

State of the States Address

Utah Gov. Gary Herbert, NGA Chair
Virginia Gov. Terry McAuliffe, NGA Vice Chair

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Governor Herbert

Good morning, ladies and gentlemen. Welcome to the fourth annual National Governors Association State of the States address.

I am honored to serve as the governor of Utah and as chair of the National Governors Association. Joining me today is, NGA Vice Chair and governor of Virginia, Terry McAuliffe.

I want to take a moment to welcome two new colleagues to NGA, Matt Bevin who became governor of Kentucky in December, and John Bel Edwards who will be inaugurated as governor of Louisiana. And in addition just, Governor Phil Bryant will celebrate his second inauguration as governor of Mississippi.

Congratulations to all three of you, and I look forward to seeing you in February at the NGA Winter Meeting.

I also wish to acknowledge Iowa Governor Terry Branstad. A few weeks ago, I flew to Des Moines to celebrate with Governor Branstad for breaking a record that didn't have anything to do with tractor pulling or eating something fried that comes on a stick.

Governor Branstad is now the longest-serving governor—ever—in this nation's history. He beat a record that had been held for the last 212 years by former New York Governor George Clinton who began his service way back in 1777. It was an honor to be there representing the nation's governors to mark this momentous achievement.

The National Governors Association is the bipartisan association of all of the nation's governors. Through NGA, governors identify the priorities of the states, and we work together to find common ground that unites us all. It should come as no surprise to anyone that we accomplish much more when we reach across the aisle and work together.

Frankly I truly believe that the best solutions come from the states. Because of that, I chose to focus my initiative, titled *States: Finding Solutions, Improving Lives*, on the ways governors are improving the lives of the people of their states each and every day.

And it's worth reiterating that most often it is at the state level where those innovations and solutions are developed, *not* here in Washington D.C.

As a governor, I know what my colleagues and I must do every day to ensure that our citizens receive the services they need and upon which they depend.

It's no coincidence that states are where the real innovation happens. In fact, it's what the founding fathers envisioned. I'll give you just two examples:

- In *Federalist 45*, James Madison wrote, "The powers delegated by the proposed Constitution to the federal government, are few and defined. Those which are to remain in the State governments are numerous and indefinite."
- And the 10th amendment to the Constitution: "The powers not delegated to the United States by the Constitution....are reserved to the States respectively, or to the people."

It's the states that are leading this nation forward. Some of our nation's leaders on Capitol Hill might be willing to allow inaction and partisan politics to stall real progress, but governors are choosing a different path.

Governors across the political spectrum, on both sides of the aisle, are producing real results for their citizens every day.

I know my colleagues in the states have implemented and are implementing some of the most innovative solutions, and I plan to showcase those innovations through my chair's initiative.

Let me share with you a few examples of the type of state success stories that I'm talking about:

In Mississippi, Governor Bryant has led an innovative effort to reform his state's criminal justice system. Rather than just warehousing inmates, the state is now focusing its prison system on those who have committed violent crimes and pose a serious risk to the general public. At the same time, Mississippi is strengthening its treatment programs for nonviolent offenders, primarily those who have committed substance abuse offenses.

My home state of Utah has engaged in a similar effort this past year with an increased focus on mental health and substance abuse issues. Because of these efforts, less than a year later we have already begun to see results with a reduced recidivism rate and a smaller number of total inmates despite a dramatic increase in our state's population.

It appears that Congress has observed the successes of states like Mississippi, Utah, and others and is now preparing legislation to enact similar criminal justice reforms at the federal level.

This is how the system is supposed to work.

States are good role models or "laboratories of democracy." In many ways, we serve as pilot programs for other states and the country at large to learn valuable lessons and develop effective policies.

In a second example, Alabama Governor Robert Bentley has worked to establish changes to their Medicaid system to reward providers for delivering quality health outcomes instead of simply reimbursing them for services they complete. The program is designed to incentivize better health care to patients at a lower cost to the state and taxpayers.

Since I'm seated today next to Gov. McAuliffe, I would also mention a success in his home, the Commonwealth of Virginia. In the 21st century, every governor grapples with the very real threat of cyber attacks. Perhaps no state has done more in recent years than Virginia to address this growing concern.

Virginia is home to the most cybersecurity companies of any state east of the Rockies, so it is appropriate that they would lead in this effort. This year, Virginia enacted landmark legislation to protect an individual's digital identity and improve the ability of the state to prosecute cyber crime.

And last but certainly not least, my home state of Utah where last year in dealing with a very emotional issue, I signed into law a bill that provided unprecedented protections to members of the LGBT and religious communities.

I am proud to have worked with both religious leaders and LGBT leaders, side by side, to create one bill, which I signed into law last March. One person's rights do not have to come at the expense of another's. If we can find common ground on religious freedom and LGBT rights in Utah—one of the nation's most religious and conservative states—we can do it anywhere in this country.

This is just a small sampling of the kind of solutions I'm talking about, but it shows that innovative, important work is happening in all states, regardless of whether they're red or blue. If you analyze where the real action is taking place in this country on transportation, economic development, education, or many other issues, you will find that states are there leading the way.

I also want to take a moment to talk about our federal partners in Congress and the White House. We have an historic opportunity to build a more collaborative state-federal partnership, just as our founding fathers intended.

I would say that not only is it an opportunity, but it is a necessity for the good of the people of America.

Governors have long held that federal action should be limited to those duties and powers delegated to the federal government under the Constitution.

We recognize the unique nature of the federal system and the critical importance of developing a close working relationship between states and the federal government.

We also understand and support a continued federal role in protecting the basic rights of all of our citizens, and in addressing issues beyond the capacity of the individual states.

At the same time, the federal government must acknowledge that most problems are best addressed at the state and local levels.

A restoration of this balance of power between the states and the federal government is not only right and proper, it is essential if we are to find solutions to the complex problems we face today as Americans. That is what was envisioned by our Founding Fathers in our Constitution. We must stay true to these principles.

By the way, this is not about ideology; this is about finding solutions, getting results, and improving people's lives.

With the recent change in Congressional leadership, we have a real opportunity to rekindle a deliberate and meaningful collaboration between states and Congress, and I might add the executive branch.

America has thrived as a nation of laws with a strong national identity anchored by the diversity and innovation of the states.

At NGA, we have developed a set of guiding principles to ensure the proper balance between state and federal action and to promote this strong, cooperative state-federal relationship. Three of those principles in particular are relevant for Congress:

1. Federal action should be limited to situations that are truly national in scope;
2. Federal action should not unnecessarily preempt additional state action; and
3. Congress should avoid imposing unfunded federal mandates or shifting federal costs to states.

Too often, Congress attempts to fix problems with a one-size-fits-all solution, disregarding the regional, cultural, and demographic differences unique to the respective states.

As we all know, we are fully in the midst of a presidential election year. Rest assured governors are working to engage the presidential candidates in advance of the elections so they can hear from us about the important role states play as innovators and the need for a cooperative state-federal relationship.

Making people's lives better is not a partisan issue. I understand partisan politics and the need to campaign on our unique party platforms. But after the election, let's all join the "Common Sense Party" and work together to find solutions and improve lives.

At a time when it's difficult to turn on the TV without seeing red versus blue, left versus right, states on both sides of the aisle are working together to better the lives of our citizens. That means joining together with the federal government as equal partners to find solutions to the challenges we face as Americans.

Now I'm going to turn it over to Gov. McAuliffe, who will outline some of the specific priorities for our states and the country.

Governor McAuliffe

Thank you for the introduction, Governor Herbert, and thank you for your leadership at NGA.

It is a privilege to be chosen to serve as vice chair of the NGA. I am honored to be here today to talk about critical issues facing our states.

Last year Governor Herbert articulated five priorities for NGA:

1. Fix No Child Left Behind and end government by waiver;
2. Pass a long-term transportation bill so we can maintain, fix and build the core infrastructure we need to grow and prosper;
3. Fully fund the governors' 15 percent set-aside for workforce programs;
4. Provide flexibility so states can improve health care and reduce costs; and
5. Pass Marketplace Fairness to level the playing field for all retailers.

I'm happy to report that Congress listened, and with a noticeable exception, partnered with states to get it right.

Let me begin with Education.

- Governors have long called on Congress to once and for all fix No Child Left Behind and return flexibility to state and local governments to improve education.
- They heard us, and last month passed the Every Student Succeeds Act.
- I wish to congratulate the House, Senate and President Obama for working together to prioritize education and the future of our children. The process worked, the product is excellent — this is cooperative federalism at its best. I am also proud to say that the progress made in Congress mirrors work we are doing in Virginia to improve tests and standards to hold schools and teachers accountable while fostering creativity and cognitive growth in our students.

Moving on to Transportation.

- Governors also joined with public and private partners to call for a long-term reauthorization and funding of major transportation programs.
- Like education, a strong, reliable modern infrastructure is absolutely necessary for a healthy economic future. Governors have called for sustainable, predictable and long-term federal investment as we repair, maintain and build the roads, rail, waterways, airports and networks of tomorrow.
- We thank Congress and the Administration for working with us to get this done.

Next, the Workforce Set-aside.

- The FY 2016 Omnibus Appropriations bill increases the Governors' Workforce Innovation and Opportunity Act set-aside from 10 percent to 15 percent. The increase provides governors with more than \$145 million in additional flexible funds for state-led workforce development and job creation efforts.

- These funds will go a long way in Virginia and across the country as we try new approaches and tailor programs to the needs of our businesses. If job creation is job No. 1 for governors, the workforce set-aside is a key tool in our arsenal.

Fourth, Health Care transformation.

- Governor Herbert has already spoken of the remarkable progress governors are making in their states, including Alabama, which the NGA Center for Best Practices worked closely with to deliver quality health outcomes for citizens.
- Governors also successfully worked with the Administration to change Medicaid in ways that are essential for improving the program without the politics of the Affordable Care Act.
- I'd like to thank Secretary Burwell and her team for listening to governors and working through NGA and state officials to reach a deal that works for all.
- Specifically, this summer the Department of Health and Human Services announced a new fast-track renewal process for state waivers and a new coordinated point of entry for states with new ideas. Governors requested these changes to improve states' relationship with the department.
- We must not stop there. I am encouraged by what I have seen and along with my fellow governors believe these successes can lead to more.

Now, let me touch on a handful of top priorities for governors in the coming year.

1. Education:

- We must complete the education pipeline. What do I mean by that? I mean that as citizens, as workers, as entrepreneurs and innovators we would never stop learning. Our policies and programs need to reflect this reality.
- Let's start with our youngest citizens – the ones at the very beginning of our pipeline.
- The research is clear – with a strong start, young children's chances of success in school and beyond get better. Governors across the country know this fact and are stepping up for young children to expand availability and quality of early care and education opportunities.
- These efforts are paying dividends as states see far more students coming to public school ready to learn and ready to succeed in life. Quality Pre-K is an enormous boost to a child's prospects for lifetime success and access shouldn't depend on a family's financial situation or their zip code.
- Governors also are strengthening the quality of their K-12 systems, creating greater access to postsecondary opportunities for young people and leading the charge to create new jobs to give young people access to the middle class and beyond. ESSA returned authority to state and local governments and we will have to implement the law over the next 18 months. We are up to the task.
- We are raising expectations for K-12 students – and the educators that teach them – to ensure every child graduates high school ready to succeed in college or in a career-training program.

- We are pushing our higher education systems to reign in cost increases, expand access and meet the needs and challenges of the “new typical” postsecondary student.
- And we are creating far more opportunities for young people not interested in college to attend training programs that will earn them relevant workforce credentials, whether through work-based learning opportunities, apprenticeship programs or new offerings at their community colleges.
- To further support governors’ leadership on this work, we call on Congress to reauthorize the Higher Education Act. By reauthorizing this important legislation, Congress will be giving governors the flexibility and backing to connect and align all parts of our education and training systems to better serve the people of our states to create a better future for them and our economies.

2. Infrastructure and the economy

- We must also find ways to foster an economy for everyone.
- To compete in the global economy, state economic development strategies must cultivate businesses engaged in the innovation economy, but must also continue to diversify opportunities for those workers who are at risk of being left behind by the emergence of new technologies.
- Governors continue to execute strategies at home that grow jobs at every skill level in all sectors of the economy. We’re ready to use the economic development and commerce tools Congress has provided this past year to fuel continued economic growth:
- A five-year, \$305 billion reauthorization for highways and transit that NGA helped secure now gives states the policy certainty and fiscal stability to move forward with big plans to improve our nation’s infrastructure.
- Passage of “fast-track” trade negotiating authority and the announcement that negotiators reached agreement on the multilateral Trans-Pacific Partnership add to momentum in the states to ramp up their trade promotion efforts boosting U.S. exports and attracting foreign investment.
- Making permanent the federal deduction for state and local sales taxes also offers long-term certainty that permits states to invest in areas that advance economic growth.
- Extending certain tax credit programs that support renewable energy technologies while lifting the 40 year-old ban on U.S. oil exports helps create jobs and open new global trade and investment opportunities.
- State strategies to create jobs, build infrastructure, and grow economies depend on many tools, but public financing – notably tax-exempt financing – remains the primary instrument to raise capital for a wide range of projects and needs.
- As Congress continues to talk about comprehensive tax reform, we remind them that federal policy should neither increase issuance costs to public issuers, nor decrease market demand for municipal bonds. Let’s keep the municipal bond interest exclusion.

3. Health care

- Providing affordable, accessible, quality health care is always a priority for governors. Even as the battle rages on over the Affordable Care Act in Congress, governors and states are working to transform our nation's health care system.
- We are building statewide initiatives that change the way care is provided and paid for to move away from a broken fee-for-service health care system toward one that focuses on preventing illness and improving the health of the population.
 - For example, governors are working on building new data-driven programs in their Medicaid programs that transform the lives of some of their most vulnerable enrollees while improving quality and reducing costs.
- And, we continue to work on building the health care workforce that drives toward high quality health care that improves access and creates new economic opportunities for state residents.
- Despite those successes, we must be ready to address our greatest threats to the health and safety of our country. According to the Centers for Disease Control and Prevention, we are living through the deadliest drug epidemic in U.S. history.
- Opioids – prescription painkillers and heroin – are now the leading cause of accidental death, with 16,000 people dying from overdose every year and many more becoming addicted. The consequences of addiction are reverberating through our society, devastating families while straining our health care system, social welfare programs and law enforcement.
- Governors have long been at the forefront of this issue, working with health care providers, law enforcement and other key stakeholders to develop and implement comprehensive plans to reduce opioid abuse and overdose. In Virginia, we have convened a task force whose recommendations are already taking effect to combat this scourge in our communities and improve outcomes for individuals who overdose.
- But, we cannot do it alone. Turning the tide on this crisis will require a coordinated and aggressive response across all levels of government focused on:
 - Preventing addiction by increasing public awareness, better educating prescribers and giving them the tools they need to prevent diversion;
 - Responding with the help of robust state prescription drug monitoring programs and expanded access to treatment; and
 - Breaking the cycle of addiction by addressing stigma and other barriers to long-term treatment and recovery.
- We must be bolder in our fight against addiction and approach it just as we would any emergency that has taken and threatens to claim the lives of so many fellow Americans.

4. Cybersecurity

Let me stay with law enforcement for a minute and talk about cyber.

- States hold a significant amount of data on each of our citizens, including personal information, health, financial, and education records, as well as information on businesses and our economies.
- Our information technology networks and systems are prime targets for cyber actors looking to steal, exploit and sell these private details.
- State networks also control many essential government services, including homeland security and emergency response capabilities.
- Virginia is home to the most cybersecurity companies of any state east of the Rockies. Thousands of Virginians work on cyber security every day in corporations, universities, the military, the intelligence community, and in Commonwealth agencies. This is why I created the Cyber Security Commission within weeks of coming into office.
- I worked with the Commission to pass four pieces of legislation that improve the ability of the Commonwealth to prosecute cyber-crime and develop cybersecurity policies.
- This is an area where states are clearly leading. In my biennial budget, I have included funding for an innovative cyber range that will provide high school and college students a virtual, secure platform to enhance their cyber skills.
- Not only are states leading by ensuring that we are taking the steps necessary to protect our citizens valuable data but also providing students with the skills necessary to fill the cyber workforce. As co-chair of the NGA Resource Center on Cybersecurity, along with my friend Governor Snyder of Michigan, we have been doing a lot of work with states to promote cybersecurity awareness and provide tangible tools for states to address this growing threat.

In 2016 we will continue to work with our federal partners to assist states in cybersecurity efforts, including the development of national cyber incident response policies, enhancing information sharing on cyber threats and expanding use of the National Guard.

5. National Guard:

- The capability the Guard provides in combating cyber crime speaks to the remarkable flexibility and value of the National Guard. In less than a month, the National Commission on the Future of the Army will release its recommendations for what our forces should look like in the years ahead.
- As commanders-in-chief of our National Guard, governors have made a concerted effort to underscore the value, professionalism, versatility and skill of the Guardsmen and women serving at home and abroad.
- We look forward to receiving the Commission's report and working with Congress and the Administration to secure and expand the role of the Guard as both first responders in our states and as a ready, able and dynamic fighting force in defense of our country.

6. Marketplace Fairness

Finally, I want to comment on Marketplace Fairness — the longtime, state-driven effort to level the playing field for all retailers by allowing states to collect sales taxes on remote sales.

Governors, legislators, county officials, mayors and city councils have joined with retailers to ask Congress to bless this solution. Unfortunately, although we are talking about collecting taxes that are already owed, Congress cannot find the political stomach to pass legislation through both houses.

In Virginia, passing marketplace fairness legislation would mean \$500 million more for transportation – and I know states around the country are eager to use those revenues to benefit their residents as well.

The National Governors Association will continue to support the efforts of Senators and Representatives that support fair competition, but will also seek alternative solutions at the state level.

As Governor Herbert's initiative points out, states solve problems. States are ready to implement and take back responsibility for K-12 education. States are ready and have been waiting to invest, repair and build an infrastructure for tomorrow. States will solve national issues through persistence and ingenuity where Congress fears to tread.

I salute Governor Herbert's focus on states. I am excited about what has been and what will be accomplished. The states are strong, motivated and ready to lead and we look forward to 2016.