

1 NATIONAL GOVERNORS ASSOCIATION

2 Winter Meeting

3 February 21, 2015

4

5 JW Marriott Hotel

6 Salons III and IV

7 1331 Pennsylvania Avenue NW

8 Washington, DC

9

10 Opening Session

11 Governor John Hickenlooper, Colorado, Chair

12 Governor Gary Herbert, Utah, Vice Chair

13 Guest: Danny Meyer, Chief Executive Officer,

14 Union Square Hospitality Group

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1 P R O C E E D I N G S

2 (11:10 a.m.)

3 GOVERNOR HICKENLOOPER: Please take your
4 seats. The program will begin very shortly.

5 **(Pause.)**

6 Ladies and gentlemen, please take your
7 seats. All right, ladies and gentlemen now we're
8 getting there. It's actually pretty good for us on a
9 Saturday morning.

10 Welcome. It's great to see so many
11 friends who I haven't had a chance to see in the
12 meeting so far. Certainly as NGA Chair I want to
13 take this opportunity to welcome everyone to the 2015
14 NGA Winter Meeting. We have a very exciting weekend
15 ahead of us. I'm very glad to see all of you here.
16 I appreciate the effort you have all made to get
17 here.

18 Part of the rules require that any
19 governor who wants to submit a new policy or
20 resolution for adoption at this meeting is going to
21 need a three-fourths vote to suspend the rules to do
22 so. This is a long-standing rule. Please submit any

1 proposal in writing to David Quam of the NGA staff by
2 five o'clock tonight.

3 I also want to take this opportunity to
4 welcome the new governors who were able to make it
5 here. And I think they are all here. Maybe one or
6 two had earlier meetings, but you can just kindly
7 stand up and wave as I read your name if you're here.

8 Alaska Governor Bill Walker. Arizona
9 Governor Doug Ducey.

10 **(Applause.)**

11 GOVERNOR HICKENLOOPER: Hello, governor.
12 There we go. Arizona Governor Doug Ducey. Arkansas
13 Governor Asa Hutchinson.

14 **(Applause.)**

15 GOVERNOR Hickenlooper: Hawaii Governor
16 David Ige.

17 **(Applause.)**

18 GOVERNOR HICKENLOOPER: Maryland Governor
19 Larry Hogan. Is he here? I don't see him.
20 Massachusetts Governor Charlie Baker. I know he was
21 going to try and get here. Pennsylvania Governor Tom
22 Wolf Not here. Rhode Island Governor Gina

1 Raimondo. No, not yet. You can tell who had a
2 really good evening last night.

3 **(Laughter.)**

4 GOVERNOR HICKENLOOPER: Virgin Islands
5 Governor Kenneth Mapp.

6 **(Applause.)**

7 GOVERNOR HICKENLOOPER: So congratulations all
8 new governors. We are delighted to have you here.

9 I also want to recognize our guests from
10 the White House Office of Intergovernmental Affairs,
11 Jerry Abramson and Adrian Saenz. Thank you both for
12 being here. Where are you guys? They're here
13 somewhere. There they are, over there.

14 **(Applause.)**

15 GOVERNOR HICKENLOOPER: We also have a
16 significant international presence at the Winter
17 Meeting this year. I would like to take a moment to
18 recognize our guests: Governor Jorge Herrera from
19 Durango, Mexico. Eduardo Medina-Mora, the Ambassador
20 of Mexico to the United States.

21 **(Applause.)**

22 GOVERNOR HICKENLOOPER: They led a sizeable

1 delegation from Mexico.

2 We also have Premiere Paul Davis from
3 Newfoundland and Labrador here.

4 **(Applause.)**

5 GOVERNOR HICKENLOOPER: Ambassador Gary Doer
6 of Canada to the United States.

7 **(Applause.)**

8 GOVERNOR HICKENLOOPER: I think they have a
9 delegation from Canada, as well.

10 David O'Sullivan, Ambassador of the
11 European Union to the United States, and a delegation
12 from the European Union.

13 **(Applause.)**

14 GOVERNOR HICKENLOOPER: And then delegations
15 and representatives from Chile, Japan, New Zealand,
16 Peru, and Singapore. Thank you guys all for coming
17 and all of you for making the effort.

18 At this time we want to recognize several
19 companies, as we always do, that have maintained a
20 sustained commitment to governors throughout their
21 participation in the NGA Corporate Fellows Program.

22 The Corporate Fellows Program was

1 established in 1988. It facilitates the exchange of
2 expertise and knowledge between governors and
3 America's leading companies. With their annual
4 contributions more than 125 participating companies
5 provide crucial financial support for the nonprofit
6 NGA Center for Best Practices.

7 NGA's relationships with private-sector
8 leaders are invaluable in helping the Center achieve
9 its mission of providing governors with evidence-
10 based ideas that work.

11 Today we recognize several corporate
12 fellows who have reached major milestones in their
13 tenure as members. Please join me in thanking the
14 following companies for their long-term membership in
15 the Corporate Fellow Program. And if you could have
16 a representative of your company come up and join me
17 at the podium as I call your name:

18 Daniel Womack with the Dow Chemical
19 Company, 25 years.

20 ***(Applause and presentation.)***

21 GOVERNOR HICKENLOOPER: And just in case you
22 doubted that there was a reason to remain in a

1 committed partnership, after 25 years you get these
2 remarkable weights.

3 ***(Laughter.)***

4 GOVERNOR HICKENLOOPER: Trey Paris with
5 General Electric. General Electric has also been
6 with us for 25 years

7 ***(Applause and presentation.)***

8 GOVERNOR HICKENLOOPER: Little known fact
9 that Trey Paris happens to be the best squash player
10 in all of the world of government relations.

11 ***(Laughter.)***

12 MR. PARIS: It's a pretty narrow universe.

13 ***(Laughter.)***

14 GOVERNOR HICKENLOOPER: Roman Gabriel with
15 Prudential Financial. Again, Prudential Financial
16 has been with us for 25 years.

17 ***(Applause and presentation.)***

18 GOVERNOR HICKENLOOPER: And then last, Richard
19 Buckley with AstraZeneca, and they've been with us
20 for 20 years.

21 ***(Applause and presentation.)***

22 GOVERNOR HICKENLOOPER: All right, so please

1 give one more hand to all of these companies for all
2 their outstanding support to the Center for Best
3 Practices.

4 **(Applause.)**

5 GOVERNOR HICKENLOOPER: Now I want to take
6 just a minute to talk a little bit about the Chair's
7 Initiative. When I became Chair last July, we began
8 the year-long Initiative "Delivering Results". And the
9 goal of this Initiative is really to make state
10 government work in the most effective, cost-efficient
11 ways possible.

12 State government touches lives, touches
13 people's lives, in so many ways, and its scope and
14 scale today is wider and farther reaching than really
15 ever before. I think it is more important as well,
16 more important than ever, to ensure that state
17 governments are using tax dollars effectively to
18 deliver on their promises.

19 "Delivering Results" as an Initiative
20 continues to focus on improving the efficiency and
21 effectiveness of core state government functions.
22 That is, how the state can hire and develop talented

1 teams, and make sure we use state of the art
2 systems for making sure that we not just hire talent
3 but retain it.

4 Secondly, that we adopt innovative
5 performance improvement and management practices that
6 use data and evidence to improve processes and
7 policies that we're constantly trying to create
8 systems of continuous improvement.

9 And then thirdly, engage stakeholders and
10 constituents to improve regulations and requirements
11 to protect the public good to make sure we have a
12 level playing field but at the same time getting rid
13 of onerous regulations and rules from state
14 government.

15 Those are the core tenants of the
16 "Delivering Results" Initiative. We've spent a lot of
17 time in Colorado, and I know a lot of you have in
18 other states as well, working on this effort.

19 Governors are the chief executives of
20 their states, and we all have a unique ability but
21 also a unique responsibility to improve the way
22 government works. We often say that we can argue

1 about whether government should be larger or smaller,
2 but I think we all believe the government's got to
3 work.

4 Many states are adopting innovative
5 practices used by businesses or universities or
6 others to address the fundamental issue of
7 delivering better governmental results to people.

8 One example: in Michigan there is a new
9 website that provides information to the public on
10 performance in key areas such as economic growth,
11 economic strength, health, education, public safety,
12 things that people care about.

13 In Washington, Governor [Jay] Inslee has
14 instituted Results Washington, a wide-reaching effort
15 to ensure that all of state government is focused on
16 achieving a set of high-priority goals, including
17 world-class education, healthy and safe communities,
18 and a prosperous economy.

19 In my own state of Colorado, one of the
20 things we did immediately after taking office four
21 years ago was travel around the state and engage
22 communities and business leaders to see what they

1 thought the state should be doing and really creating
2 an economic development plan for the state from the
3 bottom up. Part of what we heard was, again and
4 again in every part of the state, get rid of
5 unnecessary rules and regulations.

6 In response, in Colorado we established
7 what we called Pits and Peeves. To this day, I'm
8 not quite sure where that name came from, but we have
9 reviewed over 16,000 rules and regulations, and more
10 than half of them were either eliminated or
11 significantly modified and simplified.

12 We have also adopted lean process
13 management systems in the state capital. We've gone
14 over 120 lean processes now. It means that, you
15 know, our government processes are constantly trying
16 to be more efficient, faster, and less troublesome to
17 the citizens we're serving.

18 "Delivering Results" is an Initiative that
19 seeks to shine a spotlight on the cutting-edge
20 practices so that we can learn from each other's work
21 and really be able to implement more easily into our
22 own states.

1 In the fall of 2014 we had a series of
2 expert roundtables to learn about current research
3 and practice in the areas of management and hiring
4 practices, government process improvement, and
5 appropriate regulation.

6 At each meeting we had thought leaders
7 from around the nation and from different states
8 sharing lessons learned and making suggestions for
9 things that states should consider. The experts
10 identified several key roles that governors play in
11 "Delivering Results", including:

12 First, setting clear goals and priorities
13 for the states;

14 Second, helping to ensure state agencies
15 stay focused on those goals in their everyday work,
16 creating a real culture of excellence and I use the
17 word culture intentionally, where problem-solving
18 and continuous improvement are the norm.

19 And communicating priorities and successes
20 with stakeholders, including legislators, agency
21 staff, business groups, and really, most importantly,
22 the public.

1 On April 23rd and 24th, I am going to host
2 a summit on the Initiative, and I hope many of you
3 will be able to get there. If your schedule doesn't
4 permit your attendance, hopefully you can send a
5 representative or a team to attend. I think the
6 summit is going to be able to spotlight the
7 innovative processes that states already are using to
8 deliver results, and continue to share more
9 information with you, governors, and your teams about
10 how we can put those ideas into practice.

11 Our priority for this Initiative is to
12 provide all governors with examples of best practices
13 and tangible resources to help save taxpayer money
14 and to use resources in the best way possible.

15 I hope this Initiative will leave you with
16 new ideas, tools, and information to help you achieve
17 your goal.

18 Today, now I get to introduce our speaker.
19 I kind of ran through that, but I wanted to make sure
20 we had as much time as possible for our speaker
21 because we don't often have a chance, most of us, we
22 governors don't get a chance to hear people like

1 Danny Meyer.

2 Some of you are going to say, "Well, who is
3 Danny Meyer?" I wouldn't say that.

4 **(Laughter.)**

5 GOVERNOR HICKENLOOPER: But some of you might.
6 Because if you're not in New York, if you don't get
7 to New York on a regular basis, a lot of what he has
8 achieved you might not be aware of.

9 He is the Chief Executive Officer of a
10 company called Union Square Hospitality Group. He
11 really is, I would argue, one of the greatest
12 restauranteurs in America today, and really one of
13 the great restauranteurs that we've ever had in this
14 country.

15 At the tender age of 27, he launched his
16 business with Union Square Café back when Union
17 Square in New York was a pretty dangerous place. And
18 he really viewed his effort as a colonization. He
19 was going back and retaking part of the city and
20 using hospitality to transform it.

21 He was pioneering a new breed of American
22 eateries with imaginative food and wine, but

1 enveloped in real, caring hospitality and making sure
2 that the surroundings were comfortable, and that they
3 delivered real value.

4 He, unlike so many restaurants--or
5 restauranteurs--he went a number of years before he
6 opened a second restaurant and made sure that
7 everything was right. He has always been a thoughtful,
8 very, very intentional person about how he expanded
9 his company.

10 In the summer of 2004, he launched Shake
11 Shack.

12 **(Applause.)**

13 GOVERNOR HICKENLOOPER: Yes. There's applause
14 for Shake Shack. And since then, new Shake Shack
15 locations have sprung up along the East Coast and
16 internationally. And late last month, Shake Shack
17 became a public company worth well north of a billion
18 dollars. So, congratulations on that.

19 I wanted to point out that we invited him
20 before the public offering, even before I knew
21 that Shake Shack was even going
22 public.

1 He is also an author. He wrote a book
2 called *Setting the Table*, which was a *New York Times*
3 bestseller and I think was one of the best works on
4 hospitality that I have ever seen. He examines the
5 power of hospitality not just in restaurants but in
6 business and in life. And that customer service
7 really is a key to success in life.

8 Many of you have heard of the James Beard
9 Award. It is one of the most prestigious awards.
10 It's not quite like a Nobel Peace Prize, but it's at
11 that same level of difficulty. And Danny and his
12 restaurants and his chefs have won 25 James Beard
13 Awards, which dwarfs anyone else.

14 **(Applause.)**

15 GOVERNOR HICKENLOOPER: I am so grateful for
16 him talking right after his company went public--and
17 his wife Audrey is here. We had a wonderful dinner
18 last night at a restaurant called Rose's Luxury,
19 and the meal was good enough for me to plug it right
20 here. But I am grateful for him to take time out of
21 his life to share his experiences and his perspective
22 on the world with us today. I've asked him to talk

1 about his focus on innovation, on quality and
2 customer service, and how his work goes into his life
3 and into his businesses over these years.

4 Without further ado, let me introduce
5 Danny Meyer.

6 **(Applause.)**

7 MR. MEYER: Well, thank you, Governor
8 Hickenlooper and thank you to the National Governors
9 Association and all the governors who minded their
10 business last night so they could wake up this
11 morning and be here today.

12 I am very, very honored and grateful to be
13 here. And you must be kind of within your normal
14 means to say what the heck is a restaurant guy doing
15 up here speaking to all of us governors? And I do
16 want to tell you that I'm just about as fascinated by
17 what you do as I could possibly be.

18 And I want to say that as an American, I
19 am so grateful to this organization because of what
20 you're doing to restore faith that government works.
21 It just feels great. I believe in government. I grew
22 up in the Midwest, in St. Louis, Missouri. I see the

1 great governor from Missouri over here. And I grew
2 up in an interesting family, because my mother's
3 family were Democrats and my father's family were all
4 staunch Republicans, and I was the middle child of
5 three. And, you know, my head was going left and
6 right every night at the dinner table. We were
7 having real debates. This was during some tumultuous
8 times in the '60s and '70s. And I found myself so
9 fascinated.

10 Last night we were driving by the
11 Harrington Hotel, which doesn't look any nicer today
12 that it was when my 9th . . .

13 **(Laughter.)**

14 MR. MEYER: . . . my 9th-grade civics class
15 took me to the Harrington Hotel, and I got to be in a
16 film with Senator Tom Eagleton at the age of whatever
17 I was, and then I got to work in the United States
18 Capitol as an elevator boy when I was 18 years old.
19 And when I went to Trinity College in the great state
20 of Connecticut as a political science major, I got to
21 work in the State Capitol for the speaker of the
22 House at that point.

1 And then, because I really wanted to be
2 you when I grew up and--I'm so glad I didn't--

3 **(Laughter.)**

4 MR. MEYER: the very first job I had after
5 college was, you know, with my centrist leanings
6 working for a fantastic Presidential candidate in
7 1980 that most of you are too young to remember by
8 the name of John Anderson. And this was in Chicago.
9 So I got to be the Cook County field coordinator
10 because the Democrats and Republicans got all the
11 guys with experience. But I love what you do; I
12 honor what you do. And I want to say thank you as an
13 American for what you're doing to restore faith that
14 government can work.

15 **(Applause.)**

16 MR. MEYER: So one of the things that
17 Governor Hickenlooper and I were speaking about last
18 night is that, as another restaurant guy I think you
19 know that about his past we are constantly running
20 for office when we run restaurants. We are trying to
21 get as many votes as we can possibly get.

22 A city like New York has 26,000

1 restaurants--fair enough--only 19,000 when you
2 eliminate the pizza parlors, but it's still a lot . . .

3 **(Laughter.)**

4 MR. MEYER: . . . it's still a lot of
5 competition. And so what that means is that it is
6 not enough any longer to say that this is the best
7 restaurant because they've got the best roast
8 chicken, because there are 60 incredible chefs who
9 could argue that they have the best roast chicken.

10 In the old days it was good enough to do
11 that, but then we got the Internet. And what the
12 Internet did essentially was to level the playing
13 field in terms of being a leader based on being the
14 best at what you did. You still have to be the best
15 at what you do. But what the Internet did was, as
16 soon as the word got out that this restaurant had the
17 best roast chicken, and this restaurant has the most
18 beautiful flowers, and that restaurant can actually
19 seat you on time for your reservation, anyone who
20 wanted to figure out the recipe for the roast
21 chicken, or the design for the flowers, or getting
22 open tables so that you can seat people on-time for

1 their reservation, they can just copy it. Everything
2 is knowable, and everything is tellable, and
3 everybody in the world is obviously walking around as
4 a reporter with their camera plagiarizing every good
5 idea on earth. And that's good in a way, because it
6 means that the level of quality goes up everywhere.

7 But I think what we have learned, and I
8 think that this is just about applicable to any
9 organization--you all are CEOs, I'm a CEO, you've got
10 an organization that relies upon great employees.
11 You have to please your customers, just like I do.
12 You are doing it for the benefit of a community, just
13 like we are. You have all kinds of suppliers, the
14 agencies that you work with are upon whose excellence
15 you rely. And of course you have investors, the
16 taxpayers, just like we have investors.

17 So every organization on earth has the
18 exact same five stakeholders. And what we've
19 learned, I want to just give you one other thing, and
20 this is not for any kind of a round of applause, it's
21 really just trying to make a point. If you were to
22 open up the nineteen--excuse me, see how old I am--if

1 you were to open up a 2015 Zagat Survey, which is
2 really the, it's the oldest survey in which at least
3 20, 30, 40,000 people vote each year, for New York
4 City, the 2015 Zagat Survey, you would notice that of
5 all the restaurants that they cover in New York City,
6 there's a category called New York's Favorite
7 Restaurants, which is separate from the list of who
8 has the best food, who has the best decor, and who
9 has the best service. Those are the three things
10 they ask people. What do you think of the food, décor,
11 and service? Which I would put under the category of
12 performance. Is the food any good? Is the service
13 any good? And does the place feel, you know, is it
14 nice to look at?

15 And if you looked at this year's guide,
16 you would see that three of the top six of New York's
17 favorite restaurants are our restaurants. Three of
18 the top six in a city of 26,000 restaurants,
19 including number one, which is our 20-year-old
20 restaurant, Gramercy Tavern, and including number six
21 which is our 30-year-old restaurant Union Square
22 Café. And what I love about that statistic is that

1 we do not have three of the top six food scores. We
2 have really good food, but we didn't make the top six
3 for food. And we didn't make three of the top six
4 service scores. And we didn't even make three of the
5 top 100 decor scores. Our places were joints.

6 **(Laughter.)**

7 MR. MEYER: So what did we learn from that?
8 What we've learned is really the recipe that has
9 worked time and time again, and it's the reason that
10 people come to our restaurants time and time again
11 and love them. And this is what I meant when I said
12 we're in politics as well. Because at the end of the
13 day, there's no higher compliment that somebody could
14 pay you, or that they could pay a restaurant, or they
15 could pay your state, or they could pay a hotel, than
16 to say that is my favorite on the blank.

17 If I were to say that was my favorite
18 professor, or this is my favorite dry cleaner, I
19 couldn't pay it a higher compliment. Or this is my
20 favorite governor that I've ever had. Why?

21 You cannot be somebody's favorite without
22 being really, really good at what you do. But you

1 also have to be really good at how you make people
2 feel. Think about that for a minute.

3 Nobody can argue with me if I say this is
4 my favorite watch. This is my \$39 Timberland Watch,
5 and it wouldn't be my favorite watch if it didn't
6 keep good time. It's got to work. If it doesn't
7 work, and if the little button doesn't make the light
8 go on, it's out of the running altogether.

9 But it also wouldn't be my favorite watch
10 if, for whatever personal reasons I have, it didn't
11 make me feel good. And I think that because of the
12 Internet, we are now at a time where the equation
13 works for every organization on earth. And the
14 equation is this:

15 You know, we've got all these recipes that
16 are hard to cook in our restaurants. Here's a real
17 simple one. Two ingredients only. And it's 49 parts
18 performance, and it's 51 parts hospitality.

19 Now you're going to say to yourself, what
20 the heck does hospitality have to do with government?
21 Hospitality is a word that we all grew up hearing
22 about. When we go home to our grandmother's for

1 Thanksgiving, it's a nice hug, and, you know, it's
2 one of those feel good kind of words, but it doesn't
3 really historically have an organizational
4 application. And I want to argue quite the opposite.

5 I want to argue that today being the best
6 in the world at what you do, which is so critical,
7 will only get you 49 out of the 100 points you need
8 if you want to be somebody's favorite anything. If
9 you really, really want to be an essential part of
10 people's lives. And the reason it will only get you
11 49 percent of the way there is because the minute a
12 great idea gets out, it gets shared.

13 And as I said, that's a good thing.
14 That's what you're doing this weekend. You're not
15 holding back on really good ideas in the hopes that
16 other people in their states don't embrace those
17 ideas and don't put them to work. You all stand for
18 good government, which is what I started by saying
19 I'm so grateful for. But I'm just saying that that's
20 not enough. That's not enough to get re-elected, if
21 you're a restaurateur.

22 And so what we've learned is that 49 parts

1 performance, and within performance in my business
2 it's did we get the right food to the right person at
3 the right table at the right temperature at the right
4 time? Did we get your coat back to you as opposed to
5 fumbling through everybody else's coats before we got
6 you somebody else's coat? Did we actually have your
7 table ready on time for your eight o'clock
8 reservation or not?

9 You expect that. And by the way, service,
10 which is the word I grew up hearing my whole life in
11 St. Louis--it's the one thing my family could agree
12 on both sides, was you've got to have good service,
13 these are the places they went back to. Service is
14 often misused because service belongs in the 49
15 percent category.

16 Service is a way to describe the technical
17 delivery of the product. Did the product, or
18 organization, or restaurant, did it do what you
19 expected it to do?

20 If I rent a car, when my family goes on a
21 vacation or we want to have a minivan, did we get the
22 minivan? That's good service if we got the minivan.

1 Did it smell like smoke when we asked for a
2 nonsmoking minivan? Did it come with a GPS? Those
3 are all aspects of service. That's what service
4 means.

5 Service is a lot like air conditioning.
6 Nobody raves about it when it works anymore. The
7 only time you hear about service and performance is
8 when it doesn't work. And you all know that. You
9 have constituents. You have a whole lot more
10 constituents than I have.

11 Today we will probably serve in our
12 restaurants 45,000 to 50,000 people, which is a lot.
13 And that doesn't include Shake Shack. If you throw
14 in Shake Shack, we will serve close to 200,000 people
15 today. And I promise you that we will be making
16 mistakes left and right, and every time we make an
17 honest, human mistake it's going to diminish our 49
18 points. It's okay. I've got about two 100s on tests
19 in my life as a student. I would be really, really
20 happy if we can get up into the 90s. But the most
21 points we will get for performance is 49.

22 But let's talk about the 51 real quickly

1 here, because the 51, the hospitality, is the part
2 that elevates any organization into best of
3 breed. Hospitality.

4 Hospitality is something that exists when
5 the person on the receiving end of your performance
6 truly knows that you are on their side; that you are
7 doing things for them. If I do get the right food to
8 the right person, cooked the way the person asked for
9 it, did I do something for them? No, I did what was
10 expected.

11 If I remember that Governor Hickenlooper,
12 last time he came into my restaurant, likes to have
13 his salmon cooked medium rare, and I remember that
14 now, and I actually acknowledge that when he comes in,
15 or I acknowledge his favorite table, or I acknowledge
16 that I remember you came in last time and it was your
17 birthday, would you like to try something different
18 this time? Now I'm getting into the realm of doing
19 something thoughtful for somebody.

20 And the preposition "for" is always
21 present when hospitality exists. The more and more
22 high tech we get in life, the more and more people

1 need high touch in their lives. And the more and
2 more your constituents and my constituents need to
3 know that we are agents and not gatekeepers.

4 And I think, unfortunately, for too long
5 whether it's city government that has regulations, you
6 know; I remember how hard it used to be to try to
7 open a restaurant in New York City. It was almost as
8 if they didn't want us to be out there employing
9 hundreds and hundreds of people. And today 4,500
10 people throughout seven of your states, as well as
11 New York City.

12 Government was acting, to me, back in the
13 old days, as a gatekeeper and not an agent.
14 Gatekeepers have no place in the world of
15 hospitality.

16 I told a story in my book *Setting the Table*
17 that Governor Hickenlooper referred to that
18 impressed me so much. When he was governor, Jeb Bush
19 in Florida, a good friend of mine had just set up a
20 brand new business in the state of Florida, and
21 didn't make any fanfare about it whatsoever. Because
22 somebody was tracking every business that had been

1 incorporated, as well as how many employees that
2 business was going to have, my friend got a call from
3 Governor Bush whom he had never met in his life. My
4 friend was from Ohio, setting up shop in Florida.
5 And he said, I just want to make sure you know how
6 welcome you are in this state. And if ever you are
7 going to need to have an additional exit from the
8 highway to make it easier for your 6,000 employees, I
9 can't promise we can do it, but I'm definitely going
10 to want to know about it.

11 That's called being an agent. And that's
12 called hospitality. That's not service; that's
13 hospitality.

14 I'm going to end my remarks very, very
15 shortly, because what I'm most excited about is to
16 welcome your questions so that we can kind of stir it
17 up just a little bit here. But what I do want to say
18 it this: We have named what we do enlightened
19 hospitality. And I don't mean in the sense that
20 we're a bunch of walking Mahatma Gandhi people, you
21 know, strolling through the avenues of New York City.
22 That's not what I mean at all.

1 But what we have learned is that when you
2 prioritize your stakeholders in any organization in
3 the following order, you can create a virtuous cycle
4 that is the most sustainable engine for both
5 excellence and hospitality, and making an
6 organization perform at its highest peak. And then,
7 creating a situation where for every one of those
8 stakeholders you become somebody that made their
9 lives better which I know is all of your missions.

10 Everyone in this room would probably solve
11 the problem differently if everyone were asked how
12 can I make my constituents' lives better? And I
13 think there's always wonderful room for debate.
14 Believe me, that's what I grew up with. But I don't
15 think anyone would disagree that if you had the
16 opportunity that at the end of your term everyone who
17 worked for you, every one of your constituents, every
18 one of your communities, every one of your suppliers,
19 and every one of your investors said: By virtue of
20 that governor being my governor, my life got better.

21 I think everyone would have to agree with
22 that. And so what we've learned time and time again

1 is that to create this virtuous cycle of enlightened
2 hospitality, we begin each and every time by saying
3 something that I did not learn growing up in St.
4 Louis. We put our customers second. We put our
5 employees first, because whatever metric there is to
6 suggest how much our customers love coming to any of
7 our restaurants, that metric will never be any
8 higher, it cannot be any higher than the degree to
9 which our employees love coming to work. Because our
10 employees can't fake it.

11 And when you go to a governmental agency,
12 or you go to a restaurant, or you go on an airplane
13 trip, and it is very, very clear to you that the
14 employees are either not well trained, not well
15 hired, not enjoying their jobs, you can be pretty
16 sure that you are consequently not going to have a
17 great experience yourself.

18 Obviously, to the contrary, all I look for
19 when I go to any of our restaurants right off the bat
20 are two things:

21 Are people performing to peak performance?
22 Are they doing what they do as well as it can be

1 done?

2 And number two, are they having fun with
3 each other while they're doing it? Are they doing
4 thoughtful things for each other?

5 And I know that if we hold our staff
6 members accountable for the 49 percent, you have a job
7 to do, we're going to train you, it's our job to
8 train you to do that really, really well, hold you
9 accountable. If you're not doing it you do not get to
10 be on this team. If you are doing it, you're going
11 to probably get promoted. But you're only going to
12 get promoted if in addition to doing what you do as
13 well as it can be done, you're doing it in a way that
14 makes the rest of your team feel great.

15 And what's awesome about setting that
16 virtuous cycle in motion, is then our guests feel it.
17 And they have a great time when they come in. And
18 then by unleashing our staff members' hearts and
19 minds on their communities and to say your third
20 stakeholder is to care for your community, whether
21 it's fighting hunger through Share our Strength and
22 by the way, I want to thank the many of you who have

1 invested your time and resources and hearts into No
2 Kid Hungry, which is helping to end child hunger
3 right where poverty starts, but whether it's
4 supporting or building a park, whether it's working
5 for a hospice unit in our neighborhood, and
6 delivering meals to families who family members are
7 about to die, we believe that when you hire the right
8 people they not only want to use their heads they
9 want to use their hearts.

10 And then, finally, we take great care of
11 our suppliers. We don't wield our incredible
12 financial muscle. I promise you we buy more pork,
13 between our barbeque restaurants and the other
14 restaurants of ours, than most other restaurants in
15 New York City, but we don't say what you need to do
16 is to, you know, do everything we say. We offer that
17 same hospitality to those suppliers, because we need
18 them to be rooting for our success.

19 And what's awesome about this virtuous
20 cycle is that at the end of the day our investors, by
21 virtue of putting them last, we did not put them last
22 because we wanted to make less money, we put them

1 last because in a virtuous cycle one good thing keeps
2 leading to something even better.

3 When we have happy investors, which we do,
4 guess what they do? They re-up. And when they re-up,
5 we have wonderful opportunities to promote both
6 financially and professionally the people on our team
7 by virtue of opening new restaurants after that--
8 hopefully in your states.

9 So I want to say thank you, very, very
10 much. It's really a huge honor for me to get to be
11 with you all today. Thank you.

12 **(Applause.)**

13 GOVERNOR HICKENLOOPER: So I'm expecting
14 robust questions from this group, and we'll start
15 with Governor Walker.

16 GOVERNOR [SCOTT] WALKER: Well thanks. And
17 thanks very much for your comments. I think we're
18 all very inspired by that. As a Shake Shack lover, I
19 particularly thank you for having one right over here
20 at the Spy Museum now. It's kind of nice to pick
21 that up. It makes me actually think of the
22 Midwestern Custard Stands. That's a warm spot for us

1 in Wisconsin.

2 MR. MEYER: Well, what if I were to tell you
3 I spent seven summers of my life in your great state..

4 GOVERNOR WALKER: It makes a lot of
5 sense because...

6 MR. MEYER: going to the Dairy Queen in
7 Lake Nebagamon, Wisconsin.

8 GOVERNOR WALKER: That's exactly what
9 Shake Shacks are like. That's why we love 'em. And
10 actually you mentioned John D. Anderson. If you
11 remember who was his running mate? Former Wisconsin
12 Governor Patrick Lucey.

13 MR. MEYER: Oh, my gosh, that's right.

14 GOVERNOR WALKER: Way back there.
15 But just a question. You know, I think for all of us
16 we're kind of interested well, in all that you said,
17 but when you talked about the 49 points versus the 51
18 points, and particularly at the end you talked about
19 training, could you go a little bit deeper for us?
20 Because I get the training. I think the analogy is
21 perfect, because what you're talking about is exactly
22 what we talk about with all the services we provide.

1 You can have all the great people at the
2 top, but if the front-line person delivering that
3 service isn't doing it, that's where everything
4 breaks down. So I get the training on the 49 points,
5 but how do you take the people that are interacting
6 directly with your customers and train that 51 points
7 you need for hospitality?

8 I get the execution, but how do you get to
9 that magic spot of getting them up to 51 points on
10 hospitality?

11 MR. MEYER: Thanks for the question. I
12 think it's a great question. And I'll start by
13 saying the 49 percent performance is very trainable.
14 You can come to work every day and probably
15 incrementally get a little bit better.

16 Some people can't get better, and it's
17 important to recognize that over a period of time.
18 But on the 51 parts of hospitality, that's a harder
19 place to improve if you are not innately someone who
20 has what I call a high HQ, a high hospitality
21 quotient.

22 So in the same way as everyone in this

1 room has an IQ, I have no idea what mine is; but my
2 bet is it's not going to change for the rest of my
3 life. I could read the encyclopedia tonight and my
4 ability to learn information, which is what an IQ
5 really represents, is not going to change.

6 Likewise, somebody's HQ, and I define that
7 hospitality quotient as the degree to which anybody
8 actually feels better about themselves when they make
9 somebody else feel uplifted in life. And I think
10 that the key thing is this: it's hard to go
11 retroactively in an organization that wasn't thinking
12 about both sides of the recipe, and to say now we're
13 going to start reviewing your 49 percent for your
14 technical skills, how well you did your job, and 51
15 percent on how well you made other people feel.

16 It's hard to do that retroactively, but
17 you've got to start somewhere. And nobody can
18 convince me that if you know this, if you know this
19 secret and this recipe, that you would just say
20 because it's hard I won't do it. And so what we
21 do; in fact, I was going through an afternoon of this
22 yesterday is in addition to having 360-degree

1 reviews, which I'm sure most of you do in your
2 organizations, those reviews are focused on exactly
3 what I said. You will get points for how many of the
4 49 percent technical skills you showed, and
5 points which leads to your bonus. Your bonus is 51
6 percent dependent on your emotional skills.

7 Here's what you can do, however. Most
8 organizations in the world, and I'm not talking about
9 your states obviously, but most organizations are
10 basically highly transactional. Which is, if it was
11 a restaurant it would be you give me money, I give
12 you food. Next. You give me money, I give you food.
13 Next. That's not what we're interested in, and we
14 don't think our employees are interested in a job
15 that's "I do what I was told; you give me a
16 paycheck. I do what I was told."

17 So what we're trying to do is to say: We
18 want to be champions. It's really, really fun to be
19 on a championship team. Picture your favorite
20 baseball team or football team. Look at the
21 championship dugout, and look at how good they are at
22 what they do, and how much fun they're having with

1 each other.

2 Visualize that and say, why can't we bet
3 that? Why can't we be that? And by naming it, what
4 we've learned is, like almost anything else in life,
5 among people with High IQs, it's a bell curve, and
6 there's people that you could shine the sun on them
7 forever and they're just not going to have a high HQ.

8 There's people you could keep in a closet
9 forever, and you open the door, and after five years
10 of being in the closet: How can I help you? What can
11 I do for you?

12 But I would argue that most people lie
13 somewhere in here. And so when you begin to
14 prioritize in an organization, and even to reward
15 behaviors--and we name what the behaviors are that
16 promote hospitality--what you find is that most
17 people actually already have this in their hearts. It
18 just was never something that was properly embraced
19 by anybody they worked for.

20 GOVERNOR [TERRY] BRANDSTAD: When you interview
21 prospective employees, are there certain things you
22 look for that are indications of where they would

1 have that high HQ?

2 MR. MEYER: Thank you, governor.

3 Absolutely. So the six emotional skills that we are
4 very, very intentional about looking for are the
5 following. And when you hear them, you're going to
6 go that's kind of second-grade stuff. But you'd be
7 surprised that if you make it intentional, your
8 batting average just goes way up.

9 So the first one is somebody who is both
10 kind and optimistic. It doesn't really help an
11 organization if the guy you're working next to and
12 relying on while everybody in an organization is relying upon
13 other human beings. We're like bee hives, aren't we?
14 Everybody's got a job and a role. And if someone's
15 not nice and you just don't enjoy working with them,
16 that's not a good thing. You can't really teach
17 someone who is otherwise not nice to be nice.

18 And the optimistic part is also huge.
19 Somebody who sees the glass as being half full
20 believes that their actions can actually make an
21 impact on the world. You wouldn't be governors if
22 you didn't think that you could actually make things

1 better. People who are pessimists or skeptics don't
2 really help our organization too much because they
3 just think it doesn't really matter what we do, it's
4 still not going to work. What an awful thing that
5 is.

6 The second emotional skill we look for is
7 curious intelligence. We are looking for people
8 who look at each day as an opportunity to learn
9 something new. And they like to share what they
10 learned with the rest of the team. And other members
11 of the team love coming to work when the people they
12 work with are nice, optimistic, and from whom they
13 can learn new things.

14 The third emotional skill we look for is
15 work ethic. Let's face it. You can't have any
16 organization that's awesome that's also not great at
17 blocking and tackling and doing things as well as
18 they can be done.

19 You can have the world's best training,
20 but if the teammates don't have the emotional skills
21 that say not only do I know how to do it, but it's
22 important for me to do it as well as it can be done.

1 That's an innate emotional skill.

2 And the fourth one is empathy. We want
3 people on our team who when they go through life it
4 matters to them how their behavior makes other people
5 feel. It doesn't mean, by the way, that you can't be
6 tough and draw lines; but you can draw lines in a way
7 that does not diminish somebody's self-esteem. You
8 can draw lines in a way that's actually quite
9 uplifting for the right people who want to be
10 champions. And so we call that the wake of the boat.
11 And it's essentially saying that if you imagine that
12 each one of us is a motorboat or a canoe going
13 through life, we're leaving a wake in our path. And
14 we need to take responsibility for what that wake
15 does to other people. If it's doing something for
16 other people, we've got hospitality. If we're doing
17 something to other people, it's not.

18 And then the next emotional skill, which
19 is quite obvious, is integrity, which is having the
20 judgment to do the right thing even when nobody else
21 is looking, and even when it's not in your own self
22 interest. And we hold people highly accountable to

1 that. People either have that, or they don't.

2 And finally, self-awareness. People who
3 know what makes them tick. People who know that:
4 every day I wake up, my job is not my job is not to
5 feel chipper every day when I wake up; some mornings
6 I wake up tired. Some mornings I wake up anxious.
7 It's just like the weather outside. Some mornings
8 it's whatever it is out there right now; some
9 mornings it's hot and humid, some mornings it's a
10 beautiful 72 degrees sunny day with no humidity. But
11 being aware of what your own personal weather report
12 is, if you're going to be on this team and this
13 organization, hospitality is a team sport. And you
14 need to be aware that you are having an impact on
15 everybody else in the organization. And the last
16 thing we want is to work with skunks on our team.
17 You know, a skunk sprays you when it's afraid or
18 angry, and everyone within five miles gets to smell
19 it. And that is not self-aware to do that.

20 So those are the six emotional skills we
21 look for. We name them. We interview people. We
22 don't say: Do you have integrity?

1 **(Laughter.)**

2 MR. MEYER: Oh, yes, I do.

3 **(Laughter.)**

4 MR. MEYER: We do ask questions, though,
5 that can help us understand it. Tell us about a time
6 when you really had to use your integrity to make a
7 really tough choice that you just couldn't quite
8 decide which way to go?

9 GOVERNOR BRANDSTAD: Thank you.

10 GOVERNOR HICKENLOOPER: Governor Herbert.

11 GOVERNOR HERBERT: Well, thank you.

12 Welcome. We're honored to have you here with us.

13 MR. MEYER: Thank you, governor.

14 GOVERNOR HERBERT: Congratulations on
15 your great success, and helping us with our own HQ.
16 My question really has to do with your journey. I
17 don't know all of your background, of your humble
18 beginnings, but for most governors you know one of
19 our number one issues is developing the economy in
20 our states.

21 So tell us a little bit about your
22 journey. Did you find opportunity? What were the

1 roadblocks you had to overcome as an entrepreneur,
2 businessman, restaurateur. Do we still have upper
3 mobility in this country?

4 We hear talk out there that the
5 opportunities are gone; that we've got stagnation in
6 particularly our middle class. So tell me about
7 upward mobility in your progress and your success,
8 and then tell us what should we be doing? What are
9 we doing right? And what should we be doing better
10 to foster opportunities for folks like yourself, the
11 risk-takers?

12 MR. MEYER: Thank you. I think you just
13 need to eat in more restaurants, and I think
14 everything will be okay.

15 *(Laughter.)*

16 MR. MEYER: Another fantastic question.
17 Governor Hickenlooper promised me I'd be getting a
18 bunch of really good questions today, and you were
19 absolutely right about that.

20 I will start with your question. My
21 beginnings, just to be as candid as possible, were
22 not that humble. My family instilled an amazing work

1 ethic, and we never had to wonder about when our next
2 meal was going to be put on the table, as so many in
3 this country do.

4 We never had to worry about would we be
5 able to have a family vacation in the springtime,
6 like other families have to worry about. So I just
7 want to be as candid as I possibly can about that.

8 But, like other families who did not have
9 to struggle, we were fortunately imbued with the kind
10 of values that said your job is to . . . is to care for
11 your community. And as I said, one grandfather ran
12 for Republican alderman in St. Louis, and one
13 grandfather supported Democratic candidates and never
14 ran for anything himself.

15 So the goal was not this policy or that
16 policy, but it was what can you do and give something
17 to other people? And that's why I think with our
18 restaurants typically we try to go to neighborhoods
19 and communities that are not developed yet. We try
20 to go to places where we can use restaurants as a
21 community maker.

22 And then furthermore what we try to do, and

1 I'll use Shake Shack as an example, I would say that
2 80 percent of the hourly employees that we have at
3 Shake Shack have never even had a job before. Nobody
4 talks about that Shake Shack is almost a job training
5 program, and we hold these people to high standards.

6 We pay above the minimum wage. We share,
7 after you've been with us for six months, we share
8 one percent of our sales with you as a bonus, which
9 means that we're letting our hourly workers know what
10 our sales are at that particular restaurant.

11 And then furthermore, we create what we
12 call a Stairway To Success because it's not enough
13 to say, whatever hourly rate you're getting, isn't
14 that nice? Because over time that's not the American
15 Dream. Whatever you're getting is not the American
16 Dream. The American Dream is about climbing.

17 And so we create a stairway that makes it
18 very, very clear what skills you need to get to the
19 next rung on the ladder. And I am very, very proud
20 to say that an enormous number of our managers,
21 including general managers, started off as hourly
22 workers.

1 And then furthermore, I'm enormously proud
2 to say that when we had our IP three short weeks ago,
3 we made it that not only 100 percent of our managers were
4 granted options in the company, which is kind of what
5 they've been doing in the tech world on the West
6 Coast for quite some time now, but furthermore that
7 every single employee, including hourly workers, was
8 given an opportunity to buy stock at the IPO price,
9 rather than using it for friends and as an opportunity
10 to reward friends and family.

11 So there are ways I think to almost look
12 at and by the way, now I'm going to back off Shake
13 Shack for a moment and remind you that the first
14 restaurant, Union Square Café, is now three years
15 older than I was when I opened it. So it will be 30
16 years old this year. But that doesn't stop me from
17 asking two questions:

18 Whoever wrote the rule that you cannot be
19 a 30-year-old startup?

20 And the second question I would ask is:
21 What would it take for us to become the company that
22 if only it existed would actually put us out of

1 business?

2 And that's what I mean when I say we're
3 running for office every day. We may be 20 points
4 ahead in the polls or not I'm not sure but we're
5 running as if we're 20 points behind, and we're
6 running as if every time we do something somebody is
7 going to want to eat us for lunch.

8 And we know that there is nothing better
9 that we could do than to provide jobs for the right
10 people, the right kind of training, the right kind of
11 culture and I think culture is everything. And then
12 when that I'm going to make a quick metaphor and then
13 I'll be done with this question.

14 We sell a lot of wine in our restaurants.
15 And wine is a fantastic metaphor for exactly what
16 we're trying to do in our organization. You will
17 never have a bottle of wine, or a glass of wine that
18 will ever taste any better than the worst rootstock
19 of grapes. That's where it starts, with the grapes
20 themselves. Okay? And then you can get the best
21 rootstock. You know, some guy from California can
22 graft some pinot noir vines from Burgundy and plant

1 them in the Napa Valley, or Sonoma; that's still not
2 enough. The next thing he's got to do, now that he's
3 got the best rootstock, and in our case that's
4 employees, is to make sure that the soil, also known
5 as the culture, is as healthy as it can possibly be.

6 And our job is to constantly enrich our
7 culture. And culture is just another way of saying
8 how we do things around here. Because you can get
9 the best rootstock, and you put it in a toxic culture
10 or toxic soil, no good.

11 The third thing you need to do is train
12 the vines. Now you've got these great, amazing
13 rootstock grape culture, the vines grow all over the
14 place, the grapes are not going to taste good.

15 If you do those three things, it sets you
16 up to do even better than any other winemaker when
17 it's a bad vintage, because the fourth thing that
18 impacts all of us are things that we actually cannot
19 control.

20 In your lives, I don't know how you deal
21 with the kind of natural disasters, and man-made
22 disasters, macroeconomic forces that are going to

1 impact every single thing you do. But I will say
2 this. What we know about great winemakers, because
3 they have the best rootstock, the best terroir, also
4 known as the soil, the culture, and they know how to
5 train their vines the best, they may not make their
6 best wine in a bad vintage, but they will always make
7 the best wine even in a bad vintage.

8 And so that's the kind of thing we are
9 thinking about, and it is really about enriching
10 human beings, and not doing it ever you've got to
11 earn it. You don't get to be on our team if you're
12 not accountable for what was expected of you.

13 Governor HICKENLOOPER: Governor [Peter] Shumlin was
14 there somebody else? Oh, we'll hear from Governor
15 [Jack] Dalrymple and then Governor Shumlin who was there
16 first.

17 GOVERNOR DALRYMPLE: Yeah. I just have to
18 ask you about the concept of tipping, which I find to
19 be a very confusing thing. I was always brought up
20 that, you know, if the service is good you tip more;
21 and if the service is bad, you tip less. But a
22 friend of mine told me that in most restaurants all

1 the gratuities are thrown together and at the end of
2 the evening all the waiters and waitresses basically
3 just divide up the tips anyhow.

4 So, you know, does that even mean
5 anything? And there are some other confusing things.
6 Like in Europe 10 percent is considered a good tip.
7 In the United States, 15 percent is like a minimum
8 tip. And who decides these things, anyhow?

9 *(Laughter.)*

10 GOVERNOR DALRYMPLE: You know, that's what
11 I want to know. And then you have these
12 controversies about, you know, some people don't pay
13 minimum wage because they feel they can count the
14 tips as compensation. That's like a big issue. And
15 then all the business about, you know, people don't
16 pay taxes on the cash tips; so that's the really good
17 part.

18 So enlighten us a little bit?

19 MR. MEYER: Yes. That was not a question I
20 was anticipating today, but

21 *(Laughter.)*

22 MR. MEYER: I'll do the best I can as

1 briefly as I can. There is no governor of tipping
2 sitting at this table today. So I don't know who
3 makes these rules up. But these are customs, and
4 they're often customs country to country; there are
5 even customs state by state. And what's really,
6 really frustrating is there are also very different
7 federal laws; excuse me, the federal law is often very
8 different than each and every state law.

9 And what that leads to is cultural
10 confusion, operational confusion, and I will tell you
11 that one category of people who win this confusion
12 are the kind of lawyers who love to make money by
13 finding the gap between federal law and state law.
14 In the confusion, even businesses that intend to do
15 the right thing are often in trouble because of that.

16 Now as a consumer, what I will tell you
17 is that it is reasonably clear to me, watching the
18 tea leaves, that this country at some point will be
19 giving up tipping. And I think that will be a good
20 thing when it happens, but it is going to be very
21 difficult to see that happen piece by piece.

22 Why? We have a huge disparity in income

1 between people who work in restaurant kitchens and
2 people who work in restaurant dining rooms. If you
3 go back the 30 years I've been in business, prices on
4 menus, menu prices have gone up probably two-and-a-
5 half times, just the check average alone, over the
6 course of 30 years.

7 If you are a tipped employee, that means
8 that your percentage and by the way, during that same
9 time the standard U.S. tip has gone from 15 to 17 to
10 18 and then in fine dining restaurants 20 percent.
11 So a higher percentage of a higher check average
12 means that it's a pretty good deal if you're spending
13 a few years being a waiter while you're pursuing
14 something else, or if it's a profession that you want
15 to continue for the rest of your life.

16 As a cook, however, the hourly rate over
17 those 30 years has basically remained completely
18 unchanged. And so the gap between what a cook can
19 make, having spent all kinds of money to go to
20 culinary school and not being able to pay that back,
21 and what a waiter is making is great.

22 And restaurants are organizations. I

1 think every business on earth would say that the
2 sales team often makes more than manufacturers.
3 That's kind of what waiters and cooks are. But that
4 should not be growing, and growing, and growing. And
5 so what you're starting to see are restaurants that
6 would like to say, in the same way that the \$24
7 you're paying for your entree relies upon me as an
8 operator to determine how much of that should go to
9 the florist, and how much should go to the grill
10 cook, and the dishwasher, and the reservationist, and
11 the *maitre d'*, why did we single out this other
12 category of people and say: But you, the consumer,
13 know a whole lot more than I do about how much the
14 waiter should make.

15 You don't know, and you don't know that
16 the fact that your food was late had nothing to do
17 with that waiter but had to do with all kinds of
18 things out of control. And so what we would like to
19 do is to find a way that there is just one price that
20 covers everything, and everybody becomes a taxpayer.

21 I'm not saying that waiters don't pay
22 their taxes, because I would say the vast majority

1 do, but if you get everything right on the level,
2 it's kind of the Uber syndrome, which is a good thing
3 from this perspective, is there's no tipping with
4 Uber. You pay one price. And you also have an
5 opportunity for both the driver and the passenger to
6 rate each other.

7 Imagine what happens when there's just one
8 price in a restaurant, and you can pay with your
9 phone because that's one of the innovations that s
10 happening. Nobody likes to have that moment where
11 they really want to leave but they can't find their
12 waiter to get their check. Or the waiter shows up
13 too soon with the check and the guest feels rushed.

14 So what you're going to find, I'm going to
15 guess within the next five years, is a situation in
16 this country hopefully where federal and state laws
17 meet eye to eye so there's no more confusion, and
18 when you go to a restaurant you push a button to pay
19 and you're done. And you're going to behave
20 yourself, and the waiter is going to behave him or
21 herself. And that's good.

22 GOVERNOR HICKENLOOPER: Governor Shumlin.

1 GOVERNOR SHUMLIN: Hey, that was an
2 excellent answer, and thanks for joining us. That's
3 always troubled me in my state. I know the folks who
4 are doing the hard work, frankly, in pushing out the
5 food are really working for tough wages, and often
6 the folks who are serving, who are doing a good job
7 but they're making a lot more money. And let's be
8 honest about this, it's not always sometimes it's
9 tax-free. So we all go through that.

10 Listen, I wanted to ask you another
11 question. You mentioned that, you know, about Care
12 for Community. We governors are governing at a time
13 where Congress has never been, at least in my memory,
14 less able to address real challenges. So we're
15 having to do the tough decision-making that sometimes
16 Congress joined governors in making in the past.

17 One of the issues we're struggling with in
18 Vermont and I would love to have your view on
19 this; the President raised it in his State of the
20 State Address, I know Governor [Dan] Malloy has done good
21 work on it in Connecticut, is the issue of
22 compensated sick leave. And particularly in the

1 hospitality industry.

2 You know, as a governor when I think about
3 the low-wage workers who if they are really sick and
4 they don't go to work, they can't pay their rent,
5 they can't get the kids to school, all the issues, I
6 would be curious how you feel about us legislating
7 sick leave when folks really can't be working, and
8 frankly wouldn't want them working because we've got
9 to eat the food they make, and we've got to be at the
10 other end, the receiving end of their illness.

11 So where are you on that? I am finding in
12 Vermont it's a robust debate. As a business person,
13 you know, the business community often goes: No, no,
14 no, don't do that. Common sense says: Yes, yes, yes,
15 do it. I'd be curious where you're at.

16 MR. MEYER: You know, I struggle sometimes
17 to answer when something I believe in should become a
18 law. And I'm not trying to duck the question. I'll
19 tell you exactly where I am. But I think it's up to
20 you to decide whether this rises to the level
21 of being in the public good.

22 So, for example, in 1990, soon after my

1 own father died from lung cancer, I was so upset
2 about that that we eliminated smoking at our
3 restaurant Union Square Café because I was angry with
4 smoke, and I was also angry about coming home every
5 night smelling like an ashtray. And I was also angry
6 about, remember the old days when there was smoking
7 on airplanes, and there's always that last row of
8 nonsmoking and that first row of smoking, and neither
9 one of those people is very happy. And we had that
10 in our restaurants, as well.

11 In 2001, when Mayor [Michael] Bloomberg wanted to
12 make that law in New York City, there was an enormous
13 outcry from the whole industry saying if you
14 eliminate smoking in restaurants we're all going to
15 go out of business. And if you thought you heard a
16 lot from restaurants, wait until you hear from the
17 bars.

18 And the mayor asked if I would testify
19 that in fact our business as Union Square Café and
20 Gramercy Tavern had only increased since we had
21 eliminated smoking. And I said, I will testify to
22 that because that's true. As a matter of fact, in

1 that year the two top restaurants in terms of New
2 York's favorites were those two restaurants.

3 What I won't testify is that I think that
4 should become law. Because I'm not a politician.
5 I'm not a mayor. I'm not a governor. I also know
6 that there is a law eliminating trans fats. And I
7 understood why that became law, because you can't see
8 a trans fat in your food so you're not making a
9 choice; you could be doing something we know is not
10 good for you without knowing you're doing it.

11 With respect to paid sick leave, we
12 absolutely do it in our company. And we do it
13 because there are so many I think we do it selfishly.
14 We use our template of enlightened hospitality and we
15 say: Is this doing something for our team, to say if
16 you feel sick but you still need to pay your rent,
17 you must come to work?

18 It's not doing anything for that
19 individual, and it is not doing anything for the rest
20 of the team that now may get sick. And it is also
21 not doing anything for our guests. And ultimately
22 it's possible that it might not even be doing

1 something for our community because the kinds of
2 strains of things that are out there these days can
3 be really, really difficult.

4 One quick story. So that's what we do,
5 but I don't know, honestly, all of the pluses and
6 minuses you're up against in terms of making these
7 decisions for yourselves, but I will say that we get
8 better employees because of it. Because we're not
9 just competing for customers with 26,000 restaurants.
10 We're competing for the best employees. And they are
11 going to want to come to our organization over
12 somebody else's.

13 I will say that and this is going to sound
14 absolutely crazy to you, but when I first learned
15 about Obamacare, I was upset but maybe for a
16 different reasons some other people in this room
17 might have been upset. I was upset because we were
18 already doing more than that for our employees, and I
19 was upset that this law was going to level the
20 playing field and we were going to lose the advantage
21 we had as recruiters.

22 So that's where we are on that.

1 GOVERNOR HICKENLOOPER: We've got time for one
2 more question. Yes, Governor [Jay] Nixon.

3 GOVERNOR NIXON: First of all, I'm a very
4 proud son of the Show Me State. Congratulations on
5 all of your success.

6 You started out very early in your
7 presentation and said more high tech means need for
8 more high touch. Give us a sense I mean, people
9 don't generally think of the business you're in when
10 you entered it 30 years ago as a technology business.
11 A lot of what you've talked about today is how
12 technology has affected your business model and the
13 delivery of both the product and the style you do it.

14 What have you learned over these years,
15 and look forward on trend lines as far as how
16 technology is going to affect both our services and
17 businesses as we look forward.

18 MR. MEYER: Thank you, governor. And
19 thanks for taking good care of my mom in your state.
20 She's still in St. Louis and loves it.

21 Our industry has completely transformed
22 itself tech-wise, and thankfully, to my knowledge,

1 even 3-D printers cannot make your cheeseburger for
2 you yet.

3 **(Laughter.)**

4 MR. MEYER: We'll see what happens. We'll
5 see what happens. So with respect to restaurants
6 what technology has really done most for is everybody
7 in this world wants, which is: I want what I want,
8 and I want it now.

9 And everybody who's walking around with
10 their smart phone now looks at it as the remote
11 control to their desires in life. That's really what
12 it is. It's like anything I want, somebody made an
13 app for it and I expect to be able to get it.

14 I had the great pleasure and privilege of
15 going on the board of directors of a company called
16 OpenTable, which is a private company based in San
17 Francisco in 1999, a company that went public in
18 2008, that pretty much eliminated the hand-written
19 reservation book, which there's only one in every
20 restaurant.

21 So the phone call would come in, and you
22 didn't know if the book was in the basement, or on

1 the balcony, or at the front desk. And you're
2 yelling throughout the whole restaurant trying to see
3 if we have a table for six at 7:30 next Saturday
4 night. And what OpenTable did for consumers was it
5 gave them a chance, wherever they were, on their
6 telephone, at a computer desk, in Paris, they didn't
7 have to wait for our business hours to find out not
8 only was a table available at our restaurant, but
9 where could they eat in the world, without making one
10 phone call.

11 What it gave us was an opportunity to
12 apply more hospitality because embedded in it is a
13 record of every guest experience. So we know your
14 favorite table, what your allergies are, *et cetera*.
15 That was shot number one across the bow.

16 Today in our industry there are so many
17 restaurants that people go to in what's called the
18 fast casual or the fine casual category, Chipotle
19 is a great example of that. And rather than waiting
20 until they get to that restaurant to place their
21 order, there is now great technology where you can
22 push a button and it will sense when you get to

1 the end and you're paying for it and it will sense when
2 you get to the restaurant, and your order gets cooked
3 right there and then and you skip the line.

4 And, that restaurant never knew who you
5 were because it's not a, you know, you don't make a
6 reservation to go to Chipotle, or Shake Shack. And
7 now that restaurant actually knows something about
8 you, and they know what your preferences are, and
9 they can actually add more hospitality.

10 There's all kinds of technology,
11 obviously, where the entire world right now is a
12 roving restaurant critic with a camera. And so the
13 amount of feedback that we have capacity to, the
14 whole world has always run by word-of-mouth probably
15 since, you know, you go to a piazza in Rome and I'm
16 sure they were talking about their favorite *trattoria*
17 2,000 years ago. But what smart phones have given
18 everybody in the world, and everybody wants to know
19 what everybody else is thinking, whether it's social
20 media. It's out there.

21 And what that does for all of us is to
22 give us an opportunity to listen to that word-of-

1 mouth, and to respond in real time, and to make
2 things better, to hear what people are thinking on
3 the spot.

4 We even have a technology where, you've
5 probably heard of a company called Foursquare, and
6 you could know who's commenting in your restaurant at
7 that moment, and you can intervene. So I've gotten
8 messages that say, you know, can't believe the
9 bartender is taking twenty minutes to make my drink. And
10 we can actually get right on that and fix the problem
11 and turn it into a rave right at that very moment.

12 So I don't know if that answers your
13 question, but I do believe that technology is
14 absolutely here to stay. And what I meant by my
15 comment was that the more time we spend either behind
16 a computer, or using our thumbs, or whatever digit we
17 use on our smart phones, it doesn't . . . it doesn't
18 obviate the need for a hug.

19 And I think probably the last thing I want
20 to say about hospitality is that the metaphor for
21 hospitality is a hug. Because the only way to get
22 one is to give one. And the only way to give one is

1 to get one. And I think human beings, whatever
2 century we're in, they want a hug. And I think
3 that is culture to culture. It may not be a literal
4 hug. There are people who don't like being touched,
5 but people want to know. People want to know from
6 the organizations they do business with that the act
7 of providing the service or the product is as
8 pleasurable as the act of getting it.

9 Think about the last time you ordered a
10 pizza and the joy you get when the person brings that
11 pizza to your table, and you go--that's gonna be
12 great. It will taste even greater if the person
13 delivering it is delivering that pizza with the same
14 kind of joy you're receiving it.

15 Thank you so much for this great
16 opportunity.

17 **(Applause.)**

18 GOVERNOR HICKENLOOPER: I don't think I over-
19 promised. And I will say that Danny's book, *Setting the Table*,
20 when I read it, it's kind of his story,
21 but he wrote my book before I got a chance to write
22 it. I mean, the philosophy of how service works and

1 how it does enrich both the giver and the receiver
2 and the six qualities he described are there, it's
3 really useful. I would suggest to everyone, *Setting the Table*,
4 Danny Meyer, get it, read it, give it to
5 your chief of staff. Let it kind of whisper down the
6 wind. Just doing a little pitch there.

7 **(Laughter.)**

8 GOVERNOR HICKENLOOPER: Also the other thing
9 we always talk about is whether you're running a
10 state or running a large restaurant, there are always
11 three things that are the same: You never have enough
12 cash, never enough capital; you've got a diverse
13 group of people you've got to make into a terrific
14 team; and the public is always angry about something.

15 **(Laughter.)**

16 GOVERNOR HICKENLOOPER: So now I want to
17 introduce, you all know we are going to West Virginia
18 this summer. I want to ask Governor Earl Ray Tomblin
19 to give a few words about the upcoming Summer Meeting
20 in White Sulphur Springs, West Virginia.

21 GOVERNOR TOMBLIN: Well, thank you very
22 much, Mr. Chairman, and I'm honored to be here today

1 and have the opportunity to talk about one of my
2 favorite things, and that's the state of West
3 Virginia.

4 I was just sitting here thinking that,
5 while most of us have been thinking about the snow
6 and the below-zero temperatures we've been having, in
7 only five months and two days it will be time for the
8 2015 NGA meeting at the Greenbrier in West Virginia.

9 So I just want everyone to get your
10 thinking caps on. If you haven't made your
11 reservations, please start to get that done. The
12 meeting this year will be from July 23rd through the
13 26th. We would encourage you to come a couple of
14 days early and stay a couple of days late.

15 If you've not experienced the Greenbrier,
16 it's a true experience, sometimes known as America's
17 Resort. But we've got great programs lined up for
18 this meeting at the Greenbrier. You will experience
19 great food, Mr. Meyer, you may want to come to the
20 Greenbrier with us. Several professional golf
21 courses. World-class spa. Fly-fishing. Horseback
22 riding. Off-road driving. Whitewater rafting. Zip-

1 lining. Just a few of the things we do in West
2 Virginia.

3 So anyhow, we would just encourage you to
4 think about it and we'd love to have you this summer.
5 We have a booth set up outside our main door here,
6 and I think we're going to do our very best to outdo
7 Governor Haslam in Nashville last year.

8 So anyhow, thanks for the opportunity, and
9 please be in West Virginia in July. Thanks.

10 **(Applause.)**

11 GOVERNOR TOMBLIN: Just one more little
12 thing. These little brown boxes with the gold and
13 blue, there's people saying what is that in that box?
14 Well, anyhow, there's a family in West Virginia that
15 has made salt from their salt wells for over 100
16 years, the Dickinson family. It's a gourmet salt
17 that's produced in West Virginia, and a little salt
18 dish that goes with it. So just a little something
19 to think of to remind you about West Virginia this
20 coming July. Thanks.

21 GOVERNOR HICKENLOOPER: Thank you. And I'm
22 sure we--I am personally looking very--I'm really

1 looking forward to getting to White Sulfur Springs.
2 I've heard nothing but great things, and I hope we
3 can get a great turnout, as we have for this session.

4 I remember when Governor Fallin last year
5 was the Chair and she finished up her session, and
6 she had this look of radiance and gratitude that
7 just sort of said, you know, thank you all for being
8 a part of this. I feel that same sense of radiance
9 and I can't express radiance the way Governor Fallin
10 can.

11 *(Laughter.)*

12 GOVERNOR HICKENLOOPER: . . . but I do feel the
13 same pleasure and gratitude to you guys for coming to
14 spend the time.

15 Again, to Danny Meyer and his wife Audrey
16 for coming down and sharing their time with us. Our
17 morning session is now finished, and we'll head over
18 to lunch. Thank you.

19 *(Applause.)*

20 *(Whereupon, at 12:27 p.m., Saturday,*
21 *February 21, 2015, the meeting was adjourned.)*

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NATIONAL GOVERNORS ASSOCIATION

Winter Meeting

February 21, 2015

J.W. Marriott Hotel

Salons III and IV

1331 Pennsylvania Avenue NW

Washington, DC

SPECIAL SESSION

Governor John Hickenlooper, Colorado, Chair

Governor Gary Herbert, Utah, Vice Chair

Guest: Maria Bartiromo, Anchor and
Global Markets Editor, Fox Business Network,
Fox News Channel

1 P R O C E E D I N G S

2 (3:16 p.m.)

3 GOVERNOR HICKENLOOPER: Please, governors, if
4 you would please take your seats.

5 (Pause.)

6 All right, folks, if I had a gavel I would
7 gavel us to order. Governor [Haley] Barbour? All right.
8 Governor Barbour, if you'd like to sit with the
9 governors I am sure you would be welcome.

10 All right, let's get this session started.
11 Again, thanks for all of you making the time to be
12 here and joining us for this moderated discussion of
13 "Where Is This Economy Headed?"

14 I think, obviously, I don't know a single
15 governor who doesn't have jobs and the economy at the
16 very top of their priority list. We discussed
17 earlier today "Delivering Results" in the Chair's
18 Initiative, and we talked about states operating more
19 effectively and more efficiently but also looking at
20 the culture of hospitality, as Danny Meyer talked
21 about, and looking at how we make our states more
22 successful. And I think part of that is being better

1 partners with business.

2 I think the Initiative, "Delivering
3 Results", is in large part about economic innovation
4 and how we can effectively apply management tools
5 from the private sector to state government and get
6 dramatically improved benefits.

7 I think we are going to continue to speak
8 about economic innovation throughout
9 this session. I'm sure, one way or another, we will
10 be coming back to it throughout the entire weekend.

11 So now it is my pleasure to introduce
12 Maria Bartiromo. We are very grateful that you could
13 create the time to come down here for the second
14 annual economic roundtable.

15 Maria is an award-winning journalist. She
16 is an author, a news anchor and certainly has been
17 on a number of different networks and from a
18 different perspective, but she is without question I
19 think one of the leading journalists today in this
20 country. So again, we are honored that you would
21 take the time.

22 Those of you who weren't here last year,

1 Maria is going to work with us and create a lively
2 discussion from all perspectives. And she has 25
3 years of experience, originally with CNBC. She was,
4 for much of that time, the face of CNBC. It's fair to
5 say she launched the network's morning program
6 *Squawk Box* and she anchored *The Closing Bell*. Last
7 year she joined Fox Business Network as the Global
8 Markets Editor, she's the anchor of *Opening Bell*
9 *with Maria Bartiromo* and hosts *Sunday Morning*
10 *Futures* on Fox News Channel.

11 She has received many awards, two Emmys
12 and a Gracie Award. She was the first female
13 journalist inducted into the Cable Hall of Fame Class
14 of 2011, and was the first journalist to report live
15 daily from the floor of the New York Stock Exchange.

16 As if all that's not enough, she's also
17 the author of several books, including *The Weekend*
18 *That Changed Wall Street*, and *The Ten Laws of*
19 *Enduring Success*.

20 So please help me in giving Maria a warm
21 welcome.

22 **(Applause.)**

1 MS. BARTIROMO: Thank you so much,
2 governor. It's wonderful to be with you and all of
3 you today. Thank you for joining us all in the
4 audience, as well.

5 I am thrilled to be here at this
6 particular time for the economy and to get
7 perspective from all of you about what you're seeing
8 in terms of moving the needle on the economy.
9 Because it feels like we have emerged from the Great
10 Recession of 2007 very successfully; however, we now
11 face a new set of challenges: Things like a 50
12 percent sell-off in the price of oil, which one would
13 expect to be a positive; although, we've seen only
14 negatives so far come out of this drop-off in oil,
15 including cuts in jobs and spending, as well as the
16 strong dollar, as well as a brush-stroke attitude
17 when it comes to a number of initiatives all of you
18 are working on when it comes from the federal
19 government, as opposed to what you can do on a state
20 level.

21 So let's get right into it and talk about
22 where is the growth in the economy and what has

1 worked so far. I'm hoping that all of you will be
2 interactive with your colleagues to get this
3 conversation going.

4 Governor Herbert, I'd like to begin with
5 you, given that you have seen a big drop-off in
6 unemployment in your state. Can you give us a sense
7 of what you've seen in terms of what has worked in
8 that regard?

9 GOVERNOR HERBERT: Well, thank you, Maria.
10 We are honored to have you here with us.

11 In my tenure as governor, like Governor
12 Hickenlooper said, the primary focus really was to
13 turn the economy around. My number one goal was to
14 get a healthy economy and get out of the Great
15 Recession.

16 When I came in, it was about 8.7 percent
17 unemployment rate. Today it's 3.5 percent. So we've
18 had a dramatic turnaround. We've done it just with
19 good old common sense, I think, in trying to create an
20 environment that's conducive to the entrepreneur, to
21 the private sector and the risk-takers.

22 We have cut our taxes. We've had

1 regulation reform. We've got a great, educated labor
2 force. And we have efficiency in government that
3 doesn't get in the way of the entrepreneur.

4 We set a goal in trying to compete with my
5 colleagues here to be the best performing economy in
6 America. That's a high challenge and a high goal.

7 We also wanted to improve our
8 opportunities internationally and be a premiere
9 destination place for international trade and
10 commerce. And the results have been pretty
11 remarkable in my perspective, and as many
12 publications have named us one of the best places in
13 America to do business.

14 MS. BARTIROMO: So you said that you
15 lowered taxes. Were there other things that were
16 done in particular to get the business section hiring
17 and creating jobs? What are the specifics that you
18 can name?

19 GOVERNOR HERBERT: Well, the motivation for
20 most businesses is to make a profit, and create
21 market share. And so in creating an environment
22 with, you know, competitive tax rates was part of it.

1 But we also went and did a significant
2 review of our regulations. As I get around--I don't
3 know what it's like for the rest of the governors
4 here--but as I get around my state and around the
5 country, the most common complaint is the regulations
6 that get in the way of their being able to be
7 productive in their business efforts.

8 So we did a regulation reform where we
9 actually counted our business regulations. We had
10 about 2,000 that were impacting business. And
11 getting input from the public and others out there,
12 we found that 368 of those 2,000 had no public
13 purpose, meaning they didn't level the playing field;
14 they didn't protect the public; they were just simply
15 a drag on the economy.

16 So we did what any sensible person would
17 do, and that was to eliminate or modify those. And
18 it sent a strong message to the private sector saying
19 we really are open for business. We want you to be
20 successful. And if there are things that are
21 artificial that are getting in your way, we're going
22 to eliminate those barriers.

1 And again, we're known as a very
2 business-friendly state in large part because of
3 that.

4 MS. BARTIROMO: And yet throughout the
5 country the themes are real in terms of persistent
6 unemployment elsewhere, and income disparity that
7 we're seeing across the country.

8 Governor [Dan] Malloy, you have also been very
9 focused on trying to move the needle on this. What
10 challenges are getting in the way?

11 GOVERNOR MALLOY: I think there's a number
12 of challenges, and many of them reside in Washington.
13 The reality of the Great Recession--and you referred
14 to it--was that it did a real, lasting, and systemic
15 damage to our economy. And I think in some sense it
16 has changed how we live. And the fact that it has
17 been the most prolonged and slowest recovery of any
18 post-World War II recession isn't lost on anyone--
19 although clearly there are states that have
20 benefitted mightily during that period of time in
21 many cases because of the production of natural gas,
22 or harvesting of natural gas or oil.

1 What we needed to do in Connecticut was to
2 change how we did business, as well. We eliminated
3 1,000 pages of regulation, not simply as a sign to
4 the business community that we meant business, but
5 that we needed to change how we did business.

6 We also created a series of tools, not the
7 least of which was the Small Business Express
8 Program, the first time the state of Connecticut got
9 in the business of supporting small businesses with
10 grants--matching grants and loans and other devices
11 specifically designed for small businesses.

12 In 2011 and '12, that was literally a
13 lifeline to a lot of those small businesses to get
14 through what was the remainder in our state of the
15 Great Recession because it went on 16 months longer
16 in Connecticut than it did on a national basis.

17 Those small firms that we saved and
18 assisted in those days are now driving job creation
19 in Connecticut. Or to put it another way, if we had
20 failed to support them in their darkest moments, those
21 jobs, the jobs that are being re-created or created
22 in our state, wouldn't be there.

1 But we've also concentrated on things like
2 trying to match our educational system, particularly
3 higher education, to the needs of the state. We are
4 very intense in precision manufacturing, particular
5 aerospace, and yet we've been aging. We've been
6 retiring engineers faster than our state and public
7 universities have been graduating them.

8 We recently decided to increase the
9 engineering school at the University of Connecticut
10 by 70 percent. The first two classes towards that
11 effort are more than 50 percent larger than the
12 predecessor classes.

13 It's the sort of thing that you need to do
14 in higher education. We're also using our community
15 college, like I think a lot of the governors around
16 the table, trying to match needs of the business
17 community tighter to the courses and the
18 certifications that are available in the community
19 colleges, at the same time as we try to improve our
20 pre-K through 12 educational system as well.

21 I think this is all-hands-on-deck and all
22 things that need to be done, and I love spending time

1 with other governors and stealing their ideas and
2 going back to Connecticut and telling people they
3 were mine.

4 *(Laughter.)*

5 MS. BARTIROMO: Well, it's important to be
6 able to hear what colleagues are doing to try to
7 match the success there.

8 You mentioned at the start of your talk,
9 many of the challenges are because of Washington.
10 Does everybody on the panel agree with that? Who
11 agrees with that?

12 *(A show of hands.)*

13 MS. BARTIROMO: And is that the inability
14 to come together, when you say Washington?

15 GOVERNOR MALLOY: I think there are a
16 series of issues that Washington fails to make
17 substantial progress on. Actually, you know, I think
18 governors have been talking about our transportation
19 needs and how do we project transportation spending
20 when both our state transportation dollars and
21 federal dollars are closely tied to a tax that's
22 disappearing, which is the gas tax.

1 What are we going to do about that? And
2 what's the clear course to take to replace a
3 reliance? I mean, you know, Tesla is building the
4 world's largest battery factory now in Nevada, and
5 probably one of the number one brand names in the
6 universe, Apple, is apparently toying with the idea
7 of getting into the car business. I assume they're
8 not going to be making cars that are run by gasoline.
9 And yet, we're all overly dependent. Or immigration
10 issues. Or educational issues. I mean, I think
11 there's an inability to respond to our needs in
12 Washington. And even the progress that they do, or
13 sometimes are able to make, just takes too long to
14 produce as a product.

15 MS. BARTIROMO: I think this is a really
16 important point, and I want to stay on it for a
17 moment or two. Because the truth is, you know, what
18 happens for example on immigration may very well be
19 seen differently in Arizona, as may be seen in
20 Colorado.

21 So there really isn't a brush-stroke
22 attitude or way to actually look at moving the needle

1 on some of these issues if in fact the mentality and
2 geographic--geographies of the state are so
3 different.

4 So let's talk a little more about that.
5 Who raised their hand when I said, you know, the
6 challenges in Washington? Who can add to that?

7 Governor [Terry] McAuliffe?

8 GOVERNOR MCAULIFFE: Well, it's a challenge
9 and also an opportunity. In Virginia we are in a
10 unique circumstance. Virginia is the number one
11 recipient of Department of Defense dollars. All the
12 military assets. We have the largest naval base in
13 the world, the Pentagon, the CIA, Quantico. So when
14 you have government dysfunction around sequestration,
15 that really impacts a place like Virginia and the
16 whole sort of Washington area up here was really
17 dramatically impacted.

18 But we've got to become less reliant on
19 the federal government. We've got to bring in new
20 businesses from around the globe, which is what we
21 have really focused on.

22 So where that's presented a challenge,

1 it's given us the opportunity to build what we call
2 the new Virginia economy. I just announced, we've
3 had the lowest unemployment in seven years. We did
4 about \$5.6 billion of direct investment last year.
5 But we traveled--I did it by traveling the globe,
6 bringing in international businesses to the
7 Commonwealth of Virginia.

8 We brought the largest Chinese company
9 ever to invest in America. We won that in Virginia.
10 So we're not going to other states, governors, we're
11 trying to do it on a global basis, bringing in
12 countries from Asia, and from the Middle East, and
13 from Europe. So it's presented us with an
14 opportunity.

15 Because we can't sit around. We've got to
16 become less reliant on the federal government. We're
17 bringing in new business: human genome sequencing,
18 and cybersecurity, and biotech. That's the future.

19 So where it's been a challenge, it's also
20 been a great opportunity. But we do all wish the
21 federal government would get its act together. The
22 issues of sequestration on October 1, if that

1 happens, if Congress doesn't vote for it, they now
2 have to vote to stop it, will have a dramatic impact
3 on many economies of states around the country.
4 Primarily the biggest states will be Virginia and
5 Maryland and others hit by it.

6 So I am just hoping that they can figure
7 this out and we don't go into a sequestration mode
8 and shut our government down again, because it's
9 really devastating to a family to lose that family
10 paycheck.

11 MS. BARTIROMO: You make a great point,
12 particularly the point about attracting foreign
13 capital. Because we all know that today the U.S. is
14 the best game in town. I mean, you've got real
15 struggles elsewhere: Europe deteriorating on an
16 economic basis, the ECB trying to help. But it's
17 much more than monetary policy.

18 Asia is much slower than just a few years
19 ago, China having come down from the highs in terms
20 of economic growth. So an enormous amount of money
21 is coming to the U.S., which has created yet another
22 issue for the strong dollar and our multi-nationals

1 in terms of manufacturing, because that really is one
2 of the places for jobs.

3 So what else can be done in terms of
4 communicating and moving the needle on the federal
5 government's understanding to get Congress and the
6 President to understand that these issues affect real
7 people and the needle in terms of economic growth.
8 Thoughts?

9 GOVERNOR [MARK] DAYTON: You know, we're
10 specialists at blaming Washington, and that obviously
11 fills up a weekend and beyond, but, you know, I think
12 the quagmire here is reflective of the
13 economic quagmire we're still in in this country, and
14 to talk about a recovery and slower than before, but
15 are we back to sort of, you know, a situation as
16 usual where the United States once again rules the
17 world economically and we're not?

18 I'm from Minnesota. The Gallup Economic
19 Confidence Index was published last week. Minnesota
20 ranks the highest. Our citizens are the most
21 confident of any state in the nation, and we're at
22 zero. In other words, they think that, this year

1 the economy for the United States
2 will be no better than before.

3 And every other state is a minus. Every
4 other citizens are less confident about their
5 future and the future of this country economically
6 than they were a year ago. And yet, objective
7 conditions have improved.

8 So what do they know, and what are they
9 telling us that we're sort of, you know, yeah,
10 Washington doesn't know any answer, what is the
11 answer? Raise taxes? Cut spending? I mean now with
12 the economy growing the deficit is less than it used
13 to be, but we're not making the capital investment,
14 as the governors have just said. We're not investing
15 in transportation and infrastructure, the things that
16 we know need to be done. The resources aren't there.

17 And so we're caught in this, I think in
18 this trap where we can't say, okay, let's name this
19 quagmire that we're stuck in. Our people are telling
20 us: We don't have confidence in the future. And what
21 are we going to do about it?

22 MS. BARTIROMO: Do you feel you have the

1 space and sort of, you know, time to actually have
2 these conversations? I mean, do you think that you
3 can communicate this better to Congress and the
4 President? Are you not getting the availability? I
5 mean, this seems so obvious, that the states should
6 have more access, as well as ownership of their
7 economic policies.

8 GOVERNOR [BILL] WALKER: I can't not respond
9 to that. Absolutely we should. Alaska, 62 percent
10 of our land is controlled by the federal government.
11 We're not allowed to--for the timber. They're
12 restricting us on the mining, oil and gas
13 development. They've just taken another big chunk,
14 another 20 million acres, off. There's more park
15 land in Alaska than there is in the rest of the
16 United States combined. They're turning us into one
17 great big park, and we're having a very tough time
18 with an economy that we're not allowed to develop.

19 We have plenty of resources. Plenty of
20 people want to develop. But they are just making it
21 more and more difficult every single year. And that
22 which we can develop on offshore, our revenue-sharing

1 percentage is zero. We get zero. Other states get
2 37-1/2 percent. We get zero.

3 So not a good time for me to be talking
4 about the role of the federal government in our
5 state, because that's one of the reasons I'm here, is
6 to carry the message that they're literally putting
7 us out of business.

8 MS. BARTIROMO: This is a regulation issue
9 that we're going to be delving deeper into.

10 Governor [Jack] Markell?

11 GOVERNOR MARKELL: Well, I think it's easy
12 for us to blame Washington, and there's plenty of
13 frustration around the table. With that being said,
14 on the one hand we live in a world where there are 3
15 billion people looking for jobs, and there are 1.2
16 billion jobs available.

17 And so I mean we clearly are in this
18 unbelievable global war for jobs, which really means
19 we're in a global war for talent because the jobs are
20 going to go where the talent is.

21 At the same time, there are millions of
22 jobs in this country that are open because employers

1 can't find people with the relevant skills. And to
2 me, I mean I like to focus on the things I can
3 actually control. It's that latter issue.

4 I mean, you know, we've got a couple of
5 financial service employers alone in Delaware--
6 Delaware is a small state--that between them have
7 about 1,000 vacancies, primarily in the technology
8 area. And so what we have been very much focused on--
9 --and picking up on something Governor Malloy talked
10 about--is really making sure that our institutions of
11 higher education and our K-12 system are at the table
12 with our employers, understanding at a pretty
13 granular level the kinds of skills that folks are
14 looking for.

15 So whether it is the launching of this
16 Pathways To Prosperity Program where we're really
17 focused on making sure that kids in school are
18 developing the necessary skills, or listening to our
19 employers again in the IT industry who keep telling
20 us that their recruitment strategy very often is to
21 hire employees away from each other, which is a lousy
22 recruitment strategy.

1 So it's so much better for everybody, our
2 employers and those who are looking for better
3 employment, we're working with them to accelerate the
4 pace at which we can train people in computer
5 programming and other IT skills. Because it's not
6 all about a four-year degree. It's not all about a
7 two-year degree, as important and as valuable as
8 those are, but there are plenty of people that we can
9 train in intensive, shorter training programs who
10 will develop the skills that they need to go and get
11 a good job.

12 And when we think about the role we can
13 play in addition to the regulatory reform efforts,
14 making sure that we have an affordable cost of doing
15 business, the quality of our schools, the quality of
16 our infrastructure, the thing I keep hearing about
17 from employers has to do with access to a skilled
18 workforce and the role that they can do to facilitate
19 that.

20 MS. BARTIROMO: I think it's a great point,
21 and I want to talk about it a lot more. So we have
22 hit on regulation a bit, which we're going to get

1 back to. Let's stay on the skills gap for a second
2 because when I speak with CEOs and managers of
3 business, I keep hearing about this revolution going
4 on right now in terms of the marriage of technology
5 and health care, and this revolution in life
6 sciences, and this need for engineering skills, and
7 this need for science know-how.

8 Governor Hickenlooper, you have seen this
9 in your state in terms of emerging entrepreneurs.
10 Are we keeping up from an education standpoint to
11 ensure that our children are actually armed with the
12 best resources they can have to get the jobs that are
13 available?

14 GOVERNOR HICKENLOOPER: Well, certainly
15 Colorado is fortunately an example of how it's
16 working, and I think the recruitment strategy that we
17 see all the time where, along with Washington, DC,
18 the number one destination for millennials in at least
19 the last six years, young people 18- to 34-year olds
20 have been flocking into Colorado to a rich, talented
21 environment. And yet, within our own education
22 system we are not keeping up and we're not delivering

1 the kids that are sufficiently educated and have the-
2 -it's not degrees, but the skills. It could be a
3 certificate. It doesn't even need to be a
4 certificate. But to fill the jobs.

5 We have, just as Governor Markell said,
6 any number of technology jobs. And especially these
7 life science jobs. The technology companies are
8 connected to health care. They are exploding. And
9 we are having to import a lot of the talent that's
10 going to these companies.

11 And if we don't figure out a way pretty
12 rapidly to transform how we're preparing kids to go
13 from--and it shouldn't just be from university--but
14 from high school. How do we get more apprenticeship
15 programs? How do we get our community colleges more
16 involved? How do we make sure the kids coming out of
17 college (a) don't have a bunch of debt, but (b) are
18 ready for the jobs? Again, our strategy will just be
19 stealing from each other instead of generating our
20 own.

21 MS. BARTIROMO: Is that a private-sector
22 job? Or is that a government job? The idea that we

1 need to train our children better

2 GOVERNOR HICKENLOOPER: I think when I talk to
3 most of the CEOs of our larger employers, you know,
4 Arrow Electronics, DaVita, we have a number of pretty
5 large companies that have headquarters there. They
6 look at it as a collaborative problem. And they
7 don't buy into, well, we're just going to turn it
8 over to government and let them do it. Most of them
9 are funding scholarships, programs; some of them like
10 Arrow have actually helped create community college
11 programs that actually deliver specifically the types
12 of skills and training whereby you can almost
13 guarantee a kid, you finish this, six months, or nine
14 months' worth of work, and you'll have a job. I
15 mean, 98 percent.

16 But at the same time, they can't do it by
17 themselves, and they need us to . . .we have the
18 infrastructure and the process. The hard part is to
19 make sure that we are connecting business and all of
20 our different facilities of education in real-time
21 and not . . . What happens too often is we plan out a
22 curriculum, and by the time that curriculum gets

1 designed, and all the i's get dotted and the t's get
2 crossed, and all of a sudden it's in place and the
3 first group comes out 12 months later, the job has
4 already changed. Right? We've got to be much, much
5 faster.

6 MS. BARTIROMO: Governor [Asa] Hutchinson.

7 GOVERNOR HUTCHINSON: Well, I think the
8 effort is right on target. You look at nationally,
9 only one out of ten high schools in America offer
10 computer science. In the UK it is mandated. In
11 China it's mandated. It's technology education.

12 And we have a joint responsibility to
13 prepare the students for those kind of skills in the
14 workplace. Obviously the private sector comes in and
15 supplements that, but that's the opportunity to bring
16 technology and jobs to your state.

17 In Arkansas, we will be passing a law--
18 well, it's already passed; I'll sign it next week--
19 which requires computer science, or computer coding
20 to be taught in every high school in Arkansas. And
21 so that will start the next school year.

22 And that's the opportunity to change the

1 dynamics of the economy to provide technology
2 education, job opportunities for the young people,
3 and to bring those jobs back to America.

4 MS. BARTIROMO: By the way, across the
5 universities, one of the hottest classes right now is
6 coding, and learning coding and sort of skills
7 around engineering.

8 Governor [Steve] Bullock?

9 GOVERNOR BULLOCK: It's good to say in
10 Montana we're creating jobs among the fastest pace in
11 our history; about 12,000 jobs created last year.
12 The unemployment rate is 4.2 percent. Growth in
13 every single sector. And at the same time, the
14 highest graduation rates, high school graduation
15 rates we've ever had. Double the number of students
16 taking college classes in the high schools to kind of
17 get that jump.

18 MS. BARTIROMO: Why do you think that is?

19 GOVERNOR BULLOCK: Why do I think all those
20 pieces are?

21 MS. BARTIROMO: Why such vibrancy?

22 GOVERNOR BULLOCK: I mean I think in part

1 it's certainly post-recession. And a place like ours
2 wasn't hit as hard, but it's also just I think the
3 opportunity. We're creating the right climate, and
4 there's great opportunities in all kinds of different
5 sectors.

6 I had a chance, so I spoke to Elon Musk a
7 while ago and said: If you were governor, what would
8 you do as governor of Montana? And he said: Go out and
9 encourage all your people to have more babies.

10 **(Laughter.)**

11 GOVERNOR BULLOCK: I'm like, "Huh?" His
12 point was, you have a million people over 147,000
13 square miles. You're going to have some challenges.
14 So how do we make up for that?

15 And I think it really is a collaborative
16 effort. You go to your private sector, other
17 companies coming in and saying I need to be able to
18 provide you a pipeline of trained and talented
19 workers. So then you work with both state government
20 and your two- and four-year colleges and
21 universities.

22 Sometimes it's not the degree; it's just

1 the stackable credential to actually sort of skill
2 folks up. But I think it has to be a deliberative
3 effort with the private sector, in combination with
4 the public sector and our educational system to
5 really make sure that we're meeting the workforce's
6 and the employers' needs in all of our states.

7 MS. BARTIROMO: Which underlines the idea
8 that this really needs to be collaborative. This
9 needs to be a partnership between business and
10 policymakers in terms of recognizing the issues, and
11 ensuring that we've got the training around that.

12 Governor [Mary] Fallin?

13 GOVERNOR FALLIN: Thank you for being here.
14 And it is about collaboration between the private
15 sector and certainly the public sector. The public
16 sector doesn't create jobs. The private sector
17 creates the jobs.

18 I think what most families don't want is to
19 feel like they have to work harder and harder every
20 day to be able to achieve financial independence.

21 We also have the situation where, in
22 states like Oklahoma, where we have a very low

1 unemployment rate, it's about 4.4 percent right now,
2 and you have employers who can't find the workers
3 that they need. And then we have a very low
4 unemployment rate, but the real challenge is the
5 skills gap, and making sure you have the right level
6 of educational attainment in your individual states.
7 And not just by the state itself, or by the nation,
8 but even regional and localized within the local
9 community, the local regions of your individual
10 states. So we've formed a partnership with many
11 different organizations, but one in particular has
12 been realigning our K through 12 education with our
13 career technology schools, with the types of courses
14 that are being offered, and our higher education
15 institutions for associate degrees, or bachelor's
16 degrees. And then working with the private sector to
17 say: What do you need for your skills?

18 And so what I know in Oklahoma is that
19 down in eastern Oklahoma, the skill sets that they
20 need may be in forestry, may be in tourism and
21 manufacturing. But if you go out to western
22 Oklahoma, it's agriculture; it's oil and gas; it's

1 wind turbines.

2 And so the skills sets are different. But
3 if you go to Oklahoma City and Tulsa, our two major
4 metropolitan areas, they have a lot of engineering.
5 They have a lot of aerospace, a lot of financial
6 services. So they have a similar skills gap.

7 So one of the things we talked about last
8 year here at the National Governors Association
9 meeting was how do you meet the skills gap, get the
10 right type of educational attainment level to be able
11 to take care of the jobs and help people not just
12 have a job, but have a career path.

13 And we also know that two-thirds of the
14 jobs between now and the year 2020 will require more
15 than a high school degree. In other words, you're
16 going to have to have a career certificate. You're
17 going to have to have an associate degree, a college
18 degree, to be successful and reach the middle class.

19 And so I think that's one of our biggest
20 challenges in the nation, is how do we make sure we
21 have the skilled, educated workforce that's relevant
22 to today's ever-changing, innovative, modern economy?

1 MS. BARTIROMO: Yes. I mean, you know, the
2 issue is so important and it almost seems like a
3 luxury to be discussing it during a time that there's
4 a whole portion of people in America right now who
5 really have not seen the impact of the recovery.

6 I mean, you know, you heard what Vice
7 President [Joe] Biden said the other day. You also, you
8 know, see it in the polls. Even though we see all of
9 the economic data that looks to be getting better
10 every month, you have poll after poll where people
11 say: I'm not feeling it. You know, I don't
12 necessarily think that things are getting better. I
13 think that we're still in a recession.

14 Why do you think that is, Governor [Tom] Wolf?
15 Talk to us about Pennsylvania and the challenges that
16 you've seen.

17 GOVERNOR WOLF: Well, I've been in this job
18 for four weeks--

19 *(Laughter.)*

20 MS. BARTIROMO: That's okay.

21 GOVERNOR WOLF: --so I come out of the
22 private sector, so I have all the answers, yeah,

1 that's right.

2 **(Laughter.)**

3 GOVERNOR WOLF: No, but I can tell you what
4 I saw from the private sector. And the reason I'm a
5 Democrat is because I recognize that we have to have
6 the balance that you talked about.

7 First of all, state--four things. First
8 of all, states are captive of the macroeconomic
9 trends going on in the nation and the global economy.
10 But beyond that, there are three things that I think
11 the state needs to do. And I think Pennsylvania
12 especially.

13 First, we need to set the table for
14 economic growth. And it is the private sector that
15 does that, but it takes a very robust public sector
16 to make sure the private sector can function. The
17 public sector, not the private sector, provides
18 public goods. The private sector cannot address
19 externalities. We need regulations. The private
20 sector cannot set the rules, for the most part, of
21 the game that makes it so that the market performs
22 optimally. Government has to do those things.

1 And I think some of the things can be done
2 in the private sector, but a lot of the things have
3 to be done publicly.

4 In Pennsylvania, I think the second thing
5 that we need to do is take advantage of the
6 competitive advantages that we have. We're the
7 Keystone State. We have a God-given location. We
8 have two great cities. We have the greatest
9 universities of higher education in the world--

10 *(Mumblings.)*

11 GOVERNOR WOLF: --Massachusetts. We have
12 some of the greatest universities of high education
13 in the world.

14 *(Laughter.)*

15 GOVERNOR WOLF: We have a great workforce.
16 We have so many things--

17 GOVERNOR [Charlie] BAKER: Let's just say it again.

18 MS. BARTIROMO: Governor Baker, you can
19 jump in.

20 GOVERNOR WOLF: I'm selling here. We have
21 some great attributes. We need to take advantage of
22 those things. I think government is uniquely

1 qualified to do that.

2 And finally, I think government works at
3 the margins. And some of the things we can do to
4 actually make sure that we are having an education
5 system that has relevant skills. We have to have a
6 robust, well-funded education system. But it has to
7 be accountable, and it has to be providing the skills
8 that the private sector and families actually need.

9 I think we do have a situation where
10 families are looking somewhat pessimistically at the
11 future, even though unemployment in Pennsylvania is
12 down below 5 percent. The workforce--the percentage
13 of the population engaged in the workforce is not
14 that good. People are walking away from the
15 workplace. Maybe it's because of a skills mismatch.
16 People aren't staying in Pennsylvania.

17 So we have our work cut out for us, and I
18 think I can, as governor, try to address the specific
19 issues to set the table for robust economic growth.
20 But one of the things I've got to do is make people
21 feel good about what the future is in Pennsylvania,
22 what their future holds and what the opportunities

1 are. I think they need to be optimistic, and I think
2 government can actually maybe do a--play a big role
3 in unleashing those animal spirits.

4 MS. BARTIROMO: And in this session we
5 really want to talk about, you know, where are the
6 jobs? Where is the growth? What are the main issues
7 that are getting in the way of those two things?

8 I would like to get the insights of a few
9 more of you who are new to your roles because some of
10 you actually won the people's votes because you are a
11 business person, and because people believe that a
12 business person can try to apply business principles
13 to a policy framework.

14 Governor [Doug] Ducey, I would put you in that
15 category. Tell us what you've seen so far.

16 GOVERNOR DUCEY: Well, I did run as a
17 business person. I come from the private sector. My
18 company was Cold Stone Creamery, the ice cream
19 company. You get a lot of undeserved popularity
20 selling ice cream. So we translated that into a
21 campaign.

22 *(Laughter.)*

1 GOVERNOR DUCEY: But I think most people
2 understand a small business, and I think when you
3 talk about those principles of what makes a small
4 business work are the same principles that you can
5 apply to government: a budget that you're accountable
6 to; a plan that you follow; good communication with
7 your franchisees; the investment in people in terms
8 of what happens inside the store and customer
9 service.

10 So I never said that government is a
11 business. I think that's a dangerous way to look at
12 it. But I think business-like principles, leadership
13 of setting out a vision, a mission of how you're
14 going to accomplish it to demonstrate it through the
15 people that you pick and your senior staff and
16 agency heads. And then to put metrics out there that
17 people can actually see, that if you're driving
18 towards those numbers will affect their quality of
19 life: expansion of the economy, a per-capita income,
20 lower crime rates. Those types of things are the
21 pragmatic way to give common sense numbers that I
22 don't believe are partisan, just things that say this

1 community is going to be better tomorrow than it is
2 today because we're working on these issues.

3 MS. BARTIROMO: Well, what you're talking
4 about is accountability. And when the people know
5 there's accountability in place, oftentimes you do
6 see a different performance.

7 Governor [Terry] Branstad?

8 GOVERNOR BRANSTAD: Well, I think a lot of
9 the jobs of the future are in the STEM field,
10 science, technology, engineering and math, and
11 they're also better-paying jobs.

12 So we started--I signed an executive order
13 back in September of 2011 to really put together a
14 public/private partnership that involved business,
15 education at all levels, and government in STEM. And
16 the lieutenant governor co-chairs that along with
17 Mary Vermeer Andringa, who is the CEO of Vermeer
18 Manufacturing.

19 We've gone from 40,000 kids involved in
20 STEM to 80,000, to now 117,000. A lot of enthusiasm.
21 A lot of interest. And it is changing. There's just
22 kids that never thought they might have an aptitude

1 in math and science are now seeing a real opportunity
2 there.

3 Another thing that we've done is, because
4 of the skills shortage that we hear from businesses,
5 we--and we know that there's a big reduction in the
6 military, we started something called Home Base
7 Iowa, and we're actively working to recruit people
8 coming out of the military for the careers and jobs
9 that we have available right now.

10 And in just seven months since that
11 started, we've placed almost 1,000 people coming out
12 of the military in good jobs in Iowa. So those are a
13 couple of things that we're doing to try to prepare
14 for the jobs of the future with the STEM program kind
15 of long term, and the Home Base Iowa being direct in
16 the short term.

17 MS. BARTIROMO: So you are walking a
18 balance of trying to create jobs, trying to figure
19 out where the growth will come from. Maybe it's the
20 STEM area. Maybe it's manufacturing. At the same
21 time, you're faced with issues around immigration,
22 issues around cost of health care, and of course

1 education.

2 So let's really dig deeper into some of
3 these issues and what can be done. For example, in
4 terms of immigration, in terms of the idea that the
5 funding for Homeland Security may not come through,
6 is there anything that can be done on your level that
7 actually can move the needle to give business and
8 economics some clarity in terms of where we're going?

9 **(No response.)**

10 MS. BARTIROMO: No comments? What's the
11 biggest issue? I'd like to go around the room and
12 see what is the biggest issue, economic issue that
13 you face right now? Governor?

14 GOVERNOR [DAVID] IGE: Sure. I think in terms of
15 the State of Hawaii it really is about connecting the
16 dots between the job opportunities and the graduates
17 graduating. I think like most other states we do
18 have jobs that go unfilled because the students and
19 the graduates don't really have the right job skills.

20 MS. BARTIROMO: So you're saying skill sets
21 is your number one issue in Hawaii?

22 GOVERNOR IGE: Yes, in terms of getting to

1 the next level. There is a sense--you know, the
2 economy of Hawaii is doing much, much better than it
3 was four years ago. And I think the challenge is the
4 confidence issue, that the general population doesn't
5 feel very certain about what the future holds, and
6 the concern really is about being able to get a good,
7 middle class job that will allow them to be able to
8 earn a living, create a career and, most importantly,
9 be able to live and work in Hawaii
10 with the cost of living.

11 MS. BARTIROMO: The biggest issue in
12 Arizona?

13 GOVERNOR DUCEY: I would say the last year
14 on the campaign trail I talked about jobs and the
15 economy every day, that, in addition to K-12
16 education, are the biggest concerns and the biggest
17 things I think a governor can affect from that
18 office.

19 Arizona is a state that's been built on
20 growth. It's a place where people have been moving
21 from around the country. That's slowed dramatically.
22 Our unemployment is about a point higher than the

1 national unemployment. So getting that economy
2 turned around is what we're going to do in this
3 administration.

4 MS. BARTIROMO: Oklahoma?

5 GOVERNOR FALLIN: It's jobs, economy and
6 educational attainment. And my big goal this year is
7 to work at structurally changing how we do our state
8 budget in Oklahoma so that we can fund things that
9 are a priority in Oklahoma and not just fund things
10 we hope work, but funding programs that actually do
11 work. So adding back effectiveness, efficiency and
12 accountability.

13 So one of the things we've done totally
14 different--I don't know of any other state that's
15 doing this--is that we ask every state agency in the
16 State of Oklahoma, 60 different departments, to set
17 goals, measurable goals with specific percentages
18 they hope to achieve, and the year they hope to
19 achieve it.

20 For example, we want to reduce our smoking
21 rates in Oklahoma. So we set a goal to reduce our
22 smoking rates by the year 2025 by a certain

1 percentage. Or we wanted to reduce our need for
2 remediation of high school seniors going on to get a
3 college degree. Or maybe it's improving our
4 recidivism rate for people coming out of prison and
5 being able to help the successful ones that exit out
6 of the correction facilities.

7 And then tying our budget to those goals.
8 And if we're not reaching the goals by the years that
9 we set, then changing the programming of state
10 government so that we can make government more
11 accountable, more effective and more efficient in
12 how we utilize your taxpayer dollars.

13 MS. BARTIROMO: Wyoming?

14 GOVERNOR [MATTHEW] MEAD: Well, I agree with the
15 question of making sure we have the talent and the
16 training. I would add to that, and one issue we
17 haven't touched on, or touched on a little bit, is
18 infrastructure and energy, and energy costs. Because
19 energy is tied to the economy in a big way. It's
20 tied to the cost of everything we do.

21 We need to have a sound energy policy,
22 energy strategy in the country that is long term,

1 that finds the appropriate balance between the
2 environment and the development of energy. And we're
3 the beneficiary. Wyoming exports more energy than
4 any other state. You know, we've been a very wealthy
5 state. We can do some remarkable things.

6 And one of the things we have tried to
7 work on is infrastructure. But, you know, it's sort
8 of the basic building block of economic development.
9 If you don't have running water, sewer, roads,
10 bridges, broadband, you're kidding yourself in terms
11 of economic development. And I think that is not
12 just an issue state by state, because we rely upon
13 each other in the commerce that flows between the
14 states; that nationally we've got to address
15 infrastructure as a whole.

16 And I think that is a challenge, at least
17 for Wyoming, and I think it is for a lot of states.
18 How do we have great infrastructure? How do we
19 have an energy strategy that provides affordable
20 energy in the cleanest way possible to the country?

21 And so those are two big issues from
22 Wyoming's perspective.

1 MS. BARTIROMO: I want to get into energy a
2 lot more later, because I think the question now is
3 that people are going back and forth about is: Is
4 the need for the energy policy that you're talking
5 about as urgent as it was with a 50 percent decline
6 in the price of oil?

7 GOVERNOR MEAD: I think this is the exact
8 right time to be looking at it. Because if you wait
9 until oil is up to \$100 or \$104, and you say, it's
10 not a problem now at \$50, I think you're completely
11 misunderstanding the concept of affordable energy.

12 In other words, we can't just have it six
13 months by six months. There needs to be a long-term
14 strategy. This is the time to look at it. You know,
15 what should the portfolio be? And not only
16 including, you know, how we use energy in this
17 country, but what energy we export. And then how do
18 we make it the best possible?

19 Because we tend to be reactive as a
20 country and as states. We sort of go disaster by the
21 day, but some of these long-term strategies, not only
22 for the states, but more importantly for the

1 predictability of industry, and the predictability
2 of, you know, if you have a chemical company and you
3 want to invest a billion dollars in a building, what
4 are the energy costs going to be not next year or six
5 months, but for 30 years.

6 And so I think to the extent we can
7 provide that, it certainly helps the states. And I
8 think it provides predictability for industry, which
9 is critical for the investment.

10 MS. BARTIROMO: I think we have to point
11 out that one of the reasons that oil prices have come
12 down so much is because of all of the supply. And so
13 that--

14 GOVERNOR MEAD: It's the supply and demand,
15 but I think it's a little bit artificial because it's
16 supply and demand partly by an angry OPEC. But I
17 think it should be in part a good news story because
18 it's by the innovation and technology of our
19 companies that have been able to find resources that
20 even 10 years ago we thought we could never attain/

21 MS. BARTIROMO: Biggest economic issue
22 facing Nevada?

1 GOVERNOR [BRIAN] SANDOVAL: For me, it's investing
2 in K-12 education and our universities, and improving
3 the delivery of education in our state. Nevada is on
4 the move. We have added 100,000 new jobs in the past
5 four years. We have reduced the unemployment--I was
6 listening to Gary [Herbert] when he said 8 percent. I would
7 really like to have that, because we were at 14
8 percent 4 years ago. We've kicked it down to 6.8,
9 but we still have a long way to go.

10 We have new companies, technology
11 companies. Governor Malloy talked about the Tesla
12 battery plant that's coming to our state. That is
13 going to--we had, the state demographer had to change
14 the predictions for population for our state because
15 there will be close to 7,000 direct jobs, and over
16 20,000 other jobs that will be coming here.

17 You know, as Matt [Mead] said, I don't want to be
18 reactive. I have to get in front of this. I have to
19 make sure that we have this trained workforce that
20 all of us have been talking about.

21 So one of the things we did was we have
22 developed sector councils that brought together the

1 private sector, the university, the K-12, so we can
2 build those curriculums so that those students, that
3 workforce will be ready to go when these new
4 businesses open up.

5 So that is, for me, preparing for the
6 future, preparing for the new Nevada. I mean, Nevada
7 has always historically been based on gaming and
8 tourism and mining, but now we will have--we have the
9 largest data center on planet Earth in Nevada. We
10 will have the largest battery manufacturer. We are
11 one of only six states that have attracted--or were
12 designated as a testing area for drones. That's
13 another big emerging area in aviation that I have to
14 be ready for.

15 So that's what my priority is.

16 MS. BARTIROMO: And you also obviously are
17 dealing with foreign money coming in from places like
18 China.

19 GOVERNOR SANDOVAL: Yes and no. We're
20 seeing a lot of investment in that regard. And I've
21 learned from the other governors, you can't wait for
22 it. You have to go out and get it, and so we've--

1 I've been on trade missions to China, Korea, Israel,
2 Canada, Mexico. We'll be going to Europe this fall;
3 we'll be going to some other places as well, because
4 there are companies, foreign companies, that are
5 looking to expand their markets in the U.S.

6 When they come to the U.S., I want them to
7 come to Nevada. And so we have to--I mean, this is a
8 great competition amongst all of us to have the most
9 business-friendly states that we can have.

10 We've done the same thing. We've cut the
11 regulations and modified them. We want to have a
12 stable tax structure, as well. The question I get
13 asked now with these companies coming in is about
14 education, and so that's why my focus is on that.

15 MS. BARTIROMO: And many of you have been
16 very successful in terms of creating an environment
17 for business, to headquarter there, or create jobs.

18 Governor [Jay] Nixon?

19 GOVERNOR NIXON: Well, just to follow up on
20 Governor Sandoval, we're focused on making sure that
21 we're transforming our economy for a world economy,
22 and that means making sure that you're delivering

1 education and reforms that make a real
2 difference.

3 MS. BARTIROMO: So what is the biggest economic
4 issue that you face?

5 GOVERNOR NIXON: Making sure that we've got
6 the people who have got the skills for the jobs of
7 the future, and making sure that people are
8 competing--

9 MS. BARTIROMO: The skills gap.

10 GOVERNOR NIXON: I'm not saying "gap." I
11 mean, you can see these trends coming. This stuff
12 doesn't sneak up on you. And so as we look at our
13 strategic plan and where we're going, it's clear that
14 we need to match what those jobs of the future are
15 with an education system that delivers them,
16 especially with the high costs.

17 We've also kept the costs of education
18 down--the lowest tuition increase of anywhere in the
19 state--anywhere in the country; expand our
20 scholarship program for two years at all of our
21 community colleges.

22 So that workforce side, and improving the-

1 -on the education side, the gap as to the skills of
2 what you need for that. And then keep fiscal
3 discipline, which helps us tremendously to get
4 foreign investment.

5 MS. BARTIROMO: Governor?

6 GOVERNOR [BILL] HASLAM: Similar. The disconnect
7 between the skills needed and the skills available,
8 and the big effort we've made is to launch what we
9 call "The Tennessee Promise," two years free
10 community college or technical school to every high
11 school graduate. So far this year we've had 90
12 percent of our high school seniors apply for the
13 program. So that two years free has gotten
14 everybody's attention and will hopefully address the
15 gap.

16 MS. BARTIROMO: Governor McAuliffe.

17 GOVERNOR McAULIFFE: I wouldn't disagree
18 with anybody. Obviously when you say "workforce
19 development," all education. I mean, in Virginia in
20 the next 10 years a million Virginians will retire.
21 We will create about 500,000 new jobs. So we need a
22 million-and-a-half folks to fill those jobs, just

1 right there.

2 I have 30,000 jobs open right now in
3 Northern Virginia in the tech space, cybersecurity.
4 I'm trying to encourage our education systems to make
5 sure when those kids come to kindergarten you give
6 them a Crayola book that says "STEM" on the cover.

7 **(Laughter.)**

8 GOVERNOR MCAULIFFE: And then maybe a
9 little chapter on cybersecurity. But listen, it's a
10 global economy. Preparing for that, I think what
11 happened to the United States of America we are
12 blessed with the natural gas. So for the first time
13 now you're seeing 58 percent of CEOs in America
14 saying they're now going to insource.

15 Because of the natural gas costs, we can
16 be competitive with anybody now for manufacturing.
17 So bringing back advanced manufacturing to America I
18 think is the greatest success.

19 We just announced one the other day. I
20 brought a Chinese company back. Bought a shuttered
21 plant in Appomattox, a highly distressed area in
22 Virginia, biggest deal in 44 years. They invested

1 the money and reopened an old furniture plant. We
2 are manufacturing pollution control devices, taking
3 the manufactured product to our port and shipping a
4 manufactured product back to China. It was cheaper
5 to do it here. So we took their money, opened the
6 plant and are now selling them back a manufactured
7 product made in Virginia. That's what you have to do
8 in what I call the new global economy.

9 MS. BARTIROMO: That's a great point. And
10 what about the idea that so many companies have so
11 much money overseas? I mean, wouldn't a change in
12 tax policy open up that in terms of getting some of
13 that money?

14 I was just talking to someone the other
15 day, a Qualcomm CEO. They've got \$31 billion in
16 cash. Guess what? \$28 billion of it is overseas.

17 GOVERNOR McAULIFFE: Talk to John Chambers
18 at Cisco. He's got a lot of money overseas. He'd
19 love to bring it back, but he has a fiduciary
20 responsibility to his shareholders to maximize
21 returns. We have got to make our tax policy so it
22 incentivizes American business to bring that money

1 back here to America. They have a fiduciary duty.
2 Make it so it makes it fiduciarly smart for their
3 shareholders to bring that money back here and
4 turbocharge our economy. I think all of us in this room
5 would agree, we need to change the tax code. Let's
6 bring that money back to America.

7 MS. BARTIROMO: And by the way, even though
8 they've got all this money, and a lot of it is
9 overseas, they would rather borrow more money, to
10 actually use that money on infrastructure and, you
11 know, R&D, because rates are so low, which makes
12 perfect sense. Why would you bring the money back
13 from Europe, or from wherever, if you're going to get
14 double-taxed on it, as they say, rather than just
15 borrowing at zero percent.

16 GOVERNOR McAULIFFE: That's right.

17 MR. BARTIROMO: Governor Baker, biggest
18 issue facing Massachusetts?

19 GOVERNOR BAKER: Snow.

20 *(Laughter.)*

21 MS. BARTIROMO: Fair enough. And you're
22 going to get more of it. Does that have an economic

1 story to it?

2 GOVERNOR BAKER: Absolutely. The economic
3 story has many parts, but the three big ones are for
4 our retailers and hospitality businesses, main street
5 businesses, restaurants. It's been a really grim
6 month of February. And many of those businesses,
7 they're not quite hand-to-mouth, but a lot of them
8 are the kinds of places where if people don't come in
9 and buy, nobody gets paid.

10 And I think the consequences of, you know,
11 8-1/2 feet of snow in 3 weeks, and the number of days
12 lost for those kinds of operations have been
13 profound.

14 I think the second big issue is it puts an
15 enormous strain on public resources because nobody
16 budgets for 9 feet of snow. So you have all kinds of
17 local communities that we've been working real hard
18 with to try and set up a mutual aid program to help
19 them just deal with the plowing removal and disposal
20 of this.

21 We stopped counting how much snow we were
22 moving when we got above 100 times filling Gillette

1 Stadium where the Patriots play.

2 We've had folks like Governor Wolf who
3 sent in the National Guard and equipment and manpower
4 from states like Vermont and Maine. And the irony,
5 by the way, of having Vermont and Maine send us
6 National Guard people and heavy equipment to help
7 remove snow is kind of ironic. New
8 York, New Jersey, it's really--I mean, the public
9 expense associated with that is pretty significant.

10 And the third big issue which we're going
11 to start dealing with over the course of the next few
12 days, and maybe the next few weeks, is going to be
13 property damage as roofs start to collapse. Is this
14 apocalyptic for all of you?

15 **(Laughter.)**

16 MS. BARTIROMO: And pipes burst. There's a
17 lot of property damage.

18 GOVERNOR BAKER: It's been a pretty
19 interesting 45 days. But I think that once we get
20 past the snow, probably for us--and I would basically
21 put it in a slightly different way--but we have one
22 of the most successful and most vibrant and most

1 forward-looking knowledge-based economies probably
2 anywhere in the world. And if you're in one of those
3 spaces and you can play in it and play successfully,
4 you know, the world's your oyster.

5 But if you're not, it's a pretty cold
6 place in Massachusetts these days. And I think one
7 of our great challenges, not just in Massachusetts
8 but elsewhere, and it gets back to your question
9 about why if the numbers look so good do so many
10 people feel not so great? Because for a lot of
11 people it's been a very anxious time for the better
12 part of the past four or five years.

13 They're running real fast and they're
14 working real hard, and they're having a hard time
15 seeing where their progress is going to come from,
16 primarily because the price of food, the price of
17 housing, the price of energy, the price of health
18 care--and that one I do believe is tied directly to
19 education and skills. And we've got to figure out a
20 way to do a better job on both.

21 MS. BARTIROMO: What are you going to do at
22 the end of the school year with all of these days out

1 for kids? Are you going to have them make that up?
2 When you think about American kids versus Chinese
3 kids, you know, we're sending our kids to school at a
4 much lower sheer volume of days. They're
5 being educated more in China. So what are you going
6 to do about--I mean the snow is one portion of this
7 subject, but this is a real impact to you because the
8 schools have been closed for so long, right?

9 GOVERNOR BAKER: Yeah, although I can say
10 that, I mean, generally speaking the performance of
11 most kids in Massachusetts--and it is most, which
12 brings me to another subject--on most national and
13 international exams is actually quite good.

14 I mean, we can compete with pretty much
15 anybody at the sort of middle and upper end. Our big
16 problem--and it's a problem we'd better fix--is the
17 achievement gap, which I think is an opportunity gap,
18 between the school systems and the school districts
19 and the schools that are performing and those that
20 aren't is profound. And that's something I really
21 believe we had all better focus on. Because in the
22 long run, if you don't get a great high school--a

1 great education through high school, and probably
2 something beyond, your chances in this world and this
3 economy are going to be severely limited.

4 MS. BARTIROMO: Absolutely. It just builds
5 on each other as you get further into school: high
6 school, college, higher ed.

7 Governor Wolf, the biggest economic
8 challenge for Pennsylvania?

9 GOVERNOR WOLF: This is going to sound
10 strange. I mean, I agree with everybody. Education.
11 We've got to build out the infrastructure. We have
12 to make investments to make sure the economy can
13 function. But I think the biggest problem in
14 Pennsylvania is low self-esteem.

15 And I think one of the things a governor
16 can--it's not that--it wasn't a laugh line--

17 GOVERNOR BAKER: But you have the most
18 successful education institutions in the globe.

19 *(Laughter.)*

20 MS. BARTIROMO: You have to explain that,
21 low self-esteem as an economic problem. Why?

22 GOVERNOR WOLF: Well, here--And I'm not

1 saying this is a matter of just confidence and that
2 kind of thing. But I think one of the things that a
3 good leader does, and as governors we have this
4 opportunity to do this, is to actually tout our own
5 potential and make sure that we're not wasting away
6 in part because we don't think we're as good as we
7 really are.

8 I think Pennsylvania is one of those
9 underachieving states that could do a lot better
10 with the resources it has. And I think one of the
11 responsibilities of leadership in Pennsylvania is to
12 address head-on not only the structural issues--
13 education, transportation, all those things--but also
14 the psychological issues that keep us, and hold us
15 back. And so low self-esteem actually is a big
16 problem.

17 MS. BARTIROMO: And that requires
18 leadership in terms of making sure people have
19 optimism and hope that they in fact can get a better
20 life.

21 GOVERNOR WOLF: Especially in Pennsylvania,
22 yes.

1 MS. BARTIROMO: Right. Governor Herbert?

2 GOVERNOR HERBERT: Well, the biggest
3 challenge I see facing Utah really is the challenge
4 we've had, and that's growing the economy. And how
5 do we keep it growing in a very fast-growing state?
6 We're one of the third- or fourth-fastest growing
7 states in America.

8 So the need to have economic expansion
9 continues. I take a page out of President Bill
10 Clinton's book where he said, "It's the economy,
11 stupid." And it really is I think the number one
12 focus that all of us probably are looking at, certainly
13 we're doing it in Utah. But we also know we cannot
14 have long-term, sustained economic growth unless we
15 have a skilled labor force.

16 So it goes back to education, and beyond
17 high school diplomas and into post-high school needs,
18 whether it needs to be better alignment with what the
19 skills are we're teaching in school, or what the
20 demands of the marketplace are which is global in
21 nature.

22 You asked the question earlier about whose

1 responsibility is it to make sure that our young
2 people get a good education. Is it the public, or
3 the private?

4 Governor Hickenlooper talked about it's a
5 collaboration. Part of that equation, which we
6 sometimes tiptoe around is, it's the parents' and the
7 guardians' responsibility to make sure that their
8 children get a good education. And that's a
9 component part we sometimes overlook.

10 We have too many parents in Utah that drop
11 their children off at kindergarten and pick them up
12 at high school graduation and say, hey, how was it?

13 **(Laughter.)**

14 GOVERNOR HERBERT: They need to be more
15 involved.

16 MS. BARTIROMO: Right.

17 GOVERNOR HERBERT: To make sure they're
18 getting their assignments done, that their kids are
19 learning in school. And so that's an aspect that we
20 need to talk about to make sure that parent-teacher
21 conferences are being held, with parents and teachers
22 working together on how little Johnny and little

1 Janie are going to excel in the classroom.

2 So the challenge for me is that we're
3 having great success. Our unemployment rate is down
4 to 3.4 percent, one of the lowest in the nation, but
5 how can I continue to make sure that it happens?
6 It's going to require a really skilled labor force
7 going forward.

8 MS. BARTIROMO: What's an appropriate
9 growth level?

10 GOVERNOR HERBERT: Excuse me?

11 MS. BARTIROMO: What is an appropriate
12 growth level in Utah?

13 GOVERNOR HERBERT: Well, our GDP is
14 growing about 4.1 percent right now, about twice the
15 national average, and our population growth is about,
16 just under 2 percent growth. We have a high birth
17 rate. We're a young population. Our median age is
18 29.2 years of age, so I have a lot of kids in school
19 and growing.

20 And, plus, people are now moving to Utah
21 for a great quality of life and economic opportunity.
22 You know, it's kind of a conundrum as far as how do

1 you accommodate that and still grow the economic pie
2 and have it expand to accommodate the growth and
3 pressures we feel.

4 MS. BARTIROMO: Governor Hickenlooper?

5 GOVERNOR HICKENLOOPER: So in parts of
6 Colorado, and I think in parts of the country--and
7 I'll echo a little bit of what Governor Wolf said--
8 it's confidence, and people don't believe. It's not
9 just in their own self-esteem, but I think a big part
10 of job creation is entrepreneurship. And people
11 forget that oftentimes the entrepreneur generally--
12 and I'm not talking necessarily, let's put
13 technology, and health care technology aside--a lot
14 of times it's a guy who is working for some other
15 company. He's one of the better workers there. He's
16 a house painter. He's a sheet rocker. And he wants
17 to start his own business. And he's got the sense to
18 know how to do it, and he thinks he can do a--
19 negotiate a better contract, you know, manage his
20 workers, do a better job.

21 And if he doesn't feel that the community
22 supports him taking that risk, if he thinks there's

1 too much red tape or regulation, if she feels that
2 there's, you know, not enough space for her
3 entrepreneurial activities to succeed, then they
4 won't do it.

5 And over the last several years we've seen
6 that nationally. The number of start-ups have gone
7 down significantly. You can tie it to a number of
8 things--all of us working on reducing red tape and
9 regulations haven't done as good a job of letting
10 people know that, and how pro-business we are, and
11 how supportive we are of entrepreneurs.

12 But also the media is constantly
13 bombarding people with this kind of negative
14 impression on how this is broken, or that's broken,
15 or this person is, you know, a scoundrel. We go through
16 these campaigns where the level of negative
17 advertising is beyond what anyone could have imagined
18 20 years ago.

19 And I think that is--people don't believe
20 anymore, and I think that is having a direct effect
21 on our entrepreneurship. You know, Colorado is
22 basically along the front range in our urban core.

1 We are growing. We have tons of startups, and I
2 think generally so many young people are there who do
3 believe. We have, in a funny way, a problem of
4 infrastructure.

5 I mean, we're very rapidly going to--I
6 mean, our roads are already congested. And the
7 planning that is going on is not going to be
8 sufficient. We don't have the funding right now, and
9 even if we had it we're too far behind. It's a good
10 problem to have, right? People complain to me every
11 day, mayors, about traffic jams and congestion.

12 And I say, well, you know, we're going to
13 work on this together, but it's better than having
14 empty streets. But I think that sends a confidence;
15 what I keep coming back to is that's going to be
16 the key for the overall country.

17 People forget, you were mentioning
18 Governor Clinton when he was President talking about
19 "It's the economy, stupid." But when our recession
20 started in '84-'85, my company got sold. I got laid
21 off in '86. He was running for President in '92,
22 right? And so that recovery had some dips. The

1 price of oil went up and down a couple of times in
2 there.

3 These recoveries are difficult processes,
4 but part of getting it accelerated is to have people
5 believe, to get confidence.

6 MS. BARTIROMO: I totally agree, and I
7 think the media plays an important part here in terms
8 of ensuring people understand the facts and really
9 what's going on.

10 One of the reasons, I guess, that people
11 have not been feeling it is because their wages
12 haven't moved. So you've got an environment where
13 the unemployment numbers look like they're getting
14 better, and yet the average guy or gal out there
15 hasn't really seen a change in their salary in about
16 six years.

17 GOVERNOR HICKENLOOPER: Right. Absolutely.
18 And I think that's--we had Danny Meyer who just
19 opened Shake Shack--went public with that.

20 MS. BARTIROMO: Hugely successful deal.

21 GOVERNOR HICKENLOOPER: Hugely successful.
22 When he was describing wages in his kitchens, right,

1 the wait staff, as the price on the menu goes up
2 people have--that's gone up 200, 250 percent in the
3 last 25 years, but wages in the kitchen have gone up
4 a fraction of that. And I think that pressure, you
5 see that in every industry.

6 MS. BARTIROMO: That's true.

7 Governor?

8 GOVERNOR MARKELL: Well, I think, you know,
9 the segue from that is: Why is that? And I think
10 there are two big reasons.

11 One, businesses have more choices than
12 they have ever had before about where to locate, and
13 where to expand, and where to hire.

14 MS. BARTIROMO: And who to hire.

15 GOVERNOR MARKELL: And who to hire. And I
16 think we have to really come to grips with the fact
17 that we are not entitled to a job tomorrow just
18 because the employer was in our state yesterday. And
19 this is not just a battle amongst us as governors. I
20 mean, the bigger battle is with employers all around
21 the globe. I mean, that's number one.

22 Number two, I mean there are profound

1 implications in the fact that we all carry these
2 incredibly powerful computers in our pockets. Some
3 really positive aspects of that, like it increases
4 productivity, which historically means more wealth
5 and more opportunity. At the same time, I'm sure we
6 all have employers in our states who are producing
7 twice as much as they produced 10 years ago employing
8 half as many people.

9 So I mean this revolution has really big
10 implications for the nature of the role of
11 people in producing things. And so I think
12 particularly given the fact that businesses have more
13 choices than ever before, we need to understand at a
14 very granular level what it is that they care most
15 about when they're making that decision about where
16 to invest and hire. And then we've got to act on it.

17 And so I mean--and to me, the biggest
18 takeaway of all this is really what everybody else
19 around the table has talked about, because--and it
20 has to do with workforce. It has to do with skills.
21 Because when you talk about--even when you talk about
22 all that money sitting overseas, the \$28 billion out

1 of the \$31 billion for the one company, I think it's
2 not just about tax policy. Even if the tax policy
3 was equal, they're going to have lots of great
4 choices about where can they get a great workforce.

5 And so we need to make sure every single
6 day that we're getting better, because we know that
7 other countries around the globe are investing really
8 heavily in that.

9 MS. BARTIROMO: You make a great point,
10 particularly as it relates to robotics, because this
11 issue is only going to get worse. I mean, right now
12 as we sit here they're doing prostate cancer surgery
13 robotically. They're doing, you know, health care
14 checks of our bodies. You've got sensors all over
15 the place, machine talking to machine.

16 So that will mean fewer jobs. Is
17 everybody ready for that? Obviously not, because we
18 don't have the skill sets.

19 GOVERNOR MARKELL: But at the same time,
20 these technologies will create new jobs, the kinds of
21 jobs that we've never even thought about before, and
22 we just need to make sure that our folks are prepared

1 for that.

2 MS. BARTIROMO: Absolutely.

3 Governor Malloy, biggest economic
4 challenge you face in Connecticut.

5 GOVERNOR MALLOY: I think the honest answer
6 to that question is the one that we don't know. Who
7 would have envisioned a downturn the likes of the
8 Great Recession just a few years before it took
9 place and it set us all back very substantially.

10 But I would say that there are challenges
11 that we currently know that we're ignoring. Climate
12 change, although we did talk about Massachusetts or
13 Boston's issue with snow, climate change is a
14 gigantic challenge. You know, my state is on the
15 Eastern seaboard. Maybe not in my lifetime, but I
16 hope in the lifetime of my children--I hope they get
17 to the point where they're going to be as challenged
18 by that, by seawater rising and the implications of
19 greater disparity in weather, or changes in the
20 weather. I think it's a gigantic problem.

21 I think transportation infrastructure,
22 which has largely deteriorated in the United States,

1 presents a global disadvantage to the United States.
2 I think we have to address that. And I again would
3 go back to how we're going to fund how we address
4 that.

5 I think income disparity and what we do or
6 don't do about that. You know, the story about the
7 chef not making as much as the wait staff did. But
8 there's also a cultural, educational and racial
9 disparity that's represented in who works what side
10 of the house that we have to admit. And we've
11 institutionalized to some extent those disparities,
12 and we have to worry about it.

13 Demographics. We're getting older. I'm
14 governor of the seventh fastest aging state in the
15 nation. And there are--don't anybody feel great
16 about it--with the exception of Utah, everybody's--
17 well, Utah and Nevada--but basically everybody's
18 getting older.

19 And it's not because you have a better
20 skill set in Utah. It's just--on the demographic
21 side.

22 *(Laughter.)*

1 GOVERNOR MALLOY: So I think these are
2 serious issues.

3 And then, you know, political
4 infrastructure. The person who used to win in
5 political battles was the person who could unify.
6 Now the person who wins in political battles, more
7 often than not, or at least more often than ever
8 before, is the person who can best divide. That's a
9 problem.

10 MS. BARTIROMO: Governor?

11 GOVERNOR [STEVE] BESHEAR: Kentucky has been very
12 fortunate in coming out of this recession in a fairly
13 strong way fairly quickly. Our unemployment rate has
14 gone from 10.7 to 5.7 in just a matter of two or
15 three years, and it continues to fall.

16 Our economy is really picking up.
17 Obviously none of us are where we want to be yet--

18 MS. BARTIROMO: And to what do you
19 attribute that?

20 GOVERNOR BESHEAR: --but it's all moving
21 in the right direction.

22 MS. BARTIROMO: To what do you attribute

1 that success?

2 GOVERNOR BESHEAR: Every CEO I talk to,
3 they love incentives. They love infrastructure.
4 They love all of the things that, that we give them.
5 But the thing that they want more than anything,
6 their number one priority, is a productive workforce,
7 just like everybody else said around here.

8 But I think we ought to spend a moment
9 talking about what the definition of a "productive
10 workforce" really is. Obviously it's a trained
11 workforce. And we have the programs, like so many,
12 where we're partnering with business to develop the
13 skills needed for the jobs of the 21st Century. But
14 a productive workforce, every smart CEO will tell
15 you, is a healthy workforce.

16 If you don't have a healthy workforce,
17 they're not on the job all the time, then they're not
18 productive. And we've made great strides in Kentucky
19 getting our workforce healthy.

20 It also has to be a drug-free workforce.
21 And all of us have that issue in our state, and we
22 have it. And we're having to attack that problem.

1 So all of these things that we do, in one way you
2 don't see the relationship, but it all goes to
3 developing that productive workforce that's going to
4 give you the job attractiveness to bring those folks
5 into your state, because you've got that workforce
6 that will do the job they need.

7 MS. BARTIROMO: Governor?

8 GOVERNOR HUTCHINSON: You know, our
9 challenges are related to the opportunities in
10 Arkansas. We have great entrepreneurs. We are great
11 producers. And you think about the global
12 marketplace, I think that's our challenge, is making
13 sure the global marketplace is open to our
14 industries.

15 You look at Wal-Mart. They've expanded
16 beyond the United States into the global marketplace,
17 located in Wal-Mart. Tysons Food, in terms of beef,
18 poultry production, exports all over the world. Rice
19 production. So we're a small state of great
20 entrepreneurs that has to have the global marketplace
21 to make sure that we create the jobs.

22 I think that's the opportunity we face. I

1 listened to all the comments around the room, whether
2 it's workforce education, job skills, whether it's
3 infrastructure, and I think from a state perspective
4 I would like to see the federal government give more
5 flexibility to the states in order to address those
6 problems.

7 I think that we can do a better job. I
8 think that we can manage it. And I think it's been
9 proven that, while the federal government's done a
10 great job of collecting revenues, they have not been
11 very good at providing the solutions for the states,
12 and we've done better.

13 So I would like to see that flexibility to
14 address all of the problems that have been raised in
15 this room.

16 MS. BARTIROMO: Does everybody agree with
17 that statement?

18 *(A few hands.)*

19 *(Laughter.)*

20 MS. BARTIROMO: So this is going to be a
21 topic you'll discuss with the President tomorrow.

22 GOVERNOR HUTCHINSON: I hope to absolutely

1 do that. And I think there's a growing recognition
2 in Washington that--and there's a willingness to give
3 more flexibility. And I think--you know, and I don't
4 blame this just simply on the federal government, but
5 things have changed.

6 You know, we have been very dependent. We
7 have enjoyed having the federal largesse returned to
8 the states. And I think the times have changed with
9 the constrained federal budget, with the states being
10 greater innovators, with the mobile society that we
11 have, more competition.

12 I just think it's time to refigure that
13 balance in Federalism. And that debate goes on in
14 Washington, but we can certainly push it and grab
15 hold of those reins.

16 GOVERNOR WOLF: Let me just push back a
17 little bit on that, because what you said--the last
18 thing you said is actually a little bit at odds with
19 what you first said.

20 You want to strike the right balance, and
21 I can go along with the argument that maybe it's time
22 to re-set that balance, but let's not forget there is

1 a balance there. We have a national economy that
2 everybody takes advantage of, whether you're
3 Pennsylvania or Arkansas; that the manufacturers and
4 the distributors, the trucking companies in Arkansas
5 take advantage of not just a global economy but the
6 fact that we have one of the biggest and the richest
7 domestic market in the world. That takes federal
8 regulation. That takes some federal cooperation.

9 So we can't lose sight of the idea that
10 states can't do everything--

11 GOVERNOR HUTCHINSON: Sure we can.

12 GOVERNOR WOLF: --and I think that balance
13 is what we have to strike.

14 GOVERNOR HUTCHINSON: I agree totally. I
15 mean, immigration. We need to have the federal
16 government engaged in that. And trade policy, the
17 global marketplace. It's the federal government
18 needs to negotiate these trade rules. We don't do it
19 individually by the state.

20 But whenever it comes to education,
21 whenever it comes to, you know, our job creation,
22 whenever it comes to our infrastructure, we've been

1 dependent upon federal highway dollars. Well, let's
2 refigure that. I think there's ways to do things
3 differently.

4 And so I don't think it's an
5 inconsistency. I think we're really in agreement on
6 that on things the federal government does well. But
7 we need to make sure there's clarity in the
8 difference of responsibilities.

9 MS. BARTIROMO: Governor of North Dakota?

10 GOVERNOR [JACK] DALRYMPLE: North Dakota, our GDP
11 growth over the last 10 years has been 10.4 percent,
12 more than three times the national average annually.

13 MS. BARTIROMO: Is that because of energy?

14 GOVERNOR DALRYMPLE: What's that?

15 MS. BARTIROMO: Is that because of energy?

16 GOVERNOR DALRYMPLE: About three or four
17 points of that 10 percent is probably attributable to
18 the energy sector. The rest is other industries:
19 agriculture, technology, heavy manufacturing.

20 And, you know, our greatest challenge is
21 managing the rapid growth of our state, one of the
22 fastest-growing economies in the world. If it were

1 not for North Dakota, Gary Herbert would achieve his
2 personal goal of being the fastest growing economy in
3 the country.

4 **(Laughter.)**

5 GOVERNOR DALRYMPLE: But, you know, we just
6 keep chasing it and working hard to do the things
7 that everybody has talked about. And the national
8 media does call me, and they ask me, you know, why is
9 North Dakota so different from the rest of the nation
10 over the last 10 years?

11 And really, I think it's not that
12 complicated. We have low taxes. We have a
13 reasonable regulatory climate. We've got a terrific
14 workforce. And we have a state government that we
15 think is the most accessible government in the
16 country. And companies come to our state for that
17 reason.

18 And you see Deere and Caterpillar building
19 factories in North Dakota. Microsoft is expanding
20 their second-largest campus in Fargo, North Dakota.
21 There's a lot of economic activity that is a long
22 ways away from the oil fields.

1 So it's working well for us. But at that
2 pace, 10.4 percent, as a state government we really
3 have to go like heck, you know, to stay on top of it
4 and keep everything, you know, going forward, the
5 highways getting built, the buildings getting built,
6 the law enforcement expanding, all the social
7 services you have to bring to bear, all of that has
8 to keep up. So that's without a doubt our biggest
9 challenge.

10 MS. BARTIROMO: What has been the impact of
11 the sell-off in the price of oil?

12 GOVERNOR DALRYMPLE: So far, we really are
13 almost surprised at how little we're noticing it.
14 The Bakken formation in northwestern North Dakota is
15 one of the most productive in the world. We think
16 our cost of producing a barrel of oil in some
17 counties is as low as \$30 a barrel. And the drilling
18 pace has really not dropped off that much.

19 Plus the fact that, you know, we had
20 really a shortage of workforce going in. So we're
21 finding that, you know, if anybody has been laid off
22 they've had no problem whatsoever finding another

1 job.

2 MS. BARTIROMO: Governor?

3 GOVERNOR BULLOCK: My biggest challenge is
4 probably that Governor Dalrymple won't agree to a
5 border realignment.

6 *(Laughter.)*

7 GOVERNOR BULLOCK: Because we actually
8 permit faster and lower taxes on our oil and gas, but
9 most of it's in North Dakota.

10 In addition to that, I mean I'd like to--I
11 look at it more as, as opposed to economic challenge,
12 is real opportunities. For one, at the state
13 government level I think the opportunity is I need to
14 make sure to maintain fiscal discipline.

15 A report of J.P. Morgan said that we are
16 the most fiscally prudent state in the country. That
17 allows us to do things like, when we fixed our
18 pension system, that gives folks looking forward that
19 much more excitement. It allows us the ability to,
20 this may not be sexy, but reduce interest rates that
21 we provide local governments on wastewater and sewer
22 water, saving \$40 million for ratepayers across the

1 state.

2 I think we need to continue to really
3 build on a business-friendly environment. Like many
4 others said, at the end of the day it's the private
5 sector that does this. So we had the private sector
6 help make a mainstream project and program. Let's
7 identify the opportunities and obstacles for growth.

8 As a result, we've either repealed or
9 streamlined 714 regulations that were either
10 unnecessary, unwarranted, or stood in the way of further
11 economic development. But we're also asking them to
12 help build that business plan for the future.

13 And really, that's where we get into so many of these
14 issues of, well, we do have a skills gap but we also
15 have to do things like fund early childhood education
16 because we know the difference that will make
17 long term.

18 And, the investments all throughout. If
19 business is also at the table saying where can we
20 grow? And what are the opportunities to look long
21 term? Because in government, unfortunately, with
22 political cycles it doesn't always look long term,

1 but partnering with them in looking forward I think
2 it's just going to create that many more economic
3 opportunities for the state.

4 MS. BARTIROMO: Governor Walker?

5 GOVERNOR WALKER: On the good news
6 side, in Alaska we're the closest to the market. I
7 won't say we can see it from where we are, but we're
8 close.

9 (*Laughter.*)

10 GOVERNOR WALKER: But the bad news is
11 we can't get access to our resources. You know, the
12 Permian Basin has 475 drill rigs.
13 We'll drill 63 wells this year. We just can't get
14 access to our resources.

15 We have plenty of resources. We have the
16 highest-cost energy in the nation--

17 MS. BARTIROMO: Because it's federal land?

18 GOVERNOR WALKER: The federal land is
19 limiting our ability to get there. In Wyoming they
20 have drilled about 19,000 wells. We've drilled about
21 600 wells. About the same size on the north slope as
22 to Wyoming. So we just can't get access to our

1 resource.

2 We have the highest-cost energy.

3 Electricity in some locations is over one dollar a kilowatt
4 per hour. Diesel is the equivalent of about \$30 per mcf,
5 whereas we're paying two dollars down here. And we have the
6 coldest temperature days. We don't have "cold snaps"
7 we have "cold seasons."

8 So it's very frustrating that we have
9 trillions of dollars of value in the ground, and when
10 we became a state we were assured we would be able to
11 develop the resources. That was a mandate. That was
12 a direction in the Statehood Compact. We have held
13 up our end of the deal, and the administration has
14 not.

15 And so our biggest challenge is just
16 getting access to our resources for our economy and
17 for our own people. There's people that can afford
18 to live in the villages and live the rural,
19 subsistence lifestyle but can't afford to pay over
20 \$1,000 a month for heating fuel.

21 Some--the highest I've heard is 15 people
22 living in one house in rural Alaska. That's

1 ridiculous based upon the amount for energy. We
2 re-inject more energy into the ground than they
3 consume, in the way of gas, than they consume in
4 California, Oregon and Washington combined.

5 So it's all about a distribution system.
6 We have plenty of resources, plenty of opportunity,
7 we just have to be able to get to our resources.

8 MS. Bartiromo: Governor?

9 GOVERNOR [LOLO] MOLIGA: Thank you, very much.
10 Sitting here listening to the discussion, I feel
11 lost. Because we're experiencing a very difficult
12 time in our economy, not only that we have been
13 associated with the United States for the last 120,
14 115 years, and we haven't really developed any
15 economy that would coast into some direction.

16 Here you are discussing which way to go as
17 far as direction of our economy, and here we are
18 struggling to find if we do have an economy or not.

19 We live under the mercy and survive under
20 the mercy of the federal government. Every year we
21 don't really have a strong economy, but we do have a
22 couple of canneries which rely solely on the

1 availability of fish. And the fishing industry is
2 getting very tight on its policy. It's getting to be
3 a national issue which the Chinese and other foreign
4 countries who are trying to take advantage of fishing
5 industry. And we are the victim of such an impact on
6 our economy.

7 So what we've been discussing this
8 morning, as an insular territory and commonwealth, we
9 need to come together to find some ground within the
10 relationship between the federal government and the
11 territories and commonwealth. We feel we have been
12 left out, you know, many times, especially in our
13 location where it's 17- 18,000 miles from Washington.

14 You know, we are the furthest south of
15 American soil, and we have been there since the
16 beginning. And we feel like many times we have been
17 left out. And the only time we can feel the impact
18 of the American dollar is when there's a natural
19 disaster, or something happens to our territory.
20 Otherwise, we feel lonely down there.

21 So we have been discussing the prospect
22 of, you know, as insular territories and

1 commonwealth, to come together and ask our
2 organization to find a place for the insular
3 territories and commonwealth in the International
4 Governors Association.

5 We also need to see that the federal
6 government pays a little more attention to us. You
7 know, it is--but, you know, I can say it without
8 reservation, you know, after 115 years associating
9 with the United States of America, we feel like we're
10 heading nowhere. The closest people to us are
11 Chinese who come around our shores with some change
12 in their pockets and trying to set up some business
13 with our local people.

14 They restricted us from fishing in our
15 waters. They restricted us from other areas. So we
16 are victims of all these federal mandates and
17 regulations. We cannot even build a rock wall to
18 protect our shoreline. You need to call the Army
19 Corps to . . . for a permit. We can't even build
20 something, you know, unless you--the federal
21 government knows that we do not have the resources to
22 accommodate the lifestyle of our people. We have

1 been Americanized by the Americans. McKinley and the
2 Navy at the time convinced us that America is the
3 best nation in the world, and we do agree.

4 MS. BARTIROMO: Very important.

5 GOVERNOR MOLIGA: And after so many years,
6 we feel like we have been left out. But for the
7 first time, the assistant secretary of the Interior
8 visited our shore. And for the first time somebody
9 had visited with the heart for the people. And I
10 really take my hat off to the secretary, or the
11 assistant secretary of Interior, for paying attention
12 and coming down and witnessing first-hand how the
13 American people down there live and survive in that
14 part of the world.

15 MS. BARTIROMO: That's very important.

16 Thank you--

17 GOVERNOR MOLIGA: So I hate to take all the
18 time to voice my purpose onto this.

19 MS. BARTIROMO: Thank you. Governor?

20 GOVERNOR [KENNETH] MAPP: Thank you, and good
21 afternoon. First I guess the greatest challenge to
22 the economy of the Virgin Islands is to convince all

1 my colleagues here in the National Governors
2 Association that the winter meetings of the
3 Association should take place in the U.S. Virgin
4 Islands.

5 *(Laughter and applause.)*

6 MS. BARTIROMO: I think this is a very good
7 point. A very good point.

8 *(Applause.)*

9 GOVERNOR MAPP: It's 78 degrees. So we are
10 hopeful that the next two winters I don't have to get
11 off of my sailboat to come to the snow.

12 MS. BARTIROMO: That's going to be an
13 obvious choice.

14 GOVERNOR MAPP: So you can join us in the
15 Virgin Islands.

16 Much of the conversation that I was privy
17 to today, we understand a lot of. In the Virgin
18 Islands we also have that challenge of aligning our
19 workforce development, our education, our university,
20 with the rapid changes in the economy and the need
21 for preparing our workforce for the new jobs.

22 I think we're still much on the same model

1 of going through school, graduating from high school,
2 getting into the university, getting a degree and
3 getting out in the world and sort of being
4 competitive and productive. But the changes in the
5 economy are happening so rapidly, and the infusion of
6 technology in much of what we're doing in the economy
7 and particularly in health care, that we have to
8 shift that model to prepare our people to be able to
9 take this on.

10 Most folks know that the main source of
11 the economy in the U.S. Virgin Islands is tourism,
12 but we have great opportunities in technology and we
13 have to shift for that. And that's going to require
14 a great deal of investment in the infrastructure,
15 being able to be a competitive location for business
16 globally, both U.S. and foreign, and be able to cycle
17 back our workforce that leave and come to the U.S.
18 mainland for education, to have the opportunity to
19 come back into the Virgin Islands and work and raise
20 their families and be productive.

21 So we find ourselves ready, we produce
22 for many of your cities and states. Many of our

1 people go there and work. Like Governor Moliga said
2 here, one of the biggest challenges to the territory
3 though is federal bureaucracy. A lot of rules and
4 regulations that are made here in Washington, and in
5 some of the other states where federal offices are
6 located, there's not a recognition and an
7 understanding of how fragile the territorial
8 economies are.

9 And so when they make these rules and
10 regulations, they're just really destructive to our
11 fragile economies, and we lose jobs by the hundreds
12 or the thousands as a result of them. And then we
13 don't have reasonable, rapid response on the federal
14 government to deal with these issues.

15 We have to go through the Congress, and
16 just through a whole lot of bureaucracy. And by the
17 time you get to the end of it, that segment in the
18 trade in the economy is really no longer relevant for
19 us. So we are going to be looking to NGA and our
20 colleagues to assist us in getting that point across.

21 We understand where we're at on the scale.
22 But in the 2017 Winter meeting in the U.S. Virgin

1 Islands, it's a lot warmer and a lot more fun. Thank
2 you.

3 MS. BARTIROMO: You make great points.

4 Thank you for that. Because the brush-stroke
5 attitude is obviously not the way to go when you all
6 know your state best, and better than anyone in
7 Washington, for sure.

8 Governor, a final word from you.

9 GOVERNOR [ALEJANDRO] GARCIA-PADILLO: Well, thank you.
10 This is a great chance, and I really appreciate it.

11 Puerto Rico has great challenges. We
12 have been dealing with--I inherited a huge deficit of
13 24 percent. And in 18 months we reduced that to
14 zero. It's now between zero and 2 percent.

15 Unemployment rate was 16.5 percent and is
16 now 13.7. It's still too high, but it's on the way
17 down. And a crime rate that was the highest in our
18 history is now the lowest in the last 22 years.

19 So we're moving. The economy trend lines
20 are now on the positive line. Tourism is booming,
21 breaking records. But it's only 7 percent of our
22 economy. Our main part of the economy is

1 manufacturing. We produce more pharma products, our
2 medical devices, per square mile than any other
3 place in the world. And manufacturing is growing for
4 the first time since 2008.

5 For the first time since 2006, the
6 U.S. Bureau of Labor Statistics states that our private
7 sector is growing, and the public sector is
8 shrinking, without firing people. I reduced 16,000
9 public employees only on attrition, without firing
10 people. That's why we are able to balance the
11 budget. That's in part how we balanced the budget.

12 But right now we are focused on a new
13 infrastructure. We're moving Puerto Rico to a value-added
14 tax. We will be able to take away 82 percent of the
15 population's income tax. So they will pay zero
16 income tax. And that's how we've been able to work
17 in improving the economy in 160 countries already in
18 the world, so we're moving in that direction and
19 we'll continue that part on.

20 MS. BARTIROMO: Thank you, very much. It's
21 extraordinary to me that the skills gap has been
22 really an across-the-board issue for all of you. And

1 despite the fact that each state has its own
2 mentality and its own strengths and opportunities in
3 terms of resources, manufacturing, *et cetera*, all
4 agree on so much. And clearly the issues are around
5 the federal government and its impact in terms of
6 broad brush stroke laws in the face of your own very
7 different economies.

8 It feels like the opportunities certainly
9 do surround manufacturing, as well as some of those
10 science and health care jobs.

11 I want to thank Governor Hickenlooper and
12 Governor Herbert, and all of you, for having me today
13 and I wish you success with the rest of your meeting.

14 Thank you very much, ladies and gentlemen.

15 **(Applause.)**

16 GOVERNOR HICKENLOOPER: Thank you, Maria, for
17 helping with this valuable discussion. I think we
18 all learned a lot from everyone at the table.

19 Governors, this concludes our special
20 session. Please join all of us at a reception with
21 our adjutant general in Salons E and F. I believe
22 it's underway.

1 *(Whereupon, at 4:48 p.m., Saturday,*
2 *February 21, 2015, the meeting was adjourned.)*

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NATIONAL GOVERNORS ASSOCIATION

Winter Meeting

February 23, 2015

J.W. Marriott Hotel

Salons III and IV

1331 Pennsylvania Avenue NW

Washington, DC

SESSION TO APPROVE NEW POLICIES

Governor John Hickenlooper, Colorado, Chair

Governor Gary Herbert, Utah, Vice Chair

1 So we'll start with Economic Development
2 and Commerce Committee, and West Virginia Governor
3 Earl Ray Tomblin.

4 GOVERNOR TOMBLIN: Thank you, governor.
5 Yesterday the Economic Development and Commerce
6 Committee had a great session discussing the
7 importance of creating new opportunities to support
8 advanced manufacturing in our states.

9 During the session, we heard from Mark
10 Hatch, CEO of TechShop, and Millie Marshall,
11 President of Toyota Motor Manufacturing of West
12 Virginia, who provided valuable insight on ways to
13 develop an economic strategy to foster growth in our
14 states and at the regional level.

15 For those of you who have not heard of
16 TechShop, it's one of those things you may want to
17 get online and look at. It created a lot of
18 questions and excitement yesterday, but basically
19 it's a--has basically all the modern equipment that
20 you could want. Anyone can walk in and basically
21 within a few days get an idea of how to run that and
22 create products. And it's a great thing for

1 entrepreneurs in our state, and at a very reasonable
2 cost if they can get this.

3 Also, Millie Marshall from Toyota
4 described how they partner with our community and
5 technical colleges and do programs like Earn To Learn
6 to help advance their employees, where they work
7 three days a week and get paid for that; two weeks to
8 go community or technical college to help them toward
9 getting an associate degree.

10 So both of them were very good. We had a
11 lot of great discussion on it yesterday. So, you
12 know, it's something I would just encourage all of
13 you to look at because I think advanced
14 manufacturing is something where the real growth is
15 going to be in our states.

16 During the business portion of our agenda,
17 the committee considered three policies for renewal
18 and recommends their reaffirmation for two years.
19 These policies include EDC-01, which is commerce, and
20 we recommend it, and its mate, to the commerce policy to
21 reaffirm the role we as governors play to support our
22 nation's economic growth and prosperity. EDC-02, the

1 transportation and infrastructure one, which we
2 recommended edits to
3 clarify that innovative financing options cannot
4 replace dedicated federal funding for infrastructure.

5 The policy also urges the need for a
6 federal freight strategy based on comments that
7 Governor [Robert] Bentley and I submitted to the U.S.
8 Department of Transportation last year.

9 The third one is the EDC-03, which is
10 public finance. And the committee recommends
11 reaffirmation of the policy on public finance.

12 So on behalf of the committee, I recommend
13 the adoption of these policies *en bloc*.

14 I would also like to thank my EDC
15 leadership partner, Governor Bentley, for his
16 testimony last month before the Senate Environment
17 and Public Works Committee. Governor Bentley spoke
18 on behalf of the NGA as our committee vice chair to
19 urge Congress to pass a long-term reauthorization for
20 resurface transportation programs before they expire
21 this May.

22 Both Governor Bentley and I look forward

1 to working with each of you as we continue this
2 effort. Thank you, governor.

3 GOVERNOR HICKENLOOPER: Do we have a second?

4 *(Motion duly seconded.)*

5 GOVERNOR HICKENLOOPER: All in favor, say aye.

6 *(A chorus of ayes.)*

7 GOVERNOR HICKENLOOPER: It passes. Economic
8 Development and Commerce is moved forward once again.
9 Thank you.

10 From the Education and Workforce
11 Committee, Nevada Governor Brian Sandoval.

12 GOVERNOR SANDOVAL: Good morning, Mr.
13 Chairman. Thank you for your leadership. It's a
14 great day to be here.

15 At the Education and Workforce Committee
16 we discussed how governors are sparking state
17 education innovation, and how governors can scale
18 these policies as part of the reauthorized Elementary
19 and Secondary Education Act.

20 Earlier this month, NGA joined with the
21 National Conference of State Legislatures to release
22 a detailed plan to reauthorize the ESEA and provide a

1 clear, bipartisan path for a new law that works for
2 states.

3 Both Houses of Congress are quickly moving
4 legislation. This week the United States House of
5 Representatives will be debating an ESEA bill on
6 their floor. The coming days and weeks offer an
7 opportunity for governors to work with state partners
8 to ensure that a reauthorized ESEA provides each
9 governor with a central role in implementation and
10 governance of the law and recognizes state authority
11 to set their own accountability goals.

12 As you know, ESEA has the potential to be
13 a critical tool for governors to ensure that every
14 child receives a high-quality education. I would ask
15 that each of you work with NGA staff and with our
16 congressional delegations to ensure that the next
17 ESEA works with states and, most importantly, for our
18 students.

19 At this time, Mr. Chairman, I would move
20 to readopt without changes the following three
21 Education and Workforce Committee policies:

22 Number one, K-12 education reform;

1 Number two, child nutrition; and
2 Number three, building a world-class
3 workforce.

4 And before we take a second, Mr. Chairman,
5 I just want to thank all the governors who
6 participated in the committee meeting yesterday. It
7 was incredibly productive and thought-provoking.

8 So with that, I move for approval, Mr.
9 Chairman.

10 GOVERNOR HICKENLOOPER: Thank you for your
11 work and for the committee's work. Do we have a
12 second?

13 *(Motion duly seconded.)*

14 GOVERNOR HICKENLOOPER: All in favor, say aye.

15 *(A chorus of ayes.)*

16 GOVERNOR HICKENLOOPER: So it passes. Now
17 from Health and Human Services Committee, Kentucky
18 Governor Steve Beshear.

19 GOVERNOR BESHEAR: Thank you, Mr. Chair.

20 Yesterday the Health and Human Services
21 Committee had a robust discussion about statewide
22 health care transformation.

1 Charles Rodes from the Advisory Board
2 discussed how governors are uniquely positioned to
3 drive change, and highlighted promising early results
4 from Oregon's Coordinated Care Model.

5 We were also pleased to be joined by
6 Governor Bentley of Alabama who shared his vision for
7 health care transformation in his state.

8 During the business portion of our agenda,
9 the HHS Committee considered two policies for renewal
10 and recommends their reaffirmation.

11 First, temporary assistance for needy
12 families. The committee recommends the reaffirmation
13 of the TANF policy without any amendments.

14 Secondly, health. The committee
15 recommends amendments to the health policy, including
16 new language to address, one, the Children's Health
17 Insurance Program;

18 Two, health care innovation;

19 Three, high-impact drugs;

20 Four, Medicaid extenders, and;

21 Five, prescription drug abuse.

22 So on behalf of the committee, I recommend

1 the adoption of these policies *en bloc*.

2 Finally, I would like to highlight the
3 Children's Health Insurance Program, the CHIP
4 Program, as one of the committee's most urgent
5 priorities. Last week, Governor [Bill] Haslam of Tennessee
6 and I sent a letter on behalf of all governors urging
7 Congress to move quickly to maintain this important
8 program. With federal support hanging in the
9 balance, millions of families are left with
10 uncertainty about the future of their children's
11 coverage, and states lack the certainty they need to
12 budget and plan for their upcoming fiscal years.

13 The future of CHIP is a critical issue
14 that must be addressed as soon as possible. We
15 simply cannot allow this one to come down to the
16 wire. Governor Haslam and I look forward to working
17 with you all on this issue in the coming weeks and
18 months.

19 Thank you, Mr. Chair.

20 GOVERNOR HICKENLOOPER: Thank you,
21 Governor Beshear.

22 Do we have a second?

1 *(Motion duly seconded.)*

2 GOVERNOR HICKENLOOPER: All in favor, say aye.

3 *(A chorus of ayes.)*

4 GOVERNOR HICKENLOOPER: And so it goes.

5 Another one down. Now for Homeland Security and
6 Public Safety Committee, Virginia Governor Tim
7 McAuliffe.

8 GOVERNOR MCAULIFFE: Thank you, Mr.
9 Chairman.

10 We had a good discussion yesterday. I
11 thank the 15 governors who came by, we had a great
12 discussion of the Homeland Security and Public Safety
13 Committee.

14 We convened, obviously, to talk about what
15 we need to do in our state-led strategy to secure our
16 government networks and to protect our critical
17 infrastructure from cyberattacks.

18 We were pleased to host a distinguished
19 panel of speakers, including the Secretary of
20 Homeland Security Jeh Johnson. The Commander of the
21 U.S. Army Cyber, Command Lieutenant General Edward Cardon was
22 with us, as well as a member of my Virginia Cyber

1 Security Commission, Ms. Jandria Alexander.

2 Our panel discussed a number of ongoing
3 federal and state efforts to improve cybersecurity
4 such as developing a skilled cyber workforce,
5 leveraging resources such as the National Guard, and
6 strengthening public/private partnerships.

7 During the session we had an informative
8 discussion about best practices that are driving
9 cybersecurity improvements at the state level, and
10 we also had a discussion about, obviously, employment
11 opportunities that exist around developing these new
12 cyber strategies.

13 I appreciated the opportunity to share
14 Virginia's cybersecurity strategy and learn more
15 about other innovative solutions that my colleagues
16 are implementing to address cybersecurity challenges
17 at their own states.

18 It was a timely discussion that will
19 inform the NGA's ongoing work on the issues of the
20 Homeland Security Committee, the NGA Resource Center
21 for State Cybersecurity, and the Council of
22 Governors.

1 During our session, the committee approved
2 amendments to three policies:

3 Homeland Security, public safety, and
4 emergency management. Armed forces, veterans' affairs,
5 and one new policy on cybersecurity.

6 Following today's meeting, the Homeland
7 Security Committee will continue its work with
8 Congress and the administration to implement states'
9 recommendations to improve federal support to states
10 for cybersecurity. As you know, the federal
11 government has many assets. The key issue for us is
12 how do we access those federal assets so that we can
13 use them at the state level?

14 We will also work with Congress and the
15 National Commission on the Future of the Army to
16 protect the Army National Guard from damaging cuts to
17 personnel, equipment, and aircraft.

18 That concludes my report from the Homeland
19 Security and Public Safety Committee, and I would ask
20 for approval of what we have proposed in our new
21 policies.

22 GOVERNOR HICKENLOOPER: Great. Do we have a

1 second?

2 *(Motion duly seconded.)*

3 GOVERNOR HICKENLOOPER: All in favor, say aye.

4 *(A chorus of ayes.)*

5 GOVERNOR HICKENLOOPER: All against, say nay.

6 *(No response.)*

7 GOVERNOR HICKENLOOPER: I didn't say it
8 before, but just now--just kidding. Just checking on
9 whether McAuliffe has done his homework.

10 *(An off-microphone comment.)*

11 *(Laughter.)*

12 GOVERNOR HICKENLOOPER: We've got to keep this
13 meeting moving along, Governor Haslam. We can't be
14 slack.

15 All right, now the Natural Resources
16 Committee, Wyoming Governor Matt Mead.

17 GOVERNOR MEAD: Good morning, Mr. Chairman.
18 Thanks to you and the wonderful staff on another
19 great NGA weekend.

20 I had a good discussion with the Natural
21 Resources Committee. We had one witness, Gene
22 McCarthy, the administrator, and much to my surprise-

1 -and it doesn't appear all the governors agreed with
2 me on where we ought to go with coal--

3 **(Laughter.)**

4 GOVERNOR MEAD: But, anyway, we had a great
5 discussion. And, well, we talked about the Clean
6 Power Plan in waters of the United States, and I
7 suspect seriously if you would have taken a vote we
8 would have gotten many different opinions, but one
9 thing we as governors did agree upon is the
10 importance of consultation with the states before
11 these rules and regulations go into place. And
12 Administrator McCarthy recognized how important that
13 was, as well.

14 At the conclusion of the meeting and the
15 fine discussion that we had with the administrator,
16 we looked at three different policies. Two are
17 renewals, and number one is an environmental policy
18 which reaffirms governors' commitment to safeguard
19 federal programs that allow states to provide clean
20 and safe drinking water.

21 The second was domestic energy, which
22 notes America's position as a producer of energy and

1 highlights states successes in promoting federal
2 policy that encourages environmentally responsible,
3 secure, efficient, and affordable energy production
4 and use.

5 The third was an amendment to what was
6 existing. And the amendments urge Congress to
7 reauthorize the Farm Bill on a predictable timetable.
8 Number two, protect the annual statewide
9 appropriation for the Land and Water Conservation
10 Fund. And number three, provide states with the
11 necessary resources for environmental cleanup of
12 federal facilities.

13 I appreciate the committee's work, and on
14 behalf of the committee I recommend adoption of our
15 policies *en bloc*.

16 GOVERNOR HICKENLOOPER: Thank you. Do we have
17 a second?

18 ***(Motion duly seconded.)***

19 GOVERNOR HICKENLOOPER: All in favor, say aye.

20 ***(A chorus of ayes.)***

21 GOVERNOR HICKENLOOPER: All opposed, say nay.

22 ***(No response.)***

1 GOVERNOR HICKENLOOPER: See?

2 *(Laughter.)*

3 *(Off-microphone quips.)*

4 *(Laughter.)*

5 GOVERNOR HICKENLOOPER: All right. Thank all
6 of you, not just the chairs but all of you for your
7 work on this. It's a prodigious amount of work that
8 gets done in these things. We all get the chance to
9 meet with each other, but there's an awful lot of
10 hard work that goes into these committees that I
11 think is really valuable.

12 I look forward to seeing you all, those of
13 you who can come, in April to the Delivering Results,
14 Chair's Initiative Summit in Denver.

15 Again, this summer we'll be meeting in
16 West Virginia at White Sulphur Springs. We are very
17 excited about that. What's the date of that again,
18 Governor Tomblin?

19 GOVERNOR TOMBLIN: July 23rd through the
20 26th.

21 GOVERNOR HICKENLOOPER: July 23rd through the
22 26th. And then, if you want to put it on your

1 schedules, the North American Summit where we're
2 inviting all the Canadian premiers, all the U.S.
3 governors, and all the Mexican governors to be at the
4 Broadmoor, which is--don't ever tell anyone from
5 Colorado I said this--but it's the only four-star
6 resort in Colorado at that level. And we got a very
7 good deal on the room rates, just in case you're
8 worried about the spending.

9 But that will be October 30th and 31st,
10 for those of you who are interested in that.

11 I want to recognize and thank Dan Crippen
12 and his team for doing such a great job of organizing
13 this. I think we should give them a hand.

14 **(Applause.)**

15 GOVERNOR HICKENLOOPER: Down at the end. I
16 look forward to working with all of you in the
17 transition over the next 12 months.

18 I also want to thank Governor [Mary] Fallin and
19 Governor [Jack] Markell, the previous chairs, for their
20 guidance. What's the Isaac Newton line, "If you can
21 see further than others it's because you stand on the
22 shoulders of giants." So we have gentle giants who

1 have gone before us.

2 I also want to recognize Governor Herbert.
3 I don't think any chair has ever had a more able or a
4 more balanced vice chair to them, and his sense of
5 humor and his openness to pretty much every
6 discussion is to be treasured.

7 **(Applause.)**

8 GOVERNOR HERBERT: He's just excited
9 about going home and telling them he's about to
10 become Elder Hickenlooper.

11 **(Laughter.)**

12 GOVERNOR HICKENLOOPER: You know, I think like
13 a lot of people when I first got elected governor,
14 you know, I really believed--I believed in Colorado,
15 right, and I think most of us when you got elected
16 you believed in your states, but the longer I've been
17 a governor, and the more time I've spent working with
18 all of you, I really believe in the institution of
19 governors. And I think that's something that,
20 especially right now, we are in many circumstances
21 the voice of reason. And in that closed meeting we
22 had, just the way we as a group approach stuff is--I

1 think remarkably valuable to our country at this
2 moment, and I just wanted to thank each and every one
3 of you for your efforts, and your work, and your
4 contribution to the group. Because I think as a
5 group we have far more power than sometimes we
6 realize--well, far more influence.

7 So now we get to exercise that influence.
8 We're going to head over to the White House. We'll
9 hopefully gather between 10:00 and 10:15. We're
10 going to leave at 10:15 sharp on the bus over to the
11 White House.

12 This meeting is adjourned.

13 *(Applause.)*

14 *(Whereupon, at 9:19 a.m., Monday, February*
15 *23, 2015, the meeting was adjourned.)*

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