- academic skills they have been able to demonstrate.

I am curious to know if there is any view on the part of the Panelists that we could begin to see more competency-based degrees as opposed to the traditional Carnegie credit degrees dominating; it solves the transfer problem; it creates an entirely new currency; competency is the currency, as opposed to credit, which each institution has, and in some respects, as someone mentioned earlier, a kind of futile system where everybody has their own currency, and creates their own sense of value, I'd be interested in hearing the response to that.

MS. WHEELAN: I think that's one of the reasons that community colleges have had the reputation of being responsive so quickly, because that's exactly what we have done, we have opened our doors and worked with those companies, such that we can offer those certification programs, and not only are our students going through them, but Freeman's are coming. Those are the kinds of programs that the students are going back through, just the hard skills. The challenge is the businesses are also complaining

that the employees don't have what we call soft skills, showing up to work on times, knowing how to work with teams, and that's not something that those certification programs teach, so somewhere down the line, they have to get those as well.

GOVERNOR LEAVITT: What about an associate that's competency based as opposed to credit based?

MS. WHEELAN: Well, but they are competency based, because the courses themselves have competencies built in, such that in order to complete this course, these are the competencies that they will have.

GOVERNOR LEAVITT: But there are many students, employers tell me, who come through systems, and whether it's a high school diploma or whether it's a college degree, and they don't know what they know, and in many cases, they don't know what they think they ought to.

MS. WHEELAN: That's true. When you complete competencies, you pass them or you fail them, but you are passing them with a 70 percent knowledge versus a 90 percent knowledge, so you are still going to get that range of, "I'm not sure if I know what you

think I know or not."

GOVERNOR LEAVITT: Well, it seems to me that one of the things we ought to be talking about in the context of degrees is how much is enough, and how much is good enough, and what should a person know. I've looked at a college catalog and I've seen, the fact is, the truth is that many professors want to teach what they want to teach, what they are interested in, and what you get is a credit based on whatever the professor decided that they would offer, and there is no uniformity in many cases as to what constitutes an acceptable level of competency. I think -- I had a large employer tell me, it was an eight billion dollar company, if I miss one product cycle, I'm dead, and my biggest problem is I'm not seeing that -- I don't know what they know when they come to me, and I'm having to, as someone said, I'm having to retrain them.

MR. HARKNESS: Klor, you must have strong feelings on the subject.

MR. KLOR DE ALVA: I sure do, but I'm a patient man. I think that both the issues that Governor Ridge and Governor Leavitt are raising are right at the heart of what this conversation should be

about.

I want to first discuss Governor Ridge's issue connected to Governor Leavitt's. The issue here, going back to my notion here of re-regulating, I think at the heart of this kind of assessment structure, whether it is competency-based, however it might be, it is what kind of reporting structure one puts together. There is, for all practical purposes today, in Higher Education, a relatively -- how would I put it -- in the best sense, weak, and, conceivably, one might even say, misguided set of reporting structures. What is the information that institution really, really needs in order to be able to perform it's job, and to perform it, once again, productively, and that has to be closely tied to what it is that you want to assess, what is it that you are expecting from the Higher Education institutions. That kind of clarity is the kind of clarity that has to come from the state on down, what is it that it wants to assess, and it certainly cannot be the same thing that the professors want to assess, because we are just not -- these two groups are just not in the same business, they may be into the same goals to some extent, but they are not in the same

business. I think that the state has to have pretty good clarity on what it wants to assess, and, therefore, be able to, then, if you want, command the kind of regulatory, the kind of reporting structure that it needs in order to generate the database necessary to be able to make the assessments with regards to accountability, the assessments with regard to performance, etc.

At the University of Phoenix, we have, I believe, far and away, the largest, most robust institutional research process of anyplace I have ever seen, whether it's Berkeley where I taught, whether it's at Princeton, whether it is at SUNY Albany where I taught, or Santa Cruz, they have nothing like it. Never in my life, 30 years as a professor that I ever filled out the forms, we have faculty, students, staff members fill out on a continual basis, to be able to make sure that we are not making policy on the basis of long committee meetings, hunches and anecdotes, but rather, what's the data on the issue at hand and what is the goal that we want to achieve based on the data that we have at present. Now, that's part of my response to Governor Ridge.

I would tie that to Governor Leavitt's

response in the following way. All of our education is outcomes-based, and all of our education is outcomes-based, I'd have to say practically over a lot of people's dead bodies, and, certainly, a lot of regulators' dead bodies, and a hell of a lot of lobbying money has to be put into it in order to help bring some sense in some states about what it is that Higher Education ought to be doing for its own citizens. And one of those things is that if you are going to pay someone for the incredibly high-stakes issue of educating a person in order to be able to earn a living and produce a tax revenue for a state, that person should be held accountable to something, and at the very, very least, is accountable to the performance of the students in that class by standards that go far beyond the subjective standards of this cottage industry, where I decide what I'm going to teach, I'm going to teach it my way, and I know it's a different way from others, but that's the marketplace for ideas, that's fine and good, and conceivably that's fine and good in literary criticisms. I think it's a total disaster in many other fields, particularly the fields that at the end of the day have to generate the tax revenue to keep the state

going.

So I think that outcomes-based education, not unlike the way Governor Leavitt has invested a great deal of time on already, but moving along those lines, where you are, once again, you are establishing regulations for the right purpose. I'll give you one example. How can you continue to support -- and I am not saying that anybody here does -- but how can anyone, in general, continue to support the, let's say, the 12th Hour Rule for distance education? What is the 12th Hour Rule in a distance education setting? It doesn't make any sense at all. How many hours I sit in front of my computer, how long my computer is on, who is monitoring me? Obviously, it is impossible, and it is at that point that you must shift so strongly to outcomes based. The reason why the University of Phoenix, just the distance education side of it alone is now an over $2 billion market cap part of our enterprise, the reason for that is because it is so strongly tied to outcomes. You want to teach for us, these are the outcomes you are going to have to meet and they will be reviewed on a continual basis. If you want to be a student here and you want to graduate, here are the

outcomes you are going to have to meet, and if you are going to miss some classes, I'm sorry, you are going to be dropped from the class, administratively dropped from the class, because our job here is to make sure you get to where you are going to, make sure you get to why you paid us money to get there, and that requires a reporting structure and assessment structure and an outcomes-based orientation that is got to be very, very powerful and very consistent, and I think with these kinds of tools within the public Higher Education structure, I think that it would go a long, long way to resolving many of the issues we are addressing here.

MR. HRABOWSKI: One of the advantages of places like the University of Phoenix and Silvan Learning and the different companies is that those institutions have been customer focused and have pushed the rest of us in traditional Higher Education to think carefully about what we do. Some of my colleagues in my own state were bothered when the University of Phoenix came to the state, and my response was if we are doing what we are supposed to be doing and we're educating students and giving them the kind of attention that they need, we shouldn't be

worried about somebody else coming in. Competition can be a good thing. We know that the Higher Education system in our Country is the ending of the world, people come from all over the world to come here, and, yet, we can be better. There is no doubt about that.

Governor Ridge, you asked a question that I continue to think about, between your question and Governor Leavitt's question, several things come to mind. We will be transforming Higher Education in that while we continue to have credit programs, as we have now, we will also have those students taking certification programs. We have more and more students who are taking certification programs in that area. We actually have a company on the campus that focuses on certifying people in certain skills beyond what they get in their traditional program, and I think we'll see more of that. We have more and more students who are taking classes in the school, in the facility, and by technology in distance learning. So you are going to have balancing, you have to have a combination. But it seems to me that at the end of the day -- I go back to this -- the question is are the citizens in your state pleased with what the

universities, community colleges are doing with their kids and with people who are not children; do they feel that the institution gives the student the kind of support and attention that he or she needs; do they feel that that institution is providing that student with the education necessary to get a good job, and, so, I go back to the idea that employers are very important, but I would also add families and the alumni are very important. When a student has been out for five years, do you believe that you got a good education; have you been well-prepared for what you are doing right now. And, to the families, the question is what can you say about your sons and daughters who went to this institution.

Now, for the most part, when you talk to families, one of the things is very clear, they sent one son there or one daughter there, and that person got a good education, got a good job, and they sent the next person there, and for us right now, we can't take all the students we want to take, families are saying, we like what you are doing, and in most of your states, that is the case. Can we be better? Yes. Do we need ways of documenting what we are doing? Yes. And that's why I'm saying, looking to

see what institutions are doing right now, in talking to employers, in talking to alumni, in talking to families can be very helpful, and building on that in terms of policies that would say it's critical to do that, can help us ensure that we are listening to the clients.

MR. HARKNESS: Governor Patton?

GOVERNOR PATTON: One thing I think we can all agree on is we have to make major increases in the quantity of post-secondary education in this Country. In our state, we are looking on the magnitude of 60 to 80 percent increase, we aren't talking about just a small amount of increase, quantum increase.

Now, two things, how do we motivate our people to take advantage of it, and that's a whole new subject, then how could we afford it? Let's assume we can motivate a 60 to 80 percent increase in the participation in Higher Education, how could we afford it, how can the public institutions afford it, how can the people afford it? Now, this gets to the point, Peter, that you said early on, that the cost is rising faster than inflation, and I am assuming you are talking about per unit cost. In most areas, even in

some areas of the government, the per unit cost, because of technology and other efficiencies, is decreasing. Is Peter's statement, in fact, true, and I suspect it is based on the tuition, and why is that? When can we expect that there is a decrease in cost, because that's the only way that I can see that we can get a quantum increase in quantity. I don't see a linear increase in financial resources devoted to an increase in education, I think it has to be an exponential increase in output for the input in additional resources. So why is not per unit cost, why isn't there more efficiency in post-secondary education, why is there not a reduction in per unit cost of education?

MR. HRABOWSKI: Let me start with the obvious part of this answer, which has to do with the science and technology part. In Maryland, the Baltimore/Washington corridor, I mean the Virginia up to Baltimore is filled with biotech companies, information companies, brain power is at the core of any economic development issue, and when you talk about the states that are going to be most competitive, they will be the states that can attract the smartest people, because smart people attract

other smart people, smart people are generating ideas, ideas will lead to companies, and it makes a big difference. Well, those people are very expensive, they are expensive, and what goes with them is very expensive. I may spend a million dollars bringing in an x-ray crystallographer, this guy may be able to bring in a millions of dollars in grants and help us start companies in the process, so you have to see that expense. What I would suggest is that as we work more carefully in a coherent way with companies, we should be able to talk about attracting the smartest people to a state and looking at ways of being able to have them working in public/private partnerships and generating revenues through some of the activities that can be helpful in building the workforce. And I would suggest that there is that kind of correlation between building the brain power and what it costs for that, and having the kind of productivity that can lead to additional revenues, that can be helpful to the Higher Education institution in supporting people.

MS. WHEELAN: You are also talking about old buildings that have to be renovated to accommodate the new technology, and I think you know it's a lot less expensive to build a brand new

building than it is to renovate an old one, that's one of the problems. Our buildings, you know, community colleges, even though we are a hundred years old this year, really, the majority opened in the late '50s and early '60s. We didn't have the kind of technology then that we have now, and it takes more space to put in a computer lab than it does a general classroom, so I'm shrinking the amount of space that is available when I put in new technology, which means new money. I think one of the challenges that you have is to separate in your own mind the difference between a capital budget and an operating budget, and I'm not sure all Governors do that. You see this is what Higher Education wants, and I think it is a big difference when you start talking about costs and the bang for your buck. There is no way that I can be responsive to Cisco and Oracle and all of those other companies if my building is not wired. And, so, those are costs that are ongoing costs. The staff that it takes to keep that technology going is an increased cost. That's why, I think, in the last five years, anyway, you have seen such a major increase in the requests that are coming from Higher Education, you have got old buildings to renovate in addition to

faculty salaries. Additionally, for us, we are seeing an increase in the number of students that are coming with special needs. Have you priced tutors or interpreters and note-takers lately? Those are professional skills that are getting $20 and $25 bucks an hour that the Federal Government is mandating that I provide, but it is an unfunded mandate, so I have to get the money from somewhere.

So I think all of those things you need to think about when you are asking, why the costs have increased, and then go back and find some ways to assess, was it worth the investment.

MR. HARKNESS: Afraid our time is running short. Governor Leavitt, I saw your hand up.

GOVERNOR LEAVITT: On the matter of costs, I think there are all kinds of institutional, but I like -- reasons that it is happening -- but I would like to say that the solution is a culture change that does not worship process. Just a quick anecdote. There's a high school teacher in our state, I visit the high school, six hours from the closest Metropolitan area, he and 13 students wired their own high school, they got a grant to put servers in, can't get factory-authorized personnel, so they go through a

correspondence course and get the students authorized. He has created a wonderful model, he's begun to learn, he's figuring this out by myself, he starts teaching some classes at a community college nearby, he decides he wants to get a Master's degree, he applies, he is told that he doesn't have the prerequisites, because of his discipline, to take a Master's degree. They calculate, with a counselor, that if he had taken the classes he had taught, he could be admitted, but because he hadn't taken them, he'd only taught them, he had to go off and get a Master's degree in education administration, not technology. Now, there's a system that doesn't recognize that we have to measure what people learn, not how many times they have jumped through a hoop and that it is not my course taught at my institution in this way that constitutes quality. As long as we are worshipping process, we will never get at the heart of this cost issue. But when we begin to measure outcomes, measure learning and value learning, not the process, we'll then get at the heart of it, because we'll realize that people are learning lots of different ways, and that Higher Education ought not to be just about -- not just about the process of imparting knowledge, but

it ought to be measuring and certifying and validating knowledge that comes from lots of different ways. That's the heart of the price issue.

GOVERNOR PATTON: I would like to add to that, and that's the heart of the issue, is that I believe we have too many people in the academy that believe that the only way you can do it is you have one professor repeating the same knowledge that they have acquired to twenty students and they do it semester, after semester, after semester, ignoring the fact that there are all kinds of technology to allow that individual to accumulate that knowledge more efficiently and on their own schedule. And then the professor needs to be the person to evaluate have they, in fact, mastered the discipline. And until we get that kind of mentality in the academy, we have a major problem, and with the accrediting agencies being so nominated by the traditional academic information, I don't know how we are going to get there, but Mike's exactly right, we have to acknowledge the fact that there are different ways to accumulate the knowledge than standing -- sitting in a chair for 18 hours a semester, listening to a professor repeat the knowledge that you can get a whole lot faster, a whole

lot more interesting, in a whole lot of different ways. There's the crux of the problem, and I think Phoenix University understands that, I'm afraid a whole lot of the publics don't.

MR. HRABOWSKI: I think a lot of them do. I think it would behoove you as Governors to go back and ask the question, it's an excellent question, we do need more flexibility in our institutions, in our approaches, and, I believe, I know for a fact, that in a number of institutions, people are working towards that flexibility. It might be helpful for you to go back and ask to what extent are we looking at well-based education, we talked about different approaches and balancing -- up-in-front people speaking balancing versus using technology. I think you may find there is much more going on than you think, and we need to encourage that and give incentives to move in that direction.

MR. KLOR DE ALVA: Well, I certainly agreed with the issues raised here by Governor Leavitt and Governor Patton's response, actually, to Governor Leavitt. I think that cottage industry is highly, highly inefficient. Without the cottage industry, probably, the University of Phoenix would not exist.

I mean the fact that it has been the Ford Motor Company versus the cottage industry, I think that without the issues of scalability being in mind, without developing those scalable processes, standardization processes, technology in order not to reinvent things over and over and over at a very, very high cost, I think that the price will continue to rise, but I think if you want to drop the per unit cost, there is only one way to drop the per unit cost in absolutely anything, you have to amortize those costs over a larger customer base, and you can't amortize those costs unless you introduce scalability into the process. I think technology is one way, but re-regulating the Higher Education system so that you have the flexibility that Freeman is speaking about is absolutely critical to that process. It is, to a great extent, a cultural issue.

MR. HARKNESS: I'm afraid this session is too short, just as we're getting into it, we have to call an end to it. Thank you very much to our Panelists, thanks to the Governors.

GOVERNOR GLENDENING: Peter, thank you very much for your leadership, but let me also say, I'm very pleased, this is actually the beginning of

the three-year effort on Higher Education for the National Governors Association. As we all know, this Association has, almost since its beginning, a hundred years ago, focused on the issue of education, but for the most part, that focus had been on K through 12, the preschool issues, and things of this type. This will be the first concerted effort on Higher Education. As you can tell by some of the questions, and, unfortunately, there were some additional comments and questions that we didn't have time to accommodate, but you can tell that this next three-year effort is going to be very exciting and extraordinarily important.

I would mention real quickly a couple of additional points on this topic. One is that I think everyone here saw in October of last year an article that was in the Wall Street Journal that asked the question of top CEO's for emerging technology companies, "Where do you make your decision about location and investment," and there were ten possible responses. Number 1, overwhelmingly, was the quality and the degree of the workforce; Number 2, was the location of major institutions of research, including the universities; Number 3, was quality of life;

interestingly, 10 out of 10, was tax incentives and cash incentives for location, which means that if prosperity is going to continue, obviously, the key is focusing on this Higher Education.

I would note as we go through the next three-year discussion, I think they are going to be the very issues that are raised here, not only by our two co-chairs and Governor Patton and Governor Ridge, I certainly appreciate your effort, but issues, for example, of accessibility. We don't say to an eleventh grader, oh, you can't afford to go to the twelfth grade, you have to leave school, but a year later we say to a lot of people, you can't afford to continue your education, I'm sorry, and, yet, somehow or other, we are going to have to, as a society, come to grips with this, otherwise, we are cutting too many people off from the potential. I would also note on the issues of accountability, I sat here with absolutely, almost like a bipolar disorder listening to this, because remember, now, I came from the academic community, and I can remember during the recession in the early 1990's when various legislatures, including Maryland, tried to address the issue of accountability. They actually distributed to

faculty members, class contact hour sheets where we filled out how many students were we actually teaching. Well, I had one class that had 425 students in it, and so I was way up in the class contact hours. I have no idea if that meant I was doing anything worthwhile or teaching anything worthwhile, but everyone loved it, because I was doing the high productivity.

These are some of the issues that we are going to have to address. I would note in addressing these types of issues, one of the things I think is probably most workable, in addition to dealing with the issue of accessibility is to have a really competitive system, and I think that's going to be the key. And when I say competitive system, in Maryland, for example, we just made a major addition of investment in our community college as to both capital and operating, and we are saying to people, if you think you can get your best buy, business leaders, we're building on what Jim Hunt suggested a number of years ago in the regional technology centers, if you think this is where you should be, then that's where you put your money. Our state law prohibited, actually, Phoenix from opening degree granting

institutions in Maryland until recently, we changed that. Even though I came from a traditional background, because we are saying to our standard colleges and universities, you have to go out and compete with the Phoenix Universities of the world, and then at the same time, we are saying to our major research institutions and teaching institutions, you are going to have to set your goals and you're going to have to tell us how we should hold you accountable, and there are many, many ways of holding Higher Education accountable, just the way we tried to do it at K through 12, except that the measurement devices have got to be considerably different; where are the graduates going; what do the employers think of the graduates; what is the success in terms of the spinoff and research and all.

So I think this is going to be a very, very exciting three-year effort, and I thank my colleagues for supporting this, but from the enthusiasm from the questions, I think we are going to have a heated debate over the next several years as well, which is good, just as it has been on K through 12.

Let me ask if we could give Peter

Harkness and the Panelists, Belle, Freeman, and Jorge, a round of applause.

(APPLAUSE)

(PLENARY SESSION IN THE ABOVE-ENTITLED MATTER CONCLUDED AT 11:15 A.M.)

C-E-R-T-I-F-I-C-A-T-E

I, ANGELA M. GALLOGLY, RPR, do hereby certify that the foregoing transcript is true, complete and accurate, taken at the time of the above-entitled matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of August, 2001.

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ANGELA M. GALLOGLY, NOTARY PUBLIC/RPR
MY COMMISSION EXPIRES: 8/8/2004