NATIONAL GOVERNORS' ASSOCIATION

OPENING PLENARY SESSION

Dr. Albert B. Sabin
Cincinnati Convention Center
Fifth and Elm Streets
Cincinnati, Ohio

Sunday, August 7, 1988

3:18 p.m.
PROCEEDINGS

CHAIRMAN SUNUNU: Good afternoon, ladies and gentlemen and fellow governors. I would like to call this 80th annual meeting of the National Governors' Association to order.

First order of business is call for a motion for adoption of the rules of procedure. Is there second a motion, please?

(Motion seconded.)

CHAIRMAN SUNUNU: Second, discussion. All in favor; opposed?

Motion carries.

I would like to announce at this time that any governor intending to offer a motion of suspension of the rules for the purpose of introducing a policy statement for consideration at Tuesday's plenary session must do so in writing at the closing of business tomorrow. As you know, there are no exceptions to that rule.

If governors have substantial amendments, it would be appreciated if they also were made in writing at close of business tomorrow and we will give you copies of the suspensions of the amendments to Jim Martin of the NGA staff by 5:00 p.m.

One more note; tomorrow we have made arrangements to have the President of the United States make an address to
this room at 12:15. The doors will be closed. No one will
be allowed to enter the room after the doors are closed.

Therefore, due to these special security needs, we
ask everybody to be in the room by 10 to 12:00; by 11:50.
Since everyone will have to go through a magnetometer and
since all briefcases and handbags would have to be checked,
we urge you, if possible, you would leave those items
elsewhere so we could speed up the entrance procedures.

I would like to announce at this time the members
of the nominating committee for next year’s executive
committee. That nominating committee will consist of
Governor Kean, Governor Castle, Governor Gardner, Governor
Schwinden, and will be chaired by Governor Clinton. It is
now my pleasure to call on the host governor for this
meeting, the governor who has made us all feel very, very
comfortable so far, and I am sure for the next two or three
days, Governor Dick Celeste of Ohio.

(Applause.)

GOVERNOR CELESTE: Thank you very much,
Mr. Chairman. I would like to take this opportunity to
welcome my colleagues from across the country, as well as
members of your families and staff, to this 80th annual
meeting of the National Governors’ Association here in
Cincinnati; to do so on behalf of my neighbors as well as
Governor Wilkinson and Governor Orr, who share an interest in
this community, which really sees itself as part of a
tri-state area. It is certainly a great honor for Ohio, and
especially for Cincinnati, to host this return engagement of
the National Governors' summer meeting in this community. It
provides us with an opportunity to show you just how far we
have come in the 20 years since the last summer meeting was
held here, and to give you a bit of a sense about where we
are heading.

We meet at a crossroads in a very real sense as we
gather here in Cincinnati. It is a true crossroads
community. East and west, industry and agriculture, urban
and rural; and as I am sure you know by now if we have done
our job, this community is celebrating its 200th anniversary
this year, a major milestone that has made Cincinnati one of
the world's top tourist attractions in 1988.

It is also true that we stand at the crossroads as
governors, wrestling with critical issues of this nation's
future, many of which will be highlighted at committee
meetings and the discussions planned for this gathering. So
we are here to do serious work and also to have a good time.

I would like to express my appreciation to all
those who worked long and hard in putting together a number
of exciting social events and to make sure that all the
arrangements are in order for your business agendas, and
invite all of my colleagues, if there is anything that you
want or need while you are here in Cincinnati that hasn’t
been provided for in advance, if we haven’t anticipated it,
please let us know so we can be responsive while you are
here.

We hope this will strike a good balance between
business and pleasure. Those of you who were at the baseball
game last night I know all were cheering for the Cincinnati
Reds, our nation’s first professional baseball team. They
needed a few additional cheerleaders or hitters last night, I
think, but we were pleased to be there.

The Reds are just one of many world-class
attractions in this city that I think may very well be this
heartland’s best kept secret. So I hope as you pursue the
agenda over the next several days, you will have an
opportunity to get to know our queen city in a much more
intimate way.

Tonight we will have a chance to see a performance
by the world renowned Cincinnati Pops, complete with a laser
and video show. That will be held at a recently completed
park in town, Sawyer Point, on the banks of the Ohio River.

Tomorrow night we will take a riverboat ride to
Cincinnati’s own Coney Island. Dick Clark will take us back
to the ’50s and ’60s; Bill Clinton will join him, I am sure,
with a saxophone performance along the way. In addition, we
will have Freddy "Boom-Boom" Cannon and Paul Revere and the
Raiders.

That is why I hope all of you come ready for a good time. Last night we enjoyed the hospitality of Cincinnati's own Proctor and Gamble, and there is King's Island and the College Football Hall of Fame. Please enjoy it all while you are here. I think it's a measure of this community's sensitivity that they set aside any food left over from our events tonight and tomorrow will go to the homeless shelters here in the Cincinnati community through the Greater Cincinnati Coalition for the Homeless.

I encourage you, when you return home, to share our secret with the rest of the nation, what a wonderful community this is and how three states enjoy it together, and we hope that we will provide an opportunity for important business to be done in the most pleasant setting.

Let me just add that Laura Gold was with us to sign for our plenary session today. Laura, we are grateful to you.

Mr. Chairman, thank you for the chance to host the National Governors' Association and we are proud to have you here today, and we want the next few days to be as good as they possibly can. Thank you.

(Appause.)

CHAIRMAN SUNUNU: Thank you very much, Governor Celeste. The National Governors' Association is honored to
have as its guest at this meeting a delegation of
distinguished legislative leaders from Japan. All of these
leaders are also leaders of the Liberal Democratic Party in
Japan and I would like to introduce them to you now.

    Mr. Yamaguchi is leader of the delegation and
director general of the International Bureau of the Liberal
Democratic Party.

    (Applause.)

CHAIRMAN SUNUNU: Mr. Aichi is director general of
the research bureau of the JDP and is a member of the House.

    Mr. Kudo is director of the education division and
a member of the House.

    Mrs. Moriyama chairs the House of Counselors' 
Standing Committee on Foreign Affairs, and addressed the
meeting of the United States and Japanese governors that took
place in Tokyo in 1985.

    And Mr. Kuze is a member of the House of
Counselors.

    This delegation will be observing and
participating in our sessions throughout the three days of
our meeting.

    You are certainly all most welcome and we look
forward to this opportunity of sharing information with you
and making new friends and renewing some of our old
friendships. Thank you very much for joining us.
(Applause.)

CHAIRMAN SUNUNU: The theme of this meeting, the principal issue we are addressing is the issue of federalism. Federalism over the years has meant slightly different things, yet it always comes down to the fundamental relationship between state and federal government, between state and local government and federal government.

It is to a great extent the question of sharing of power, sharing of responsibility and sharing of authority.

Those of us who have taken the time to look a little bit, in this 201st year of celebrating the writing of the Constitution, and have looked back at the deliberations that took place in Philadelphia, it is clear that what was put together in those days and ratified as a Constitution was a contract between the states and the new federal government, defining the appropriate level of sharing of power and responsibility amongst the government entities.

Certainly, that concept has changed a bit over the years. There has been an erosion of the power of states, a drifting and a concentration of power at the central government level, and a concern that perhaps as this drift took place, some of the critical chemistry which allowed this country to be so strong and effective over these past 200 years may have been lost.

Starting with the 200th anniversary last year, NGA
chose to undertake a review of the basic aspects of federalism. We decided to look at three particular areas; areas in which federal regulation impacted the states, areas in which federal legislation impacted the capacity of the states to serve their citizens, and areas in which some questions may have developed on the constitutional character of that relationship itself.

We certainly do believe that the states have a major role in serving the citizens of our nation. I think we are all the strongest of believers in the value of the diversity of approach and the fact that the states are innovative and creative laboratories of successful programs that can make a difference. We certainly appreciate the participation of federal government in a number of those areas, but we have and I think we will continue to express concern that there has been a change in the way that that participation has taken place.

There have in recent years been a greater expansion of mandating requirements without sufficient funding. There has been a continued loss of flexibility in the capacity of states to apply the laws and to serve the functions asked for within those laws.

Certainly, we have seen an erosion and a loss of some of the funds that were originally collected for dedicated purposes, such as highways, airports and recreation
trust fund receipts. We feel and understand there has been a preemption of traditional state authority over areas such as insurance, banking, communication, transportation and corporate governments. Each of these areas has at any given instance represented a small slicing away of the delegated and reserved authorities of the states. Each cut may not in itself have been the most critical, and yet taken over the 200 years, it has been a decisive change in what was the original balance established within the Constitutional deliberations.

It has come to a head in recent years when the Supreme Court has made a couple of additional decisions that have removed the protections of the Tenth Amendment of those state prerogatives we have outlined. Clearly, the Garcia decision meant that the federal government can now enter into virtually any area of state concern and that Congress can choose for itself the areas it wishes to regulate, and the South Carolina decision has meant that the tax exemption and a fundamental funding mechanism for state and local government can now be regulated virtually across the board by Congress without any of the presumed Constitutional protections that the state had.

In response to these exchanges, the NGA believes that several actions can and should be taken to restore the balance to the federalism relationship. Governors will
continue to pursue our ongoing legislative agenda,
particularly in the areas of education and health policy
reform, areas of welfare reform, areas of providing support,
planning and funding for infrastructure for the 1990s, areas
associated with housing policy, areas associated with energy
policy and environmental protection, community renewal,
economic development, trade expansion and technological
innovation.

Certainly all of these issues in one way or the
other will be discussed at this meeting.

We will continue to ask Congress and the
Administration to abide by some of the basic criteria of
federalism that we think would allow the system to work
effectively. We will ask them not to override fundamental
state laws and procedures which are designed to make
efficient the programs we are mandated to run. We will ask
them to make sure there are funding mechanisms for the
mandates that are passed at the federal level, and we will
urge them to participate in consultation from the development
and implementation of partnership programs that can make a
difference.

There are other areas that are crucial, areas
where we must make our own evaluations and focus on both the
benefits and the impacts of the loss of a balanced federalism
relationship. Clearly there are impacts that might differ,
but certainly all of a nontrivial nature; impacts on the fiscal capacity of states as we take a look at changes in the partnership programs and changes in the taxing structure and the capacity for those taxing structures to be under the prerogatives of the state. And we certainly urge the federal government to recognize that there ought not to be a preemption of state authority without it being explicit in the legislation, and not merely being an act of rule or regulation promulgated by the bureaucracy.

Finally, in an effort to urge Congress to establish a restoration of the balance, we will examine whether or not as part of our federalism policy we will urge Congress to enact procedures for making Article 5 of the Constitution workable and provide protection for the tax immunity of state and local governments.

We are committed to this revitalization, this partnership which has been historically effective. We urge both Congress and the administration to understand that our call for this renewal of balance is because we understand that the states will be a critical part of the solving of the problems for the next decade as we move to the 21st century. We believe these are crucial issues and we are here this afternoon to discuss some of the important components of this issue of federalism.

In an effort to aid us in our examination, we are
privileged today to have with us a distinguished professor of constitutional law and three close observers of the states to discuss the federalism proposals we will have before us.

Professor Lewis Kaden of Columbia University has represented the states before the Supreme Court in the South Carolina case and he knows every implication of this decision. He is also director of the center for law and economic studies at Columbia University and has served as an advisor of the Coalition of Northeastern Governors. More recently he has served as chairman of Governor Cuomo's Commission on trade and competitiveness. It is my pleasure to introduce to you for some comments and explanation to us, for some of the explanations of the South Carolina decision, Professor Lewis Kaden.

(Applause.)

MR. KADEN: Thank you, Governor. I first became interested in the problems of constitutional federalism when I had the opportunity about 14 or 15 years ago to serve in state government as chief counsel to the governor of New Jersey, Governor Byrne. Tom Kean was then the opposition leader in the legislature and he was pretty effective at that, as he has been in the governor's chair the last 6-1/2 years. We learned quite a bit from him; maybe learned one or two things from us.

I then went to Columbia as a law professor and
pursued that interest and have had the opportunity to represent you in the Supreme Court in the South Carolina case.

I would like to take a few moments today to talk about four questions coming out of that experience.

First, what do we mean when we talk about the values of constitutional federalism and state autonomy; second, are we sure that it's important, in 1988 and beyond, as it was at the time our nation was formed; three, if it is important, who protects the autonomy of the states; and, in particular, what ought to be the role of the Supreme Court as opposed to the political branches of government? Fourth, what can the NGA and its members do about this problem?

First a few points about recent history. First, our system of federalism has changed dramatically over the last half-century. The simple layer cake of divided responsibilities between Washington and states that the framers envisioned as they gathered in Philadelphia in 1787 has been superseded by a much more complex system of government. As the Federal Government reached into more areas of public concern, it did so in a way that created a more complex arrangement of bureaucratic responsibility, featuring shared costs and divided responsibilities between Washington and the state capitals intersecting regulatory roles.
At the same time, the Supreme Court, particularly since 1976, has been engaged in a fierce and divided debate over what the values of federalism are and what the court's role ought to be in protecting the independent existence of state governments.

Most of those decisions at the bottom line have gone against the states, but the fact is if you look at that 12 years of our Constitutional history in this area, the court has divided four times by a 5-to-4 margin and, more importantly, has divided consistently 5-to-4 over how much of a role the court itself should have as opposed to the Congress in securing the autonomy of the states. That means to me that it remains a live debate and a very important one. I am going to try to define this afternoon some of its parameters.

That debate was initiated, as you know, with the National League of Cities' decision in 1976. The court, by a 5-to-6 vote said that Congress lacked the power to apply minimum wage-maximum hour regulations to the state governments in their governmental capacity, but it did so in a confusing way.

The language that the court used was that the Congress could not directly displace the states' freedom to structure integral operations in areas of traditional governmental functions, and those few words triggered a
10-year debate about what functions were traditional as opposed to nontraditional; what operations were integral as opposed to nonintegral; was it a historic test or current test. The notion of freezing a photograph in the 19th century of what was important to state government didn't make any sense, but that seemed to be called for by the words "traditional governmental functions," and the lower courts were confused and befuddled, and ultimately Justice Blackman changed his mind in a 5-to-4 vote in the states' favor became a 5-4 vote the other way in the Garcia case a couple of years ago.

Then South Carolina -- the court majority hardened or stiffened its position on the circumstances in which it would intervene in support of the states. Along the way it also reached out and grabbed the tax immunity issue. Both we and the United States had tried to suggest to the court that that wasn't the case, that it wasn't necessary to address the constitutional foundation of the tax exemption, but Justice Brennan persuaded a majority of his colleagues to reach out and take that issue; he did have South Carolina urging it upon him, but the Solicitor General and the NGA said let's wait for a better tax settling, and so the tax immunity fell by the boards. Probably not surprising, given the precedence, but upsetting to the state interests.

But underneath that, this question of what the
courts' role should be and how it should play that role
remains hotly contested and very much a matter of continuing
debate in the chambers of the court, and therefore in the
chambers of all those institutions interested in
Constitutional federalism.

The third important development of the last
half-century, I would suggest, and the panel is going to talk
about this more later, is that the states have become ever
more vibrant laboratories of creativity and innovation.
States throughout our history tested and experimented, tried
out new ideas about how the public sectors should respond to
public problems. But I suspect that at no time in our
history has there been as much creative initiative, as much
successful innovation as in the last decade.

David Osborne has chronicled some of that in his
book. He will talk to you about it later. You all know the
examples and if I had more familiarity, I could cite 50 of
them. But educational reforms in Arkansas and Tennessee;
environmental protection innovations in New Jersey, Colorado,
California; economic development initiatives including
venture-capital funds in Michigan and technology assistance
in Massachusetts; labor management cooperation and employee
ownership in New York; pension fund investments in
Pennsylvania; as I say, you can go around the table and come
up with 50 such examples or more.
That degree of creativity has sparked an interest in those who follow government and think about government, whether they sit on the bench or sit in legislative bodies or sit in the halls of the academy. And that creativity plays a part in the question of what role the states should have as against the national government.

Against that backdrop, what do we mean by the autonomy interests of the states? I would suggest that what we mean when we say the states have a sovereignty that deserves protection is that the states exist to exercise the power to make choices. The states aren’t just an accident or a political reality that existed in 1787. Part of the genius of the framers of the Constitution were that the integrity of state governments ought to be retained because the states would serve the underlying values of liberty and creativity and democratic participation that were the hallmark of the effort in the revolution and in the postrevolutionary period to form a nation.

The preservation of state governments was not just the means and the price of forming a nation, but rather part of the genius of the founders, and that means the power to make political choices. The capacity of the tax to spend, the power to define your own structure of government, the power to set your own agenda within the sphere or zone of activity that Congress leaves to you pursuant to its exercise
of delegated powers; that has been true throughout our
dominant and it is true today.

Now, what are the perils or dangers of that
autonomy? Let me mention three. One, that we probably can't
do much about it, nor perhaps should we try, is that as the
nation's problems have gotten more serious and more
complicated, the national government has reached out to
address them in many different areas. They have asserted
national power in areas of education, environmental
protection, transportation, regulation -- you know the list
-- that probably was not anticipated 200 years ago. But the
supremacy clause within the area of their limited powers
gives them that right, and we are unlikely to turn back the
clock, nor do most of us wish to.

More serious are other perils. When the Congress
orders the states to do something, gives you mandate, without
providing the resources to fulfill the role you are given,
that's more of the danger to the kind of Constitutional
autonomy that the Constitution envisioned.

When the Congress decides to achieve national

gains by reaching out and grabbing the apparatus of state
government and putting it to work in the name of the federal
goal, without letting the state exercise its power of choice,
that's more troublesome to principles of Constitutional
federalism than if the Congress decided what it needed to do
in the national interest and faced up to the decisions of how
to pay for it, how to exercise that authority, and did it itself.

So in those two areas, mandates without money,
commandeering the machinery of state government, the Congress
has over the years whittled away the zone of autonomy and
created this jeopardy to Constitutional autonomy that gives rise to all of these cases.

Now, is it still important? I think all of us around this table and in this room and in this country would say yes, for the same reasons it was originally important; those values of creativity, liberty and so forth that I mentioned.

But what is required is protection of the kind of Constitutional equilibrium that Alexander Hamilton spoke about that your chairman mentioned earlier today. That leads us to the crucial question of who insures the balance, who protects that Constitutional equilibrium, and there are two very different schools of thought being debated in the courts and debated in the academy and still very much facing a divided Supreme Court.

One is the theory of political safeguards that the Framers built into the structure of government in the Constitution so much influence for state governments, for governors and state legislatures, that their protection
should come solely through the political process in the
Congress and in the White House; and initially in 1787, and
for 150 years or so after that, there is a great deal of
merit to that. State legislatures for a long time picked
senators; the states controlled Congressional districting and
the eligibility of voters.

But again, in the last 50 years, much has changed
about our political process and in my mind, those changes
have given rise to a new question about the validity of that
doctrine of political safeguards, a doctrine that my
colleague, Herbert Wexler, one of the great Constitutional
lawyers of the last half-century, crystallized in a famous
article in the 1950s that the Supreme Court frequently cites,
and that the current five-man majority of the Supreme Court
has embraced in Garcia and South Carolina.

But what has happened to the structure of our
government and to the ways of our politics in the last 50
years? In a series of changes that all of us would support,
the states’ control over that structure of government has
been reduced.

The elimination of poll taxes, the reapportionment
decision, the 18-year-old vote amendment; few of us would
oppose them, but the net result is to reduce structurally the
influence of state governments in Washington.

Much more importantly, our politics has changed.
You all know these political features because you lived with them and have grown up with them; the deterioration of state party organizations. I remember when I was in college I was an intern in Congress and I went into the members' elevator once with a member I worked for, and he ran into a member of Congress from a southern state who was wearing a white suit. He said to that member, my leader doesn't let me wear white suits.

Well, today, even in New Jersey, we don't really have leaders of that sort. We certainly don't have them in most of the parts of the country where you come from and have grown up in politics. The new influence of money and media and politics has contributed to the deterioration of party organizations and has also given rise to a new breed of congressman and senator, with fewer ties to state party, less likely to have grown up in state government. In the 85th Congress, 28 members of the Senate used to be governors, had been governors. By the 95th Congress, that number was down to 16; and although I didn’t count it up in the last -- about this Congress, I expect that 16 is even lower today.

You look at some of the successful and admired members of the Senate today who came to the Senate fresh as their first public office, senators like Bill Bradley, John Glenn, Gordon Humphrey, and those developments bespeak some of the changes as a result of the new influence of media,
accomplishments in other fields, celebrity influence in politics and the decline of state parties organizations.

All of those developments have combined to make you and your state governments simply another interest group in the process in Washington, competing with those interest groups interested in health care, education, or the environment or other subjects with sufficient access, with considerable influence, but not quite the way it was in the 1790s or the 1850s.

That has suggested to me and to some others, and, from time to time, four or five members of the Supreme Court who had cited these arguments, that the court has a renewed role in protecting the autonomy of the states if in fact we believe, because of those values of creativity and initiative and participation and liberty that I spoke of, that the autonomy of the states and their integrity and their ability to function in this democratic government is important.

That brings us to the question of what the NGA can do about it. These issues will be debated in the Supreme Court and other forums that have an influence on the Supreme Court; lower courts, academic journals and the like. But I think there are at least two or three suggestions I would leave with you.

One is we need continuing research on the way our political process has changed and the way that changes and
affects the process of decisionmaking in Washington; and
states and governors can encourage that research.

Secondly, we need to ensure in the next administration that there is a sensitivity to these values of state autonomy and federalism as a bulwark of individual liberty, the way I described it, that infuses the process of selecting members of the Supreme Court. There will be changes in the Supreme Court, regardless of the election results, and those changes will be important over a wide range of issues, some of them perhaps important, more important than the one we are talking about today.

But on the list of important subjects to the court in the next decade is this question of federalism and this choice between political safeguards and a more invigorated or vigorous judicial role. It's not a partisan or ideological issue as near as I can tell, but it ought to be one of those factors under consideration when appointments to the court are made.

Finally, the NGA, like other groups representing elected officials of the state and local governmental level, has to think strategically about the litigation process in the Supreme Court. It was unfortunate that these issues were presented to the court in the context of South Carolina versus Baker. There should have been better settings, more favorable, factual foundations for the assertion of the state
autonomy issue.

You can't always choose or frame the agenda, but you can think strategically about how those issues are coming before the court, how they are being advocated, how they are being framed, and therefore to some extent how they are being decided; and the governors, together with attorneys general and mayors and other state and local officials, need to be more active in that process. Your creation and support of the state, local and legal center is a small but first step in that direction, but there's a good deal more that can be done.

Those are fairly self-evident suggestions. I would leave you with the thought with which I started, that state autonomy, the state autonomy interest, is an important part of our system of Constitutional government; it is one worth fighting for and it is a fight in the Supreme Court that is still very much an open question. Thank you.

(Applause.)

CHAIRMAN SUNUNU: Thank you very much. We will move on to some questions for Professor Kaden or comments by the governors. Governor Orr?

GOVERNOR ORR: Your discussion of this whole situation is most interesting and extremely well-stated. It seems to give emphasis to what has been going on up to now, and I think a small bit of emphasis on what may be the
situation in the future. Are we to expect that what has happened up to this time is only a prelude to what will be a very serious erosion in the future?

MR. KADEN: I think it's hard to predict political developments, but I suspect as our problems grow more complex at the national level and our resources continue to be limited, it will continue to be tempting by the national government to achieve its aims by enlisting machinery of the state government. Therefore, the risk that you will increasingly be serving the agenda set in Washington, with your resources declining in terms of those resources available for your own priorities, is likely to be true in the future.

CHAIRMAN SUNUNU: Governor Carruthers?

GOVERNOR CARRUTHERS: You indicated it was unfortunate this particular case was utilized to define the issues. Would you amplify on that statement and tell me if there are other cases coming before the Supreme Court that might better define the issues that face the states?

MR. KADEN: I think at the moment it's probably a little late for the tax immunity issue. I think our concern, the NGA's concern at the time when we intervened was that the bond registration requirement, although burdensome on the states, was not the most appealing setting to litigate the Constitutional foundation of the tax exemption; that if
Congress was going to keep whittling away the protection of the tax exemption, there would be more promising cases to raise the question of the continuing validity of the pilot case.

So we intervened on your behalf in order to try to get South Carolina disposed of without touching that issue. In the end, the Supreme Court, as I said, reached out and grabbed it. I think there's no question there will be other cases coming along, perhaps not on the tax immunity issue, which is probably gone for the time being, but on this question that mandates without money and the commandeering effect of federal regulations.

CHAIRMAN SUNUNU: Questions or comments. Another one, Governor Carruthers?

GOVERNOR CARRUTHERS: I would ask that we intervene in this case or you intervene on behalf of NGA, how is it that we identify as the National Governors' Association, those issues in which intervention is called for and particularly as it deals with the kinds of issues that we are debating here on federalism. How do we determine it?

CHAIRMAN SUNUNU: We have a legal affairs committee, that with the advice and assistance of external experts, makes recommendations back to the executive committee and decisions are made on that basis. It is not done willy-nilly, but there is some formality to it.
GOVERNOR CARRUTHERS: Thank you.

CHAIRMAN SUNUNU: Additional questions or comments? Thank you very much, Lou. We appreciate your being here. I am sorry, Governor Sinner?

GOVERNOR SINNER: Mr. Kaden, as we get into a totally global involvement, which we clearly are now, it seems to me that the need for uniformity in lots of areas is getting clearer and clearer and clearer; competitive and contradictory regulations by states in several areas is a handicap to successful competition in the global market.

As those issues become more prevalent -- obviously the federal government has delved into -- become less overwhelming to the federal government and maybe the preoccupation of this federal competition may draw us away from some of that federal involvement that's been excessive.

But there is a real dichotomy there in what we face in the future, because it seems to me we are going to have to rely on the federalism approach, a unified approach, several regulatory and probably economic policy positions in this country.

MR. KADEN: I agree with that. As our problems with global competition become more intense, the national agenda will be full. My suggestion is that when the nation decides the uniformity as required and it steps in, that's fine. That redefines the circle within which we look to our
national government as opposed to the states. Within the
remaining zone of state initiative, it also remains important
to leave the states free to set their priorities, to allocate
their resources, to exercise the autonomy that is inherent in
being straight government within the zone as it's left to
them at the end of the day.

CHAIRMAN SUNUNU: Thank you very much, Lou. We
appreciate not only your presentation today, but really your
long-term, dedicated fight in support of a more balanced
perspective on state-federal relations.

Let me make one comment before we go on. Even the
most innocuous of conversations are really affecting the
acoustics here. If you are going to carry on a conversation,
we might ask you to step outside so it is easier for those
who come here to make presentations.

We will move to a panel discussion on the changing
role of governors. It's going to be a reversal of what has
become a standby format, at least in electronics
communication; we are going to meet the press in reverse. We
will have this panel making the presentations that consist of
three distinguished folks from the press side. We have with
us Phil Pruitt of USA Today, who is a coauthor of a book
about governors that will soon be released; Eileen Shanahan,
cofounder and executive editor of Governing Magazine; David
Osborne, author of the new book, "Laboratories of
Democracy."

Each has recent ties to the activities of the governors and the states. I am sure that from their perspective, we will get some fresh ideas on federalism. Let them make some brief remarks and open up the floor to questions and comments and perhaps some back and forth that could be very interesting.

First of all, let me call on Phil Pruitt from USA Today.

MR. PRUITT: Thank you, Governor Sununu. I expected this session to be a lot of fun. I hope it's not as taxing as the one I just left where I met with a group of Ohio students. We ended up debating morality in politics, which was sort of a wrenching experience. We didn't come to any conclusions.

I am told that I only have seven or eight minutes to speak. Some critics would say that's all you can expect from an editor from USA Today, USA Today being a paper that is known for giving new depth to brevity with investigative paragraphs, so no doubt I will hold it down to that.

In 1987, my boss, Allen Neuharth, founder of USA Today, put together a news team on a bus and went on the road for six months to visit all 50 states and tried to discover the USA. The tours, as I am sure all of you will recall, included interviews with the 50 state governors. As Governor
Sununu said, those interviews, plus some other material which first appeared in USA Today, have now resulted in a book, not very brief, I might add, titled "Profiles of Power: How the governors run our 50 states."

Each of you will receive a copy within the next few weeks, assuming that I can collect your checks before I leave. I was reminded part of my chore here is to sell books.

We found out a lot about governors as we traveled around the country. We found out a lot about their staffs.

One side note: We arrived at one governor's office early, before the governor had arrived, in fact, and we asked if we could go into his office and set up our tape recorders so that we would be ready to roll when he got there, and we were told that was not possible at the moment, because a member of his staff was taking a nap on the couch. And, sure enough, we waited, we went back out, dutifully waited, and in a little while the staff member came out yawning and rubbing her eyes and we went in and shortly thereafter the governor arrived and we got down to business.

Our mission was actually very simple. We set out to discover what kind of person is sitting in the governor's chair today, what the primary responsibilities are; although with something of an historical event, Mr. Neuhardth has been meeting with governors for years when he was interested in
how people in the governor's chair had changed, how their styles had changed.

It was very unformal. We talked to governors about the people and places and politics of their states, of education, about the economy, race relations, public relations, traditions, tourism, all sorts of things about the states.

We asked them about the difference between an old-style politician and the governor's CEO. We asked them about how power has increased or diminished in the governor's office. We observed and asked about their styles, their strengths.

As for the styles, there obviously were some differences; they range from the New England reserve of Vermont, Governor Madeline Kunin, to what we consider to be the evangelical zeal of Louisiana Governor Buddy Roemer; western hospitality of Wyoming Governor Mike Sullivan, who gave us a choice between sitting around the coffee table or going out back and sitting with the dog; to the studious approach of Virginia Governor Gerald Baliles; frontier spirit of Alaska Governor Steve Cooper to the impressive methodical marketing of Michigan Governor James Blanchard.

But even given the differences, we found that the old fashioned handshaking, baby slapping -- baby kissing, back-slapping -- maybe baby slapping, I don't know --
governor puffing on a big cigar is all but gone. That character has been replaced by a more competitive, streamlined, business-type leader, as far as we could tell. Governor Roemer, if you don't mind, I would like to use Louisiana as an example.

GOVERNOR ROEMER: Be careful.

MR. PRUITT: We are fellow Southerners; I think this will work. In 1961, Governor Jimmy Davis, songwriter and Hollywood cowboy, rode his beloved Palomino Sunshine, named for his hit song, You Are My Sunshine, up the Capitol steps and into his office. He was asked why, which was a good question for a reporter to ask. He said, Sunshine had never been in the governor's office before, which was a good answer.

Meanwhile, racial tension was at a full gallop in Louisiana, as it was in much of the country. In 1987, Governor Edwin Edwards sat in the dining room of the governor's mansion and told us that the only way he could lose the next election was if he were caught in bed with a dead woman or a live boy. After a dismal primary showing, he withdrew from the race and left behind a multimillion dollar deficit, and a legacy of indictments, albeit no convictions.

In late 1987, Governor Buddy Roemer, Harvard-educated, told us an entirely different message as he was preparing to replace Governor Edwards. He said he wanted
a new Louisiana, that he would like to reshape the state's image of the place where investors, businessmen and women invest and create jobs. He wasn't going to sit back and wait for it to happen. He was going to see that it happened and he was going to direct it. He was going to manage it.

See an obvious historical progression there, from hands-off delegation to hands-on management. We found that 43 governors made 87 trips in 1987 overseas to increase exports, encourage foreign investments, promote tourism; a situation that prompted Governor Kean of New Jersey to quip that if he wanted to talk to one of his fellow governors, he needed to go to China. Governors across the USA are personally working, we found, to increase teacher salaries, introduce teacher merit tests and in general see that schools are better.

For example, Ray Mabus from Mississippi determined to raise teachers' salaries without raising taxes. Governors across the USA seem to be personally coming up with work-training welfare programs tailored to their states to permanently get people off the welfare roll onto the payroll. One that comes to mind is one that Governor Rudy Perpich has come up with in Minnesota, giving welfare recipients an opportunity to become small business owners.

We also came away with some questions, one of which really is the idea behind doing the book. We wondered,
as we drove around the country visiting governors, do people in general really realize how many of the services they want and need -- do they realize how many of their services are provided by the state house and not by the White House in Washington.

Obviously our guess is that a lot of them don't; that is the reason for the book. But if they don't, is that not a challenge to the governors as a group, and perhaps to the media, to tell people across the country that the governor's office is crucial, just how crucial, with crucial responsibilities, and therefore needs to be covered closely by the media.

Voting for president of the United States is important, sure, but it's your governor and state government in general that decides the quality of the schools your children attend, whether innovative welfare programs are executed and whether new jobs will come to the state in the long run. Just maybe we thought that message really isn't getting across.

Thank you, governors, and thank you all for spending some time with us during the past year as we visited each one of you.

(Appplause.)

CHAIRMAN SUNUNU: Thank you very much. Our next presentation is by Eileen Shanahan, cofounder and executive
editor of Governing Magazine.

MS. SHANAHAN: Thank you. I find it particularly appropriate that I am speaking before this very group today, when we have just closed the final issue of the first year of Governing Magazine, and, of course, are now far advanced on our work in the big October anniversary issue. It's appropriate because those of us who launched Governing wouldn't have done it if we hadn't believed what I think all of you believe, which is that the most interesting and exciting area of public policy today is at the state and local level. We wouldn't exist if we didn't share that conviction.

I am a life-long journalist, mostly daily journalism, magazine editor now. As a journalist, I am, of course, to some degree, always a critic, though I must tell you right away that my definition of a good journalist is be a skeptic, but not a cynic. A skeptic demands to be shown, but a cynic won't be shown. I hope I live by that. But I am going to be a skeptic today, and tell you the problems that I see ahead for the nation's governors as you get what you want, which is more power and authority and flexibility.

Now, maybe I am wrong. I am not in your private meetings either here or back home, but I think I hear too much cheering about the new authority and flexibility you are getting or hope to get and not enough worrying. Maybe it's
not fair, but I think what I am hearing is that it's almost a
given that the government closer to the people will do it
better; and by almost a given, I mean, I think you are
thinking that it will happen almost automatically that you
will do it better, just because you are the government closer
to the people. I don't think so, I don't think it's the
least bit automatic.

So, a few words of advice. For once it is
solicited advice, because Government Sununu asked me to be on
this panel, about how to avoid some of the pitfalls I see
ahead as your repeated insistence that you can do it better
becomes a public expectation that you will do it better.

I don't think I have to tell any elected
politician what happens when public expectations are built up
and not met.

I have three main points. First, I fear I see too
little emphasis on how things are going to be administered
when you are all in the process, both on your own and in
wrestling with Congress, as you are in the process of writing
new laws and devising new programs.

It appears to me, standing on the outside, fairly
close up, that the fights, compromises and wrestling are
almost all over such matters as the volume of funding, how
joint funding is shared, who would be eligible to receive
such programs and so on, rather than setting them up in such
a way that somebody can actually run it.

We certainly see this in terms of the new, incredible spate of social legislation at the federal level now. None of which is finally passed yet, but much of which I think will be this year or no later than next; day-care, welfare revision, catastrophic illness insurance; and what has come to be called the Chinese restaurant menu approach to an awful lot of these programs. You must do this under the pending new day-care bill or catastrophic or welfare. You must do all of these three things, but you may also do at least four of the following nine. Not a bad idea, flexibility.

But how tough is it going to be, one, to pick when you get to pick, and two, to run it. I don't hear anything about that, and I spent a little time last week talking to Julie Rofner, the Congressional Quarterly reporter, who is covering all three of those things and working about 90 hours a week doing it; catastrophic day-care and welfare provision. She said she doesn't see any state government presence on the administrative issues involved in this.

My second point is this: I am not sure I see enough emphasis on collecting the data you need and doing the research you need to do to tell yourselves and the public what things really cost, whether they are worth it, and whether the services are getting delivered to whom they are
supposed to be delivered to in the way that they are supposed
to be delivered.

Exhibit A, the area of public policy that I think
every elected and appointed official in this room will
probably agree may be the most important for any government
official, state and local in this country today; namely,
economic development.

Jobs is the four-letter word. And, yet, amidst
all of the new policies of demanding what is called linkage
or impact fees or a variety of other things that you are
imposing on developers, on the industries that move into your
state, who the heck has really done a good retrospective
study to find out whether the tax abatements over 40 years or
20 or whatever really paid back what was given, whether, in
fact, the taxes you thought you would collect from the new
prosperity or the enhanced prosperity and employment that the
development would bring you -- whether, in fact, it had
brought those tax collections, whether the programs worked.

Ed Regan, the comptroller of New York state and
former city and county official in Erie, said in a recent
article in the NASBO journal that he doesn't think you want
to know -- he doesn't think you want the public to know and
it's the job of budget directors and comptrollers to hold the
feet of other elected officials to the fire and make them
find out and tell the public whether what you do, in fact, is
worth it.

We have joked rather sadly at Governing Magazine, produced on a computer, like all publications today, of doing what is known as specialized programming on one key, that we would program one key which was one stroke of a finger which would produce a paragraph and said, "there are no statistics to show whether or not what was given to those sought to be attracted, actually paid for itself." That's true in any area of economic development that I know anything about.

Another area of data that we are all thinking of that is plainly inadequate, for example, is on the budget. Here Governor Sununu claims that he has been able to put in place a budget system within the computerized system that will tell him where any department with the overall state budget is in terms of expenditures or revenues within 72 hours of when it happens.

That sounds a little magical to me in terms of how long it takes to get that stuff recorded and entered and so on. But in any event, it seems as though the ugly budget surprises we keep getting shouldn't have to happen.

When I talk about data collection and computerization, I do recognize something, and service delivery assessment, that is, these are probably not functions that are terribly popular with legislature or taxpayers.
Talk about computerizing sounds so well, okay.

Probably you can't fund it with borrowed money, at least there have been court decisions in some states to that effect, but it's considered short-term equipment, not capital investment; and as soon as you start talking about losing the trained personnel to examine and see whether the services are really getting delivered to who they are supposed to be delivered to, you are talking about that word "bureaucracy," and no one is in love with that. So I don't think it's easy to do what I think you need to be doing, but I do think it needs to be done.

Point number 3. Organization for successful management. Here, again, my text is economic development.

In almost every state there are 10, 15 or 18 -- I don't know how many agencies involved in various aspects of economic development with nobody in charge. Nobody over all of it except you; nobody accountable; left hand not knowing what right hand is doing; things in conflict.

Seems to me something ought to be done about that and you would be the first to want to know, who is your economic development czar and is he doing the job. There are a number of other things where it seems to me we are not organized and don't have enough data to do it right. Public-private partnership; we are all in love with it, and there's no doubt it has done a lot of good stuff. But who is
figuring out how you manage public-private partnership? The issues of accountability in public-private partnership, and as long as there's one penny of taxpayers' money in something that's the public-private partnership and there always is, public has a right to want to know how it's being done and whether it's being done right. I think that is slipping between the cracks everywhere.

Making sure that things are right isn't easy and that's where we have this monstrous regulation that we all talked about for so long. I want to talk about a new nutty idea I had for a long time along the federal level. Instead of all of these regulations, if somebody is doing it, please come up and tell me. I don't know that anybody is doing it. If they are, I really want to know.

Instead of all of these regulations, I would love to see somebody add a sentence or two at most to a law, saying any monies appropriated under this act shall be used solely to implement the purposes of the act; and any money that goes for any other purpose, beyond reasonable compensation for work performed, is fraud. And then let the courts decide what is legitimate and what isn't and make sure your Attorney General brings the first case before a hanging judge.

There are lots of other problems. I am fascinated at your rural initiative, which gets into another subject;
that concept of that working group report about not imposing
mandates at the state level but letting collections of local
governments decide how it should best be done presents all of
these same other problems on a different level for you.

The minute I talk about collections of local
governments, I look at the problem that exists everywhere of
how you were going to help bring some rationality into local
government in the face of all the ancient rivalries and
inside our boundaries, warfares between cities and counties
and failure to recognize what an integrated metropolitan area
is or even to want to think about how such a place should be
governed, but that's enough.

I spent a lot of time this week trying to think
about how to -- recognizing that what I had to say was kind
of a downer, it's critical in saying there are terrible
problems and that I ought to have some socko, upbeat ending.

Well, just a moderate upbeat ending, which is I
think it can be done if people -- if you all specifically,
focus on the fact that it must be done, recognize it will
never be done perfectly. But as you do it, and I hope you do
it well, it will be my pleasure to report on it and comment
on it in Governing Magazine.

(Appause.)

CHAIRMAN SUNUNU: Thank you very much.

By the way, your last issue was great. Our next
presentation is by David Osborne, author of a new book, "Laboratories of Democracy."

MR. OSBORNE: Thank you, Governor. It's an honor to be here. I spent most of the last three years working on this book, interviewing all of you folks out there, listening to you give speeches. It truly is an honor to be asked to switch roles and get to do a little bit of the talking for a change.

I was talking about my book last month on the Today Show, and I didn't get to meet Jane Pauley, but I thought her substitute came up with a brilliant introduction. She said -- this was the week before the Democratic convention -- she said next week in Atlanta the Democrats will nominate the governor from Massachusetts for the President. The nominating speech will be given by the governor of Arkansas. Next month when the Republicans get together in New Orleans, the keynote address will be given by the governor of New Jersey. Both parties have asked governors to chair their platform committees.

All of this, she announced, was no accident, and I was there to explain why in five minutes or less.

I think that's about the same job I have here today, about the same time limit. We are here to talk about the changing role of the governors, how your roles are changing, why they are changing and most of all, why you
folks are so important all of a sudden.

The easy answer, of course, is Ronald Reagan.

There is certainly some truth to the argument that by cutting federal budgets, President Reagan has pushed responsibility back to the states; but I think the real answer goes deeper. When I look at the changing role of the governors, the trends I see go back to the 1970s when Jimmy Carter was President, and the economy went sour, and the federal government failed to come up with any new solutions.

Stop and think for a minute about the two areas where you probably have done most over the last decade: economic development and educational reform. Were either of these agendas driven by federal cutbacks? No, they were driven by the new realities of the American economy. I believe that's the real answer. Enormous changes have swept through our economy since the mid-1970s, and those changes have forced government to grope, to deal with fundamental new problems in fundamental new ways. But the federal government hasn't yet taken up the challenge; and you, the governors, have had no choice. You have had to experiment with new strategies just to make your state economies more competitive and with new programs to meet the needs of your people in a difficult and trying world.

The last time the Democrats nominated a sitting governor for President, he came and spoke to this very group,
annual conference of the governors. His name was Franklin Roosevelt, the year was 1932, what did he talk about? He talked about the importance of the experimentation taking place in the 48 states of America.

I remember, he said, that many years ago, when James Brice was ambassador from England in Washington, he said, "The American form of government will go on and live long after most of the other forms of government have fallen or been changed. The reason is this: In other nations of the world, when a new problem comes up it must be tested in national laboratory and a new solution must be worked out. When it is worked out, that solution must be applied to the nation as a whole. Sometimes it may be a correct solution, and sometimes it may be the wrong solution, but you in the United States have 48 laboratories. When new problems arise, you can work out 48 different solutions to meet the problem. Out of these 48 experimental laboratories, some of the solutions may not prove sound or workable, but after this experimentation history shows that you have found at least some remedies which can be made so successful, they will become national in their application."

Roosevelt took his own words to heart and he built important pieces of his New Deal on successful state models. He was lucky, because the states had truly operated as laboratories of democracy in the preceding three decades.
Why was that? Because at the turn of the century a new industrial economy had been born in America; an economy that changed the landscape of America; an economy that created enormous new problems and enormous new opportunities and precisely because of those new problems and opportunities, appeared first in one state, one city, one region.

It was the governments which were closest to those problems, state and local governments, that first responded to them.

Those governments sparked a period of enormous innovation, the progressive era. They changed the role of government in American life. In the process, they laid the ground work for a whole series of federal initiative, culminating in the New Deal.

I think we are going through a very similar process today. Over the past decade, we have lived through the death of the industrial economy and the birth of a new economy. The central force behind that transition has been our emergence into a global marketplace, in which we have to compete with workers paid in a day what American workers are accustomed to being paid in an hour. In that kind of world, we can't compete anymore in labor-intensive, assembly-line manufacturing, traditional manufacturing. We have to compete based upon a new kind of manufacturing, using new technologies, making new products, using our workers in new
ways.

We have moved from a stable economy in which we
competed based upon our manufacturing muscle to an economy of
constant change in which we compete based upon our industrial
intelligence. We have moved from an economy based on our
brawn to an economy based on our brains; from an economy
driven by giant corporations to an economy driven by
entrepreneurial firms; from an economy in which high volume
and low cost are king to an economy in which innovation and
quality are a ticket to a better tomorrow.

In this new world, we can no longer rely on the
federal government to solve all of our problems. When we
dominated the world, when the American economy accounted for
half of the GNP of the entire globe, it almost ran itself.
We could get by with macroeconomic policy, adjustments of
interest rates, fiscal policy, tax rates in Washington. That
wasn't the province of the states. But today we are under
siege by foreign competition and macroeconomics isn't
enough.

Competitiveness has become a function not just of
the quantitative factors, tax rates, interest rates, fiscal
policy, but of the qualitative factors. It's not just how
much we produce, but how much and of what quality. It's not
just how much capital is available and at what interest
rates; it's what kind of capital; do we have enough patient
capital, enough risk capital. It’s not how many workers we have and at what wage rates; it’s how well-prepared they are, how well-educated, how well-trained and how well they work together. It’s not how much research we do, it’s how fast we commercialize that research.

If we are going to deal with those issues, government has to play a role; and because they involve our education systems, our training systems, our universities, our banks, our local entrepreneurs, corporations and labor unions, state and local institutions, the state governments have to be at the center of that arena.

You found that out the hard way, because unlike the federal government, many of you had had no choice but to develop new strategies. When unemployment in Michigan hit 17 percent in 1982, Jim Blanchard had no choice but to come up with new ways to revitalize his economy. When it hit almost 15 percent in Pennsylvania in the same year, Dick Thornburgh, a governor of a different party with very different ideas about the role of government, faced the same dilemma and had no choice but to come up with new strategies to deal with his economy.

When governors across the South discovered that they were trying to compete in a 21st century economy with 19th century schools, they had no choice but to reinvent their education systems.
I believe that sometime in the next decade, as the bills come due for the borrowing binge we have been on in the 1980s, our national leaders are going to have no choice but to learn those same lessons. We will see changes in Washington similar to those we've seen in state capitals, just as we did more than half a century ago.

Those changes will have a great deal to do with economic policy, but as in state government, they will spread to virtually every aspect of government. Because when our economy changes in fundamental ways, those changes ripple throughout every corner of American society. They change our fiscal climate, social systems; child care has become an important issue for the first time in American politics because our economy and culture have driven so many women into the work force. Cost of healthcare has become a critical issue because our technical prowess has allowed us to prolong life far beyond our ability to pay. Welfare has become an important problem, because all the low-skilled manufacturing jobs in the cities are gone and in its place -- in their place we have cultures of poverty, welfare dependents, and you, the governors, have taken the lead in reinventing our welfare system. Even the way we deliver social services is changing radically. We are moving away from a model that uses bureaucracies filled with civil servants to one that contracts with community organizations,
nonprofit groups and even for-profit firms to deliver those services, to give us the flexibility and the accountability and the commitment we need in a rapidly changing world.

So what does all this add up to? In my view, what you are doing in state government is creating a new model of government, a new paradigm, if you will, that I believe will replace the New Deal paradigm that dominated American politics from Roosevelt's day through the 1970s. Like the economy, like the larger culture, American government is becoming more entrepreneurial, more flexible and more decentralized. The government's role as a provider of all services and a solver of all problems is giving way to a role as a catalyst and a partner, working with business, with labor, with academia, with the nonprofit sector, to create solutions in a broader marketplace, solutions that go to the heart of our new problems precisely because they change what happens in that marketplace.

In the process, I think you folks are inventing new politics, politics that will dominate Washington in the coming decades. To describe what I mean, let me contrast how I see your politics with the two reigning ideologies over the past two decades in Washington.

If you step back and abstract, and I am going to be a little unfair here because I am painting with a broad brush, but if you abstract, when a traditional liberal saw a
problem, he or she assumed the problem was the making of the
private sector, the marketplace had failed, and the solution
lay in the public sector.

So what you tried to do is create a public
program, hire public employees, spend taxpayers' money to
solve the problem. When that stopped working or seemed to
stop working in the 1970s, we had the Reagan revolution, and
the Reagan conservatives stood the equation on its head. Now
the problem was government and the solution was the private
sector. If a Reagan conservative sees a problem, the
instinct is to get government out of the picture, cut
programs, cut spending, cut taxes, deregulate, let the
marketplace take care of things.

I think today most governors understand that
neither of these traditional ideologies has much to do with
the new realities we face. Our core problem isn't too much
government or too little government, although certainly at
certain times and certain places both of those have been
problems, but our core problem today has been adjusting to
this painful economic transition which we face.

I think most of you also understand that the
solutions to our core problems mostly lie in the private
sector because that's where the jobs are, that's where the
money is, that's the engine that drives American society.
But you also understand that government has an extremely
important role to play as a catalyst, as a broker, as a partner. If you want to boil it down to a bumper sticker, I think we have moved from government as solution to government as problem, to today, government as partner. I think that is the most important lesson you folks have to teach to our leaders in Washington. It's not so much the specific programs that you have created, because as you well know, a lot of those programs belong in state hands, not federal hands, but it's a new way of approaching our problems, which can be applied to those that require federal solutions. It's a new methodology, a new politics built around partnership between the public and private sectors.

In fact, I wouldn't be at all surprised if the next big slogan in American politics, the next New Deal, Fair Deal society is precisely that, the new partnership. Thank you very much.

(Applause.)

CHAIRMAN SUNUNU: Thank you, David. Questions or comments from the governors? Governor Orr?

GOVERNOR ORR: My comment is directed to Eileen Shanahan. I could, of course, make an observation with respect to welfare reform and how it has been very carefully worked on with governors as well as with federal Congress, but I am not going to do that. I want to assure you that
yes, there is one state that does make very careful analysis ahead of time as to its return on investment or the incentives offered for an industry that is coming from elsewhere, to put down a base in Indiana. Not only do we do that ahead of time, and insist upon a short-term return on investment, but we also make an analysis subsequently, and so does our legislature.

We regard a modest incentive as being something which requires a short-term return on investment, short-term meaning maybe a year or two, and in some instances maybe even the construction work that goes on in building the plant will bring the return on investment so that the by time that the business is operative in manufacturing, we have our money back. Some of those that are major investments, automotive assembly plant, for example, we set an outer limit of approximately eight years as a return on investment, in the belief that a major investment of that kind properly should take a bit longer.

There are those that attempt to measure on the basis of the cost per job and that really has very little to do with it. It is a specious way by which to measure because lots of things affect the cost of bringing that industry to the state for a variety of reasons. The important point is how quickly will we get our money back. How quickly will the taxpayer see some return in terms of additional tax dollars.
coming in. I can assure you that we take that very, very
seriously. I don't know about the other states, sometimes I
wonder; you can count on the fact that Indiana does.

CHAIRMAN SUNUNU: Governor Kunin, do you have
anything to add?

GOVERNOR KUNIN: Thank you very much. Just an
observation and a question to Eileen Shanahan, too. The
earlier part of this discussion implied or presented a case
that the states have lost power because of some of the
judicial decisions. This discussion in the books that have
been written and about to be published indicate to the
contrary that in fact the states had gained power.

Would it be safe to say that the states had gained
power when there is a power vacuum, when problems have not
been addressed, not only because of budget-cut reasons, but
simply because national focus has not been put on the areas
such as child care, education reform, environmental issues.
Governors have often taken the first leap, brought the public
attention to it.

Getting back to your conclusion, we might not like
what we get if we get what we want. Assuming we do get the
federal leadership that does take these issues first and
foremost, and that brings these into the national debate
sooner than we had anticipated and that we do get national
welfare reform, we do get health insurance, we do get a
different environmental policy, all of which seems to be en
route one way or another, does that mean that the power of
the governors will then be weakened again; that we won’t have
a vacuum to fill and the balance of power will be shifted, or
do you foresee a whole other list of other issues that will
loom on the horizon?

MS. SHANAHAN: I think an awful lot depends on how
well you do. I think there are a whole bunch of reasons,
some of which you named, some of which nobody has named yet,
why we see the shift we see. But surely one of the big
reasons was a sense that the Feds never do it right.

And I think the scariest thing, which I didn’t
quite say when I was up at the podium, is that rising
expectations -- you look at the developing consensus that
things need to be done. One element of the developing
consensus that fascinates me is to take welfare and day-care
in conjunction with each other, and where welfare is
concerned, the old time liberal has come to accept the view
of the conservative: Welfare recipients should be required
to work. And on day-care, conservatives have come to accept
the ideas of liberals that it’s silly to keep arguing about
whether the mothers of young children should be in the
workforce; they are out there, they have to deal with it.
Those kinds of consensuses are arising; when you get a
consensus, the problem is if you fail, everybody is mad at
CHAIRMAN SUNUNU: Governor Castle, did you wish to comment?

GOVERNOR CASTLE: I didn't have a question per se, but there was something that we have presented here that Governor Schaefer and I wanted to leave behind. You have them here. It's sort of a comment and add-on to what we have already heard today, as we are beginning to discern how to deal with the states in federal relationships that evolve through the new federalism. We realize that the states have to do more between us with the private-public sector relationship we have heard about, but also amongst the states themselves.

Governor Schaefer and I got talking about that and what we could do in the case of Delaware and Maryland. I don't know if you know the configuration of those states, but if you look at the map you will see that the line which runs north and south is the Mason-Dixon line that separates Maryland from Delaware. It happens to be a rural area. People there sometimes don't care or know where their services are coming from. We decided we needed to work better together in order to accomplish more to help in that area. We were able to do so.

At Governor Schaefer's initiative, we sat down in January and started to do this. We met again in July. I
always admired Governor Schaefer a great deal. He was the hands-on mayor of Baltimore. He gets things done. We sat down and met. I assume we have two or three things to talk about, but it evolved into something substantially more than that as we started talking about beach preservation, rabies, avian influenza; certainly animals don't know where state lines are. We have 300 chickens for every person in Delaware, by the way, so avian influenza concerns us a great deal, you can say. Children's programs, different issues that go back and forth across the states.

Ultimately we went beyond that and actually put together meetings of our Cabinet Secretaries and actually sat down for a whole day and worked together on various issues. I for one was remarkably surprised at the number of issues that evoked and the number of things we were able to solve together. I appreciate what he has done. I think it clearly shows the states also could work together, and perhaps Governor Schaefer wishes to comment on some of those things that we were able to accomplish.

GOVERNOR SCHAEFER: One of the things that always worries me when we hear intellectual presentations like this, we forget the word "people," and once in a while I would like to bring that subject up as to what my role is. I don't profess to be a great intellect, and I guess I worry about whether the federal government has taken my power away, but I
am more worried about the state legislature taking my power away.

(Applause.)

GOVERNOR SCHAEFER: I got 188 governors. It's difficult. I can't promote anyone, I can't hire anyone, I can't do anything until the legislature is out of session. Then I go wild. And when they get back, I can't hardly wait to see the President of the Senate and Speaker of the House say there you go again. But I do worry about that and I do worry about whether we are not so involved in who has got the power, and not so much worry about people who depend on us to do our prospective roles.

When I had another job, I was a mayor and the city was divided up in sections, and so the first thing I did was say let's work together and see if we can't get the neighborhoods to work together. It wasn't easy because it was a rich neighborhood, poor neighborhood, black neighborhood, white neighborhood, and all the rest. We finally found out that we all had a commonality of problems and started to work together, and we did the same thing in the regions around us, we tried to work together.

I didn't think it was a big deal, and I called up Mike and said do you mind if I come up and see you? I think we have some common problems, and he said said come on up. We sat down, I guess not as governors really, but as friends,
and tried to talk and I said, you know, Mike, there's a raccoon walking over your border and he's got rabies and he says that he is immune because it's interstate commerce, and I thought there might be a way we could solve it. So we sat down and he gave me some technical advice, and we threw in a little money and now those little raccoons, they walk back and forth; they are no longer exempt.

Then we talked about the chickens and he said, you know, a lot of our chickens are dying, I said, well, we have got a few dying down there too, I don't know how many. He said let's see if we can solve the problem on avian flu and we found out there was a way to work it out. We found out there were a whole lot of other things to do together; not whether it was my power or his power, because he had the factories and we had the workers and we had the factories and he had the workers and they walked across the border; no one really knew where the border was and they didn't really care, they didn't really care. The only thing they were interested in is that you get us the jobs, and you get us what we needed in order to make us work.

And then I called on another great governor, in addition to Governor Castle, guy by the name of Baliles. He said to me, you know, the Bay is all messed up. He said come on down. We sat down and figured out how to work on the Bay, not Virginia and Maryland, but Virginia, Maryland, Delaware,
West Virginia, District of Columbia.

What I am trying to say is I think we have got to worry about all this power, but the most important thing is understand what our roles are. He didn't interview me. I am not an imposing person, so he didn't come see me. If you had, I would have told you some of the things that I would do as an individual.

Drug enforcement. We stopped at the line of Delaware and say our people can't go over there to find the people that are in the drug problem, and Governor Castle said come on up; Governor Baliles said come on up; and we are working on a regional problem on drugs. If we lost our power, it's because we have given it up. We have given it up. As far as people are concerned, we do what people tell us.

I lost some power because I have a different style of governing, and each of us have to figure out whether it's our style. Mine is to worry about one thing, and I worry about people. That's my whole motivation: people. How can I make their life better?

Am I making it sound like a political speech? It isn't. I believe in that. I believe it's my duty to help, whether it's cost effective or not. For instance, we are going through helicopters now and whether we should pick up people on the road who have been hit. Cost effective,
absolutely not, but I had a friend of mine whose son was hit by a car and was helicoptered into an emergency station and his life was saved. Not cost effective, but it's important. So those are some of the things I worry about when we talk about this. I don't want to give up any power at all. I want to do everything. I don't want to let the legislature to get in my way, but they do, for 90 days. After that we go ahead.

I am going to work with him, whether the federal government takes my power away or not. If they take my power away, I have got to adjust. If they want to provide me with job opportunities, I will figure out my own way. I didn't go through the state. I used federal government programs when I could. When I couldn't use the programs I came up with something else. This word "partnership" in the business community is not something new for me, it's something I expected the business community to do. I expected them to help me. Baltimore City; if you come to Baltimore City, it wasn't Don Schaefer, it was a combination of people working together, the business community coming up after we came up with a good plan.

There you see, you got me started.

CHAIRMAN SUNUNU: Governor Clinton.

GOVERNOR CLINTON: That's certainly a hard act to follow.
CHAIRMAN SUNUNU: Don't go too long.

GOVERNOR CLINTON: You know, John, if I had you standing by me right before I gave that speech, I would have a better indication about what length it should be.

I think Madeline Kunin raises a legitimate question, which I think we all should answer for ourselves the way Don Schaefer just did. She said, well, if it's right that we move into a vacuum and we get an activist president who tries to adopt as models some of these good, state programs, will that mean there will be less room for the governors to operate? I think the answer to that is plainly no, for several reasons. One is no matter who is elected President, the deficit is going to limit what they can do financially.

Two is most of what we work on is not suitable to work on at the national level, as Governor Sununu, our leader, never tires of telling us. It's true, education, economic development, all of that.

Third is, whoever is elected president is going to have to spend an enormous amount of time and energy trying to work out a new set of relationships and economic and defense matters beyond our border, leaving a lot of the work within our borders to the governors. I think we should hope for a different kind of model from the national government, sort of a synthesis, like Mr. Osborne says. I think if that happens,
it will create more opportunities for us to work in.

CHAIRMAN SUNUNU: Let me ask one last question of our panelists relative to something Governor Schaefer raised. That is the role of governors and their interaction with their state legislatures and changing character of legislators consistent with the changing character of governors. Did you get a chance in any of your reviews or activities there to make that contrast and do you see a resolving relationship between those partners?

MS. SHANAHAN: I want to answer a teensy, little piece of that question, which is I am very interested, particularly as somebody who spent a big chunk of my life covering the federal budget, to see something you may not welcome, but I think you should. That is the arrival in a great many states of something analogous to the federal Congressional budget office -- goes by a variety of different names -- which is going to serve a good purpose, not only of keeping your scurvy predecessor or successor honest, but also to bring some of these issues more into the public dialogue; and this is part, of course, and let me just belay this aspect, of a professionalization of legislative staffs, which has hardly begun in a lot of places, which I think is just got to be all for the good. If you are going to believe in good government, you have got to believe it.

MR. OSBORNE: I guess the only thing I would add...
is clearly many of the legislatures, professionalized in the '60s and '70s, driven in part by federal mandates and so on, I think, in the late '70s and early '80s, we saw many strong governors emerge because they had to deal with so many new fiscal and economic problems.

But beyond that, what I am struck by is the absence of patterns.

When I looked at a variety of different states in different parts of the country with different problems, you know, I couldn't generalize about the role of the governor versus the role of legislature. Sometimes they were at war, and it took a very strong governor like Bruce Babbitt in Arizona, who was very adept at forcing legislature to do what he wanted; sometimes they worked together. I just didn't see any particular patterns there. Very different situations in very different states.

MR. PRUITT: I don't think we saw any patterns either except that. In a few cases, where we interviewed governors who had been in office some years before, and who are now back in office, there seemed to be a lot of talk about the legislature or at least more legislators operating sort of a board of directors with the governor, rather than being at war.

But this depended on which state you were visiting and what was going on at the time.
CHAIRMAN SUNUNU: Thank you. On behalf of all of us governors, I would like to thank the three of you for coming and making your presentations and providing us with a little insight from the outside. Thank you very much for being here.

(Applause.)

CHAIRMAN SUNUNU: Couple of closing pieces of business. First of all, I would like to formally welcome the new governor of Arizona, Governor Mofford.

(Applause.)

CHAIRMAN SUNUNU: Governor Roemer has stepped away, but even in his absence, let me welcome the new governor of Louisiana, Governor Roemer.

(Applause.)

CHAIRMAN SUNUNU: We have three members leaving office this year, and all of them have served their states with honor and distinction, been very active in NGA. For one who has travel plans that requires leaving earlier, this is his very last plenary session with us. This governor has received national acclaim for his education reform; for the A Plus Program for education excellence that he has put into place. He has in the last year achieved his state's lowest unemployment rate in 14 years. He has totally overhauled his state's mental health system for full accreditation of its facilities. He started a public private corporation for
science and technology. He recently obtained legislative approval of his comprehensive Jobs Through Exports package; he has been a lead governor for highway funding and still fights to put the trust back into the trust fund. He has served as chair of the NGA transportation committee and is a member of the NGA executive committee and he and his wife are, for all of us, very dear, fighting friends and we are sorry to see them go.

Fellow governors, I would like to give a standing ovation and present a plaque to Bob and Josie Orr of Indiana.

GOVERNOR ORR: I intrude upon the final moments of this plenary session simply to express my appreciation to each one of you for wonderful friendships established here, the opportunity to cross party lines to work together. Eight years has been a unique experience and I cherish it.

I leave only because of what we have just been talking about. I am a member of the platform committee for the Republican National Convention. I have a co-chairman responsibility for education. Kay Orr, who chairs the platform committee and who is not here, of course, asked me to be sure to join this group a year ago. The reason, she said, when she was there as treasurer of state four years earlier, congressmen and senators dominated the situation. They did not seem to understand anything about state
government. So she asked me to be a part of it. Having agreed to do so, I can do less than to depart the scene early, even before seeing my President, so that I can be down there to do that work, and I would hope you would all join me in saying that's the right thing to do, even though I certainly, Josie in particular, will stay here, but I am sorry that I must leave and leave these wonderful associations that I have had in the NGA.

Thank you all very, very much, indeed.

(Applause.)

CHAIRMAN SUNUNU: Thank you very much. This meeting is adjourned.

(Whereupon, at 5:05 p.m., the plenary session was concluded.)
NATIONAL GOVERNORS' ASSOCIATION

CLOSING PLENARY SESSION

Dr. Albert B. Sabin
Cincinnati Convention Center
Fifth and Elm Streets
Cincinnati, Ohio

9:35 a.m.

Tuesday, August 9, 1988
CHAIRMAN SUNUNU: We have a number of items to get through this morning, including the presentations by two distinguished Americans on the economy and the federal budget. We will be giving out and recognizing 10 outstanding Americans for their distinguished service to state government, we’ll go through the consideration of our policy statements, and then we will elect the NGA Executive Committee for 1988-1989.

The first item on our agenda is a presentation by two outstanding Americans who are very much involved in trying to provide some effective leadership in dealing with the federal deficit and the federal budget problems. Most of us generally recognize that the federal budget and what happens to it is very much a part of our own decisionmaking process.

In addition to the budget issue, there is the question of the national economy. We are well aware that our own state revenues depend very much on the status of the national economy.

We have today with us two gentlemen who address these issues. First of all, Mr. Drew Lewis, who is currently co-chairman of the National Economic Commission, which has been charged with reporting to the President its recommendations for federal budget policy. Mr. Lewis also
has a long-term understanding and involvement in state
government. He was one of the first selected by
President-elect Reagan to handle all transition issues with
governors and other state officials.

He has a long career in government, politics and
business, having served as Secretary of Transportation,
having run for governor of Pennsylvania, and he is currently
the chairman and CEO of the Union Pacific Corporation.

Drew, would you come up and address us, please.

(Applause.)

MR. LEWIS: Thank you, John. I thank all of you
for giving Leon Panetta and me an opportunity to speak to you
about the National Economic Commission. What we plan to do
is speak very briefly, five or six minutes, open it up for
your comments. As the co-chair with Bob Strauss, we are
really here to learn more than we are to tell you what we are
doing.

I would like to start by saying this is a
bipartisan commission, and we are taking that very
seriously. We also accept the responsibility we have very
seriously, and that is I think most of us on the Commission,
coming out of government and some of us coming out of
business, feel that perhaps the most serious problem facing
the economic stability of the free world is the large
deficits, both trade and federal deficits themselves, being
run by the American government. For that reason, we are looking in a very broad way at all of the issues and trying to determine how best we can recommend to our future President what we feel would be in his best interest.

One of the problems we have, Governor Dukakis, and I would say the same thing if George Bush was here, that if we really feel the deficit is as serious as we think it is, the best thing we can do in the campaign is to address it as an issue and keep our options open. Because it’s very clear that if we are successful in this Commission, we are going to be making recommendations that are not going to be conducive in terms of being elected President of the United States.

Very specifically, we are looking at spending cuts; and if you look at the federal budget, and you can argue the figures depending on whether you use outlays, budgets or appropriations, about 60 percent are entitlements and interest. That is where the opportunity is for cuts; it’s also a very unpopular area in which to cut. If you look at the balance of the budget, you have about 24 percent in defense, which in terms of short-term deficit reductions is not very opportunistic in the sense that most of those outlays are committed for the next two or three years, very difficult to make cuts. If you look at what we call discretionary spending, which includes transportation, which I was part of, it’s about 16 percent. As you know, Congress
has cut back, you are beginning to feel the pressure of that or have in the last five or six years in your states.

Therefore, the options in spending cuts are not that great. It's also clear that as a balance -- and every time I say this, people said that Lewis is in there trying to increase taxes. It's also very clear that if you are going to look at the spending cut side of this, we have to look at the revenue raising side of it; and the revenue raising side of it, depends on where you are coming from, but it's clear that the consumption of the United States which is creating a deficit this year, regardless of what you are reading on Gramm-Rudman, is going to be in excess of $180 billion, is being financed by Japan and the Far East and Europe -- if we are really going to cut that, we are going to have to combine some kind of a consumption tax likely with a spending cut. This is not an endorsement that the Commission necessarily agrees with this, but I think from your standpoint as governors, I think you have to recognize that if we really want to face a deficit, we are going to have to look at both sides of the issue. Hopefully we can do the whole thing with spending cuts and we're talking about trying to cut the deficit between 50- and $100 billion a year. To do that, we are going to have to have a balanced approach. We will also have to have an approach that is not going to be unsatisfactory in a bipartisan way to the viewpoints of
either party.

With that, I would like to comment very briefly on what John Sununu said when he testified before the Commission: You do have a paper, your paper is about three years old, and I would urge you to try to update your views and present it to us, hopefully sometime after September 5th or 10th or something like that. We are going to try to consider these things: We don’t plan to take any position until after November 8 for obvious reasons, but we do need your views. We recognize your position on sales taxes. We know you are concerned, if there were gasoline taxes. We recognize your offer of cuts in defense spending except for bases that are in your states. So we do have some sense of where you are coming from, but we really do need an update.

With that, I am going to close and John, are you going to introduce Representative Panetta? Then we will open up for any questions or suggestions. We would really like to get your comments.

Thank you very much.

(Applause.)

CHAIRMAN SUNUNU: Thank you very much, Drew.

Our second speaker is Representative Leon Panetta, and I will call on Vice Chairman Governor Baliles to do the introduction.

VICE CHAIRMAN BALILES: Thank you, Mr. Chairman.
As the chief executive officers of our respective states, we are familiar with the challenge of balancing our budgets. When the federal budget deficit exceeds all federal grants-in-aid to state and local governments, the challenge of controlling the federal deficit is indeed monumental.

For this reason, I can understand why our next guest, Mr. Leon Panetta, is unchallenged in his bid to become the next chairman of the House Budget Committee. Having served on the Budget Committee between 1979 and 1984, he will bring the necessary knowledge and budget experience to the chairmanship of that committee. He is with us today because he cares about what governors have to say. He has invited our participation, and we look forward to a good working relationship with him as chairman of the House Budget Committee. Leon Panetta.

(Applause.)

REPRESENTATIVE PANETTA: Thank you very much, Governor, and thank you for your invitation to allow us to participate in your conference.

I am particularly appreciative of this audience, not only because there are a number of colleagues, familiar faces whom I have associated with in the House, but also because this audience knows in particular what it means to put together a budget, to have to make the tough choices associated with a budget, to have to get a budget adopted and
to have to make it balance.

For that reason, I think you have an understanding that there are no free rides and there are no easy choices when it comes to putting together a federal budget.

I want to, before beginning, pay tribute to Ray Scheppach, your executive director, who has done a remarkable job in dealing with the Congress on budget issues, and also to both Governor Sununu and Governor Baliles, both of whom I have met with and have worked with in terms of trying to deal with budget issues.

The basic problem I think that we face in this country is a problem of resources. Those of you that have read the book "The Rise and Fall of the Great Powers," a book by the historian Paul Kennedy, I think what you sense in that book is that the rise and fall of major powers, whether it was the Ottoman Empire or Spain or Britain, or indeed the United States, depends on the ability of this nation not only to accumulate resources but to manage those resources. It's when a nation fails to properly manage those resources that it begins to lose its power. That's the theme of the book and I think that's essentially the theme of this nation at the present time.

The evidence of that is the national debt, because the debt is a problem of resources and resource management. When you run a $2.4 billion national debt, not
only do you impact on the amount of borrowing that has to be done, both by private savings as well as from the trust funds as well as from foreign investors, but more importantly you impact on resources that you need to deal with priorities in this country.

We are spending 15 percent of the federal budget today, almost $166 billion in fiscal year 1989, just on interest payments on the national debt. That is not money that's going to national priorities in this country, not going to housing, not going to nutrition, not going to defense. It's going for nothing else but paying interest on the national debt. That is the resource problem that we have in this country. So the question is, how do we then deal with this problem?

The fact is that the answers are pretty clear. Those who have dealt with this problem know that we only have so many places to turn. You have heard Drew Lewis describe somewhat the nature of the budget. We have a trillion dollar federal budget. Almost 30 percent of that goes to defense. It's about $300 billion on budget authority. 42 percent goes to entitlements programs, and they are not very easy programs to deal with, as all of you know. 21 percent is Social Security; 4 percent is other retirement programs; about 10 percent right now are health care programs, between Medicare and Medicaid. You then have 4 percent going to programs

ACE-FEDERAL REPORTERS, INC.
Nationwide Coverage 202-347-3700 800-336-6646
impacting on the poor and about roughly 3 percent going to agriculture programs. All of those very sensitive areas to deal with in terms of dealing with the budget. And 15 percent is now interest payments on the national debt.

If you add all of that up, ladies and gentlemen, if you add up defense, entitlements and interest payments on the national debt, that’s over 85 percent of the federal budget in just three areas.

The remainder of the budget is basically operations of government, it’s the court system, it’s foreign aid, it’s education, it’s health research, it’s education.

Get rid of that, shut it down tomorrow, and we still run significant deficits in this country.

So the answer lies in three areas, whether we like it or not. It’s to control the growth in defense, you have to control the growth in entitlement programs and you have to raise sufficient revenues to pay the bills. All three have to be addressed.

Last year when we met in the economic summit, those three issues were the predominant areas of discussion between the Congress and the executive branch, because that’s where you have to go. There just are no other alternatives.

Unfortunately, in what we all hoped would be a bold stroke, we were unable to frankly take the kind of significant steps that we thought were important in each of
these areas to really bring the deficit down. So what
developed was a compromise. But the compromise was important
for these reasons. Number one, the compromise did deal with
all three areas. It dealt with defense, reductions, it dealt
with entitlements, in dealing with both Medicare as well as
agricultural programs, and it dealt with revenues, all three.

Secondly, it was bipartisan and it involved the
legislative and executive branches. There is nothing you can
do on budget reduction at the federal level if you don’t have
a partnership between both parties and between the executive
and legislative branches.

Thirdly, it involved a two-year budget so that in
an election year we could avoid the kind of confrontation we
have always gone through on budget issues. You can see it
this year. The fact is for the first time in almost 20 years
we have passed all 13 appropriations bills, and it is very
likely that we can avoid a continuing resolution on
appropriations because of the economic summit agreement.

Fourthly, there is less confrontation between the
parties and between the executive and legislative branch on
budget issues, and that is, again, a major step forward.

What can you expect for the rest of this year and
next year? As far as this year is concerned, the Office of
Management and Budget has told us that come August 15th, when
the snapshot is to be taken under Gramm-Rudman, we are now at
140.1 billion deficit for fiscal year 1989. That means that we are roughly 5.7 billion, 5.9 billion below the amount that we would have to stay below in order to avoid a sequestration.

While that is good news, the other side of the table is that we have a number of bills on our agenda between now and the end of this session. We will pass drought relief today at about 3.9 billion. We have a trade bill which is expected to be signed at 500 million. We have a bill that relates to hunger relief that will be about 300 million. We have a bill on homelessness that is 300 million. Along with other revisions on energy and water, as well as some other bills, we are looking at about 5.4 billion, just in that package alone. Add to that the possibility of welfare reform, reestimates on regular appropriations and a drug bill of somewhere between 1 to 2 billion, and you can see that we could get very close to sequestration in this session.

My belief is that we will not see it, largely because of the summit agreement, because it is an election year, and because the final photo of the budget has to be taken on October 15th, and that's just too close to the election. So it's my view that both the legislative and executive branch will work to avoid sequestration in this session.

Next year, obviously the President will have a
major responsibility of trying to restore the resources of this nation. It will not be easy and I think the next President will have a limited amount of time to be able to make these tough choices. He will have to look at the three areas I discussed, again not easy. In defense, you will have to look at weapons systems plus you will have to look at the impact of what arms control does in terms of conventional preparedness. Secondly, you will have to look at entitlements. Again, not easy, but necessary. Thirdly, you will have to consider a whole set of possible revenues in order to come up with the numbers you need to reduce the deficit.

Hopefully the President will rely on the National Economic Commission. That Commission is not going to come up with any magic answers, but it can provide important political cover to the next President in terms of dealing both with the nation as well as the Congress.

Thirdly, assuming the economy is roughly in the same place we are in at the present time, I think the next administration ought to adhere to the Gramm-Rudman targets, which means a deficit number next year of roughly $100 billion. That does mean a reduction of somewhere between 40- to 50 billion in order to get to that point.

Thirdly, I hope the next President will implement a two-year budget and will strive for bipartisan support.
Lastly, any new programs or tax credits have to be on a pay-as-you-go basis or have to involve the shift in revenues from one area to another.

It is not going to be an easy challenge, it's going to be a tough challenge. I recognize that the governors see a new sense of urgency in terms of the needs that you face at your level. I respect and recognize those concerns. But our first priority is to get our national resources back again and to reestablish some order to our fiscal house. If we do that, we cannot only restore this nation's economy, but we can protect the government of, by and for people.

Thank you very much for having me.

CHAIRMAN SUNUNU: Thank you very much, Representative Panetta.

We move on to some questions or comments from the governors. Governor Baliles.

VICE CHAIRMAN BALILES: I would like to ask both of our speakers if the Commission will establish a target deadline for balancing the budget, and, two, how much of the difficulty in reaching agreement is a problem of process as opposed to political will.

MR. LEWIS: Starting on the second part of question, process is part of it, but our charter, as you probably know, was to cut the deficit, at the same time not
impair the long-range benefits of a strong national economy. With that in mind, we are going to concentrate on that specific area although I do think highly probable Leon's suggestion of a two-year budget will be in there, likely something in terms of rescission. Whether or not all of these come out in terms of the process, we have taken both a Democratic Congressman and Republican Congressman, Bill Frenzel and Bill Gray, as co-chairmen of that committee, and they are going to work on process. To the extent any of you have comments in terms of your budgets and the problems you have with highways, bridges, which I went through in transportation, with the federal budget coming down three months before your fiscal year ends, I wish you would express those to me.

I'll let you answer the first part of that question.

REPRESENTATIVE PANETTA: I think the problem that we've always seen, and we've seen it in the Congress, is that when nobody wants to make the tough choices in terms of budget reduction, then everybody turns to process changes. It's not to say that process changes can't be implemented, it's not to say that there aren't some important changes that can be made in terms of the discipline of both the Congress as well as the executive branch in terms of dealing with the numbers. But even if you pass the balanced budget amendment...
tomorrow, the Congress and the President would have to face
the same basic choices on defense, on entitlements and on
revenues. So my view is that while I am prepared to discuss
some process improvements, I still think that the major focus
of the Commission’s recommendations as well as what the next
administration does, have to focus on those tough choices
related to the three areas I just mentioned.

MR. LEWIS: On the time span part of your
question, I believe we are looking at a four- or five-year
period. The problem we are going to have is that we have no
control over Congress. We can make these recommendations and
assuming they are endorsed, and the next President of the
United States appoints two members to our committee, assuming
they are endorsed, we still have the problem that Congress
can do whatever they please, which is a very difficult group
to work with, as you know, in terms of controlling budgets.
So we do have that problem, but we are looking at four to
five years. We are likely, also in terms of timing, hope to
get this in in December so the next President can look at it
early in his session, while he is probably at the zenith of
his power.

CHAIRMAN SUNUNU: Governor Roemer.

GOVERNOR ROEMER: Thank you, John. Let me ask
leon a question if I could. It’s good to see you again,
Lee. You are doing a heck of a job. I don’t care what
anybody says.

But you said something in your presentation that always caused me trouble on the House Floor and working with the budget committee and still does, and let me paraphrase what you said. You said that next year the Gramm-Rudman target would be 100 billion deficit. That would require a 40- to $50 billion cut. Does it really? Don't federal revenues grow in times of prosperity to far greater numbers than that, and isn't the question really one of discipline on the spending side rather than another 40- to $50 billion cut?

I guess what I am saying is that in a dynamic world, our revenue will grow at the federal level far more than that 40- or $50 billion figure. Isn't that enough or do we have to raise taxes to make it up?

REPRESENTATIVE PANETTA: Buddy, as you know, in the world of dreams, I guess all of us would hope for an easy answer. The easy answer would be simply to sit back and hope that revenues could increase and that somehow that would solve all of our problems and we wouldn't have to implement any cuts whatsoever. In the 12 years I've been in the Congress that hasn't happened and I think that that's not going to happen in the next 12 years of this Congress. The fact is that you don't have sufficient growth on the revenue side at the present time to simply rely on that.

When I mention the 40- to $50 billion number in...
order to reach the Gramm-Rudman target, I'm not just talking about cuts in spending. I am talking about an equally balanced package that's going to have to involve the three areas I discussed. That's the only way you're going to get to a solution. There's no way you can come up with 40- to $50 billion just in spending reductions. And very frankly, there's no way you can come up with 40- to $50 billion just in revenue increases or taxes. You just can't do that politically. But if you can find that balance, and what we did in the summit was basically a third from each of these areas -- a third from defense, a third from entitlements and a third on revenues -- if you can come up with that kind of balanced package, then I think politically as well as substantively, you can do the job.

GOVERNOR ROEMER: What kind of entitlement cuts are you going to make, Lee? I have heard that speech a thousand times. I have never seen one.

REPRESENTATIVE PANETTA: The old magic problem of dealing with entitlements. Entitlements is a tough political area. I don't underestimate that. You heard my list of entitlements that I presented here. You are talking about the problem of Medicare, health care, Social Security, retirement programs, as well as agriculture. And yet, there are areas that need to be looked at. For example, one of the areas discussed in the economic summit was the question of
perhaps taxing COLAs at the upper income levels. That was discussed, it was debated, and frankly, for three of the four weeks we tried to move something along those lines, we were unable to do it. I think taxing of COLA benefits is one of the areas to look at.

Secondly on the agriculture area, I think still there is an emphasis that we have to place on looking at target prices and where they are at.

Thirdly, in the health care area, very frankly, we have dealt with the hospitals but we haven’t dealt with the doctors. That’s another area that I think we need to look at.

MR. LEWIS: Can I just add one comment to that. If you look at a growth of GNP of 3.5 or 4 percent, you really produce about $70 billion. That’s eaten up, as Leon pointed out, in all of these COLAs. I don’t think we are talking about cuts in entitlements, we are talking about cuts in the growth of entitlements. If you want to look at the deficit this year, which you described as 140 billion, you have to add to that the fact that we’ve been offset by about 31 billion surplus in Social Security that is really retired federal debt, and the Congress, with due respect to them, is taking credit for that, which they don’t deserve to take credit for.

GOVERNOR ROEMER: Don’t you agree, though, with my
proposition that the baseline revenue for the federal government has gone up each of the last six years, regardless of all of the tax changes. There's that sort of exponential growth, but the system just eats it automatically.

MR. LEWIS: You got that dead right.

REPRESENTATIVE PANETTA: Buddy, it's a combination also of the Social Security increases. While other taxes were reduced, the fact is Social Security taxes continued to pour in. The result is that we have a tremendous surplus building on the Social Security side. Which raises another problem: If you take out the Social Security trust funds, in terms of evaluating the deficit, we are at somewhere around 222 billion in terms of deficit.

CHAIRMAN SUNUNU: Governor Campbell.

GOVERNOR CAMPBELL: Leon, let me ask you, what figure are you using as your outlay figure as a percentage of the current GNP? Aren't you about approaching 23 percent? Aren't we historically high on that level? So does the Commission have a target level for the reduction as a percentage of outlay on GNP, Drew?

MR. LEWIS: At the present time we don't, Carroll. We are really trying to put our data together. We have everything computerized, and for me to give you an answer on that would obviously be inaccurate. We are looking at that, though. We don't have the answer.
GOVERNOR CAMPBELL: The point that you made awhile ago, the point of both of you, and in Buddy's question, the automatic growth of the budgets, which is driven by inflation, is driven by interest rates and is driven by obviously cost of living indexing of all of our basic entitlements programs. But you will have to attack all three of those at one time, which means that the fiscal management of the budget, as far as the interest rates that we are going to get into, as far as the inflation of the country, are going to be just about as important as what you can trim from your current outlays; isn't that right?

MR. LEWIS: No question. The other thing we have to do is make sure if we do have any kind of a downturn here, we don't spin us in with a 50- to 100 billion cut into some kind of a recession. So you have the combination of that and the long-term effect on the economy.

GOVERNOR CAMPBELL: Hyperinflation obviously blows us away. Are you looking for a safety valve for the government or an out in case of that sort of thing happening again?

MR. LEWIS: Yes, we are. We don't have the answer. The real safety valve is the Congress and the question is whether they are willing to stand up to that.

REPRESENTATIVE PANETTA: I think the concern is obviously what the state of the economy is like at the time...
you have to face these choices. If we are in a period where inflation is going up and it appears that the economy is overheating, then we have some real trouble sticking to the Gramm-Rudman goals as well as trying to meet some of the other goals that we have established. Then there will have to be some revisions made. My hope is that if the economy can stay roughly where it's at now, that will give us the opportunity to take some of the steps that I mentioned, and I think that will send some confidence to the markets that we are on the right road.

CHAIRMAN SUNUNU: Additional questions? Governor Carruthers.

GOVERNOR CARRUTHERS: Mr. Chairman, Mr. Lewis indicated there would probably be some kind of consumptive tax. Would you characterize the options in consumptive tax and what level of income would you anticipate generating from these options?

MR. LEWIS: I did not mean to imply that we are going to recommend a consumption tax, I just said it's something we clearly have to look at. The consumption taxes we are looking at are the very obvious ones: Sales tax, gasoline tax, value-added tax, sin taxes -- liquor, cigarettes and things of that type, which don't produce very much revenue. All I'm saying is that if you are going to look at facing this issue, you just can't look at the
spending side, you have to look at the tax side at the same time.

Those are basically the consumption taxes we are looking at.

CHAIRMAN SUNUNU: Governor McKernan.

GOVERNOR MC KERNAN: Thank you, Mr. Chairman. To both Drew and Leon. In my short tenure in Congress, one thing became very clear to me and that is that Congress only acts in a crisis. You both have talked about the potential of a two-year budget cycle. I would like to ask you whether your recommendations might not include that two-year budget cycle, because I think that the window of opportunity is going to be the beginning of the next Congress, and if you can lock in a budget agenda for two years, the country is going to be a lot better off than thinking that anybody is going to stick to it in the out years.

REPRESENTATIVE PANETTA: I have always said that in a democracy things get done two ways: either through leadership or through crisis. Unfortunately, with regards to this issue, we have been working our way towards crisis. My hope is that with the leadership of both the President and the Congress -- and that's what really came together, frankly, in the summit agreement. When we came together there, we said why fight this battle, why sit down at this table and try to resolve these difficult issues and just do
it for one year. We ought to set those targets over a two-year period. It's paid off tremendously. I think the experience with the economic summit more than anything else has made the case for a two-year budget. But to make it work, you have to have the commitment of the President so that his budget reflects a two-year budget, and then he works with the Congress to try to establish that over a two-year period.

There is legislation that is moving in the Senate and we will introduce this week in the House, comparable legislation to in fact implement a two-year budget. I think we are on the way to seeing that happen, and I would suspect that the Commission will make that recommendation as well.

CHAIRMAN SUNUNU: Additional questions?

Thank you both for the presentation. I can assure you that you will find the governors very willing to participate in a bipartisan basis in dealing with this come fall. Thank you.

(Applause.)

CHAIRMAN SUNUNU: Now I have the privilege of presenting the 1988 NGA awards for distinguished service to state government in the arts. These awards recognize outstanding contribution on the part of state government officials, private citizens and the arts. These award programs are one of the first nationwide efforts to recognize
distinguished service to state government by both state
officials and private citizens.

I would like to thank the governors who
participated in the nominating process and also Mr. Richard
Gilbert, president of Pioneer Press in Wilmette, Illinois who
chaired the selection committee for 11 of the 12 years that
NGA has been giving out these awards. Our appreciation is
also extended to Mrs. Jeannie Baliles, First Lady of
Virginia, who chaired the arts review panel. We extend our
thanks to both of you for a job very well done.

Our winners this year have demonstrated
dedication, vitality and innovative spirit, which has been
characteristic of the award winners in the past and we feel
is characteristic of participation in state government
today. They have made truly outstanding contributions to
their states and to the nations and they have distributed
their time and energy to promote public good in all of our
states.

As each of the nominees are announced, will the
governors of their state please come to the podium and share
in the presentation.

Our first award winner is in the state official
category and is an award to Mr. Manabu Tagomori from the
state of Hawaii. He is deputy chair of the Hawaii Commission
on Water Resources Management. During the past 30 years of
unprecedented growth in population, tourism and business,
Mr. Tagomori has demonstrated an exceptional ability to
educate and brings together diverse community groups to deal
with the protection and allocation of Hawaii's water
resources. Governor Waihee has said, "the development of an
effective water management program over the past 30 years can
largely be attributed to the outstanding dedication and
persistence of Mr. Tagomori."

Congratulations.

(Applause.)

CHAIRMAN SUNUNU: It's good to see an award go to
the water czar of the state of Hawaii.

Our next award is Annie DeMartino, social worker
for the Massachusetts Department of Social Services. When
Ms. DeMartino came to Fitchburg, Massachusetts, there were 40
welfare families, including 80 children, living in
state-subsidized motels. Today there isn't a single homeless
family in the community. Over the course of three years she
has succeeded in placing more than 500 families in homes.
She says 90 percent of her strategy is prevention, by
mediating disputes and guaranteeing rent to landlords.
Governor Dukakis has said, "Annie has put people before
paper, and she has played a key role in virtually eliminating
homelessness in the Fitchburg area."

Congratulations.
CHAIRMAN SUNUNU: Next from the state of Michigan is Mr. Douglas Ross, director of the Michigan Department of Commerce. Mr. Ross developed the Michigan Youth Corps, the nation's largest summer jobs program, providing work for more than 95,000 18- to 21-year-olds; Project Self Reliance, an experiment to move people off of welfare rolls and into private sector jobs; and the Michigan Skills Fund, a new proposal to offer $100 million in interest-free loans to businesses for worker training.

"Equally impressive is the manner in which Doug has turned the Department of Commerce, a traditionally public bureaucracy, into a flexible, publicly-owned business designed to increase private investment in Michigan," said Governor Blanchard.

Will you please come forward.

(Applause.)

CHAIRMAN SUNUNU: Next from the state of Minnesota is Orville Pung, Minnesota Commissioner of Corrections. Mr. Pung spearheaded a national effort to eliminate the inequitable treatment of women offenders, and established special programs for women, both in institutions and in the community, including battered women and victims of sexual assault. He also implemented a successful cell rental agreement with other jurisdictions that generated over
$30 million in revenue for the department's budget. Governor Perpich said, "throughout state government and among corrections professionals across the country, Orville Pung is well known as an outstanding manager and leader."

Would you come forward.

(Applause.)

CHAIRMAN SUNUNU: Finally in the state official category is Clinton L. Pagano, superintendent of the New Jersey State Police. During his 36-year career in state law enforcement, Colonel Pagano led efforts in establishing rules for casino gambling, increasing the number of female state troopers and increasing the safety and health of police officers. He instituted special units for solid hazardous waste investigation and implemented the state's Comprehensive Drug Reform Act of 1987. Governor Kean has said, "Colonel Pagano has met every challenge that progress has demanded of our state's law enforcement branch, and he continues to make the safety and well-being of our citizens his top priority."

Congratulations, Colonel.

(Applause.)

CHAIRMAN SUNUNU: National Governors' Association is also very proud to honor private citizens who give of their special talents with unique dedication and long hours to serve the public through the states. Almost always their contributions are voluntary and without remuneration, usually...
with nothing more than just our thanks. But today we are to make these awards to publicly recognize their significant achievements.

The first of our five distinguished private citizens is Mr. R. McRae Geschwind, president of the Arkansas division of Southwestern Bell Telephone Company. Governor Bill Clinton has said, "Mac is exemplary for all that we as governors look for in a corporate partner." Mr. Geschwind has sought to promote the economic development of Arkansas through coordination with Southwestern Bell's own development efforts. Though he has only lived in the state for two years, he initiated a program estimated to reach 12,000 high school freshmen in 1988 with a message about staying in school and avoiding drug abuse and teenage pregnancy. He has continually worked for a partnership with state government and his positive influence has been felt throughout Arkansas.

Would you please come up and receive the award.

(Appause.)

CHAIRMAN SUNUNU: Next from Iowa is Arlene Dayhoff, community volunteer. "Arlene Dayhoff's clear thinking and courageous actions on behalf of less fortunate individuals, coupled with her native intelligence, indomitable spirit and generous donations of time and energy, make her an extraordinary volunteer," says Governor Terry Branstad. For more than 25 years, Dayhoff has been involved
in volunteer activities at both the state and community levels to help the handicapped, the elderly and minority groups. "Her contributions to good government as an outstanding organizer and fundraiser are legend in Iowa," said the governor.

Would you please come up and receive your award.

(Appause.)

CHAIRMAN SUNUNU: She also walks very softly. I didn’t hear her get up here.

Next from Minnesota is Ms. Kathryn Keeley, founder and president of Women’s Economic Development Corporation, WEDCO. WEDCO is a nonprofit St. Paul organization founded in 1983. It assists women in freeing themselves from public assistance and helps them become economically self-sufficient by starting their own businesses through counseling and financial assistance. Governor Rudy Perpich said, her creativity, persistence and ingenuity have enabled her to make WEDCO an economic development model for the country, prompting more than 40 states and several foreign countries to request assistance in forming similar nonprofit groups.

Congratulations, Ms. Kathryn Keeley.

(Appause.)

CHAIRMAN SUNUNU: Next from New York, the Honorable John Brademas, president of New York University. Dr. Brademas has continued his outstanding record of
contributions to public service after his distinguished
22-year career as a Congressman. In addition to serving as
the president of New York University, Dr. Brademas chairs the
Governor Cuomo said that under Dr. Brademas' guidance, the
council has highlighted the way state government can utilize
the talents of its citizens to help solve some of the most
pressing problems of the day.

Congratulations, Dr. Brademas.

(Applause.)

CHAIRMAN SUNUNU: Next from North Dakota is Myrth
Armstrong, executive director of the North Dakota Mental
Health Association. Ms. Armstrong has transformed the North
Dakota Mental Health Association from a faltering
organization into a healthy advocacy group with thousands of
volunteers and a variety of programs. She has achieved
international recognition for her work with "farm stress," a
term she uses to describe the anguish of farmers losing their
way of life. She is credited with guiding the passage of the
first mental health commitment law in the state assuring the
rights and safety of all of those in need of treatment.
"Myrth has set a standard of leadership and excellence in
service which only a few will meet, but to which all of us
can aspire," said Governor Sinner.

Would you please join us up here.
(Applause.)

CHAIRMAN SUNUNU: Each year for the past nine years the National Governors' Association also gives an award for distinguished service to the arts. This year the winner, who cannot be with us, is Mr. Maurice Abravenal of Utah. Governor Norman Bangerter said, "Maurice has almost single-handedly transformed the cultural face of our city and our state and is the focal point around which has developed our symphony, our ballet and our opera." He expanded the Utah symphony's 25 concert schedule to 250 concerts.

We would like you now to please rise for a standing ovation to all the distinguished award winners. We are all very proud of your selfless and extraordinary services.

(Applause.)

CHAIRMAN SUNUNU: We now move on to the voting of the proposed policy positions. We will have discussion and votes on the revised and the new committee policy positions that were sent to you on July 22. You have before you the policy statements plus any amendments made in the standing committees of this conference and any proposals offered under suspension of the rules.

To expedite matters, we will vote en bloc on the proposals of each committee, except where a specific request is made to consider a proposal on an individual basis. We
will proceed in alphabetical order by committee beginning with the Committee on Agricultural and Rural Development. The Executive Committee and Suspensions will be considered last. Would the standing committee chairmen please summarize and move the adoption of their policy positions.

First of all, we move to Governor Sinner, chair of the Committee on Agriculture and Rural Development. Governor Sinner.

GOVERNOR SINNER: Mr. Chairman, most of the work in the agricultural policy dealt with the drought and our efforts to develop long-range policy deal with such natural disaster in the future. There has been only one area of question in the policy, and I want to call your attention to that, because several of you have asked about it. It's on page 16. The ag committee is the gray covered report.

On page 16, you will find a sentence or a clause that reads "and redirection of water supplies to meet needs beyond traditional customers." That policy was questioned by several people who wondered if we were trying to put the NGA behind an effort to take water out of the Great Lakes to replenish the flow in the Mississippi.

Clearly, that was not nor is the intention. The intention is to make water available on an emergency basis when water is short in some areas, and to give us the breadth of policy to support efforts in Congress to move water where
it's critically needed in times of a national emergency or regional emergency.

Other than that, there has been no significant controversy in any of the policies, and I move the adoption of the policy.

Mr. Chairman, I move the adoption.

CHAIRMAN SUNUNU: Policies have been moved to be adopted. Is there a second?

(Motion seconded.)

CHAIRMAN SUNUNU: Discussion? Move to a vote.

All in favor?

(Chorus of ayes.)

CHAIRMAN SUNUNU: Opposed?

The policies are passed.

Governor Branstad, can we have some brief comments on the rural development report.

GOVERNOR BRANSTAD: Thank you, Governor. I noticed that you emphasized "brief." The task force on rural development has recommended a bottom-up approach which would emphasize the need for strategic planning and goal setting at the local level and for the federal government and the states to play a supportive role to assist and encourage the strengthening and diversification of rural America. We specifically highlighted some of the areas where the federal government has discriminated against rural areas. One of
those areas is in the health care and the reimbursement rates for rural hospitals. We also recommended emphasis at the state level in providing quality education and transportation systems for rural America and for rural areas as well as in the urban areas.

I am pleased to say that the task force recommendations have gained a broad bipartisan support, and we are hopeful that the United States Congress, in drafting legislation to deal with rural development, does indeed follow the approach recommended, which is to have it administered by the states in a supportive role working with local governments.

I am pleased to submit this report and I thank you for the opportunity to highlight the importance of strengthening and diversifying the economies of much of our country where 25 percent of our population lives in rural America.

CHAIRMAN SUNUNU: Thank you very much, Governor.

Committee on Economic Development and Technological Innovation, Governor DiPrete.

GOVERNOR DI PRETE: Thank you, Mr. Chairman.

Regarding policy E-1, the amendment to the economic development policy before you here this morning is intended to adjust the goals of our policy to more accurately reflect the major issues confronting governors today; and
specifically a greater emphasis is placed on the role of the
states and the importance of job development and educational
excellence as appropriate components of a comprehensive
economic development program. But, Mr. Chairman, regarding
policy E-4, this would develop a new national housing
policy. Just hitting the highlights of it, following your
suggestion, there are seven key provisions dealing with the
preservation of affordable housing; secondly, rental
assistance; thirdly, expanding the supply of affordable
housing; fourth, expanding home ownership; fifth, dealing
with the problem of homelessness; sixth, dealing and
enforcing matters pertaining to fair housing; and seventh,
provisions calling for a national housing partnership.

I specifically would like to thank Governor Dick
Celeste for making some very valuable suggestions in
committee and adding special needs for specific population
groups. I think we have dealt with those effectively and
these provisions have been unanimously approved in committee,
Mr. Chairman. I so move.

CHAIRMAN SUNUNU: Motion is made. Is there a
second?

(Motion seconded.)

CHAIRMAN SUNUNU: Governor Dukakis.

GOVERNOR DUKAKIS: Mr. Chairman, I would like to
commend Governor DiPrete and the members of the committee
especially for the housing policy resolution. I think we all know what has happened to our national commitment to housing for families of low and moderate income and the elderly over the past seven years. It's been cut back by about 90 percent; it's one of the reasons why we have over 2.5 million people who are homeless in this country. What the committee is recommending is solid, it's balanced, it deals not only with the serious issue of housing for families of low and moderate income, but the problem of home ownership for young families, and for the first time strongly recommends a partnership in which states and local communities of the private sector and nonprofit organizations will be actively and deeply involved, and I think it's a first-rate piece of work. I think it's important to note that we meet in a state which was represented in the United States Senate with distinction by a man named Robert Taft, who was a member of the Republican party and was one of the principal co-sponsors of the National Housing Act of 1949. It's particularly appropriate I think on a bipartisan basis that we approve this resolution. It's a first-rate piece of work and I commend you for it.

GOVERNOR DI PRETE: Thank you.

CHAIRMAN SUNUNU: Thank you, Governor. Any other comments? Governor Kean.

GOVERNOR KEAN: I would also like to add my voice
to commend the committee and Governor DiPrete. We desperately need to provide more affordable housing. Last year housing costs increased nationwide 25 percent faster than incomes. That just can't continue. The average price of a home in my own state of New Jersey is 200 percent higher than the national average, and the average rent for a two-bedroom apartment is nearly $300, more than the national average. This committee outlines very well the effective ways we can deal with this crisis and I just wanted to add my voice to commend Governor DiPrete and the committee for this resolution.

CHAIRMAN SUNUNU: Thank you, Governor. Any other comments? If not, we will move to a vote. All those in favor of the motion, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed?
The ayes have it. The motion is passed.

Move on to the Committee on Energy and Environment, Governor Moore, chairman.

GOVERNOR MOORE: Mr. Chairman, the committee presents for the plenary session consideration two amendments to existing NGA policy, two resolutions, which would be moved en bloc, following which I will ask suspension of the rule for the consideration of an amendment to D-48 regarding ocean dumping.
The Committee on Energy and the Environment have taken a very, we think, innovative and unique approach to the development of addressing governors' attention to severe problems across the country. The first resolution begins by distributing a discussion paper on the development of a comprehensive energy policy.

Now this, I want to hasten to say, is not the adoption of NGA position with respect to a national energy policy. But the committee will circulate to each governor the total of its research and intelligence so that your comments might be gathered and made available to the annual meeting or the winter meeting in Washington in February.

Essentially, the policy framework on a national energy policy addresses five single areas. Energy policy should reflect the security concerns of the nation; energy policy needs to promote efficiency in markets for energy, production and conservation; energy policy should provide clear principles for investment in energy research and development; energy policy should include a well-specified division of regulatory authority between the states and the federal government; and energy policy should assure reliability.

We invite your review of this. We are taking the approach, just as many federal agencies do, by submitting matters to the Federal Registry for your comment. We realize
the sensitivity, regionally and economically, of a national
ergy policy. We need your help and we need your best input
so that the committee might proceed with its work.

In addition, Mr. Chairman, there is a resolution
also urging the Congress to act this year to reauthorize the
Clean Air Act. This specifically addresses the existing
language of policy D-15 which calls for the 100th Congress to
act immediately to adopt legislation to address ozone and
carbon monoxide noncompliance before it adjourns.

The two amendments to policy, addressing policy
numbered E-17 on hazardous waste, simply indicates that the
proposed policy amendment urges several steps that EPA must
undertake in order that it might develop an aggressive
hazardous waste enforcement program in cooperation with the
states. Policy amended, D-35, is in regard to the Land and
Water Conservation Act, and that proposes to suggest that the
Congress move to readopt the land and water conservation
program with several unique references to the development of
a trust fund to support the program, and in addition to that
with some emphasis on historic preservation.

I suggest in terms of the resolutions and in terms
of the amendment, Mr. Chairman, there is no significant
fiscal impact either on the states or on the federal
government with the adoption of these four matters. I
therefore move en bloc their consideration and adoption at
this time.

(Motion seconded.)

CHAIRMAN SUNUNU: It has been moved and seconded.

Before we move to a vote, may I ask that the comments and discussions that are taking place in the back be taken outside of the hall. It really is difficult for folks at this end to hear the speakers with the discussions taking place in the back.

It's been moved and seconded. Is there any comment, questions or discussion?

Move to a vote. All those in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay. Passes.

GOVERNOR MOORE: Mr. Chairman, if I might, I move the suspension of the rules to allow the consideration of amendment to NGA policy D-48 regarding ocean dumping, and for an explanation of that amendment, I ask the Chair's indulgence to yield to the governor of Rhode Island.

CHAIRMAN SUNUNU: Suspension of the rules requires a 3/4 vote. There is no debate. We will move to a vote on whether we will have suspension of the rules.

All those in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, no.
Governor from Rhode Island, Governor DiPrete.

GOVERNOR DI PRETE: Thank you very much, Mr. Chairman.

The policy before you, of course, deals with ocean dumping. This is a problem currently affecting the states along the northeastern sea border of the United States, but obviously it's a problem that any coastline anywhere in the United States to the east or west of the Gulf of Mexico is vulnerable to. The two aspects specifically addressed by this policy deal with medical debris, such as medical syringes and blood vials, which have washed ashore on some beaches in several states of the northeastern part of the country.

I might say that dumping of such material is already illegal, but we are asking and suggesting that all of us need to be more vigilant in enforcement and prosecution.

The second part of the policy deals with sewage sludge. The dumping of sewage sludge is not illegal at this time, but I don't think any of us here would feel that we can continue to dump this kind of sludge in the ocean without expecting severe, adverse conditions.

Therefore, the policy calls for federal and state legislation to be in sewage sludge dumping and calls for strict enforcement of the existing laws dealing with the dumping of medical debris, disposal of medical debris. It
calls for communities to seek alternative methods of sludge disposal, and there are methods currently available.

I would like to thank Governor Moore, members of the committee, and specifically my neighboring governors, Governor Cuomo of New York, Governor O’Neill of Connecticut and Governor Kean of New Jersey, for their support and assistance in the development of this policy.

CHAIRMAN SUNUNU: Thank you. Is there a second?

(Motion seconded.)

CHAIRMAN SUNUNU: Moved and seconded.

Governor O’Neill, you want to make some comments as well.

GOVERNOR O’NEILL: Thank you, Mr. Chairman. I will be very brief. I want to congratulate Governor DiPrete and the other northeast governors for looking at this very, very serious situation that is having a drastic adverse effect on the northeast corner of the United States, and to strongly support this particular policy decision, to inform the Congress of the United States that indeed we cannot allow this to continue to happen, that we in Connecticut are more fortunate, perhaps, because Long Island happens to lie out there and blocks part of this from creating a problem on our beaches. But nevertheless, the problem exists in Connecticut as well as Rhode Island, New Jersey and New York. I think it’s more than time to alleviate this particular problem.
CHAIRMAN SUNUNU: Thank you, Governor.

Any additional comments or discussion? If not, we will move to a vote on the policy. All in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Opposed? The ayes have it.

Move to the Committee on Human Resources.

Governor Castle.

GOVERNOR CASTLE: Thank you, Mr. Chairman.

I would like to move two policies and then yield to Governor Clinton who wishes to bring us up to date on the Bringing Down the Barriers project and then to yield to Governor Baliles for comments on the international scholarship program.

The two policies I would like to move were adopted unanimously yesterday in the meeting of the Human Resources Committee. The first is on employment security and unemployment insurance, which further clarify and delineate the formula by which funds to support the employment security and unemployment insurance funds were distributed to the states. The other is in the area of emergency assistance, to clarify the way in which federal funds can be used to prevent homelessness. I move the adoption of these policies, Mr. Chairman.

(Motion seconded.)
CHAIRMAN SUNUNU: It's moved and seconded.

Discussion?

Governor, you wanted to call on -- you mentioned somebody.

GOVERNOR CASTLE: After we adopt the policies.

CHAIRMAN SUNUNU: After we adopt these. Any discussion on these items?

Move to a vote. All those in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, please say nay.

The ayes have it.

GOVERNOR CASTLE: Mr. Chairman, if I could yield to Governor Clinton for an update on Bringing Down the Barriers. We all know that Governor Clinton headed this for us last year and in this last year we have accomplished a lot of the things that we started out to do.

Governor Clinton.

GOVERNOR CLINTON: Thank you very much, Mr. Chairman and Governor Castle.

Governors, I just want to make a special note of this purple book that is on all of your desks or in front of you. It is the follow-up to the Making America Work report which we issued last year at this conference. It's brief. I would urge you to read it and if not, I would urge you to
have someone go through it so we can continue the process of borrowing from one another in these important areas.

I have been terribly impressed in the follow-up stage at the initiatives which have been taken both in the human service area and in the economic development area. I think you will be very pleased when you see this report.

One final thing, next year, by way of follow-up, the NGA along with the American Council on Education and the Council for Adult and Experimental Learning and the College Entrance Examination Board will co-sponsor a year-long project entitled "A More Protective Workforce, Challenge for Postsecondary Education and its Partners." There will be a national conference on this in May of 1989 in Little Rock. I hope all of you will be involved in that.

Please, this report is well done and brief. It is worth your having somebody carefully review it for initiatives which you might wish to adopt. Thank you very much.

CHAIRMAN SUNUNU: Thank you very much, Governor.

Again, I am going to have to ask, the discussions that are taking place in the back, as innocuous as they appear to you, the acoustics of the room are such that it does create a problem up here. Please take those outside the room.

Governor Castle.
GOVERNOR CASTLE: Finally, Mr. Chairman, I would like to call on Governor Baliles for comments on the international scholarship program.

VICE CHAIRMAN BALILES: Thank you, Mr. Chairman.

Our colleague, former Governor Bob Graham of Florida, now a member of the U.S. Senate, has asked me to briefly discuss with you a federal international scholarship program he has helped establish. The new federal program is called the Cooperative Association of States' Scholarships, CASS for short. The program is based on Florida's successful Central American scholarship program when Governor Graham was presiding in Florida.

As I understand it, in Florida, the program operates from state-appropriated funds which were then matched by private sector donations for scholarships for indigent students from Central America and the Caribbean Basin. The students come to Florida to study under the condition that they return to their home country at the conclusion of their studies and engage in development work. This way we are able to sow the seeds for future political and economic relations by helping train tomorrow's government and business leaders.

At the federal level, the CASS program will seek to duplicate the Florida effort on a national level, starting with five state pilot programs run through the federal Agency.
for International Development. AID will provide up to $300,000 in matching money for these scholarships. Senator Graham will be writing each of you in the next couple of weeks asking if you would be interested in your state participating as one of the five pilot project states. In the meantime, you will find a handout at your places on the table.

Thank you, Mr. Chairman.

CHAIRMAN SUNUNU: Thank you very much.

Governor Thompson. Brief remarks on the National Commission to Prevent Infant Mortality.

GOVERNOR TOMMY THOMPSON: Each of you has just received a copy of this blue booklet which is the final booklet on the National Commission to Prevent Infant Mortality. This Commission was established by the Congress over a year ago and a group of Americans from all disciplines were appointed as members. It was a bipartisan group under the leadership of Senator Lawton Chiles of Florida. I was privileged to serve as a member of this Commission, together with our former colleague, Governor Riley, South Carolina.

What we learned during the course of more than a year’s hearings across the United States was, frankly, frightening. For a nation which continually talks about its children and their future, we have not done enough to ensure that all children, regardless of the circumstances under
which they are born, have a chance, an equal chance, to make it. And in fact, by our attitudes and practices, have sanctioned, for more than 40,000 children a year, death before life.

It was the unanimous conclusion of our Commission that that state of affairs could not continue in America. Mr. Chairman, at the end of World War II, the nation of Japan was 17th in the world in infant mortality. Today the nation of Japan is number 1. 20 years ago, the United States was 15th in its effort on the issue of infant mortality. Today, 20 years later, we are 19th.

For all those governors who constantly urge us to emulate Japan on issues relating to productivity, competitiveness, trade and the share of world market for our goods and our services, I call attention to the fact that that nation, leveled by war, has gone from 17th place to first place in that time, while we have gone backwards.

A child born in Singapore today has a better chance of living to its first birthday than a child born in the United States; and a child born in Bulgaria or Czechoslovakia today has a better chance of living to its first birthday than a black child born in the United States.

Mr. Chairman, no country in the world has better technology for saving a low birth weight child or a child at risk once it is born, at a cost sometimes of up to almost
half a million dollars, but we have not used either our social system or our technology to prevent the birth of low birth weight children or other children at risk. And it is this preventive mode that America must move to, rather than the immoral and vastly more expensive mode of trying to save children once they are put at risk.

The Commission's report understandably calls for the expenditure of additional funds by the public sector and by the private sector. Because those funds are limited in both sectors, we understand that its recommendations must be phased in. But in this area, as in other areas dealing with our children, we simply must bring down the barriers, and we must do it with an innovative and imaginative and hard-working federal, state, local, private sector partnership. We cannot continue as a modern nation to fall behind Singapore, Bulgaria, Czechoslovakia. We cannot continue to challenge the nation of Japan on every other front except the care of children at risk.

I hope every governor will take this report and do what he or she can in their own state with their own state, local and private sector resources, and I would urge our incoming chairman, Governor Baliles, to give top priority attention to this issue as part of the consideration of NGA in our next year's business. Thank you very much.

CHAIRMAN SUNUNU: Thank you very much, Governor
We move to the Committee on International Trade and Foreign Relations. Governor Gardner.

GOVERNOR GARDNER: Thank you, Mr. Chairman.

Recommending an amendment to H-6 on tourism. All of us understand the value of tourism. Those are individuals who come to our states and don’t use our schools, our prisons or our welfare systems. They go home to do that.

We are proposing an amendment that urges the federal government to resume collection and reporting of data similar to that of the national travel survey last conducted through the U.S. Census Bureau in 1977. Governor Waihee may wish to make an additional comment on this.

CHAIRMAN SUNUNU: Governor Waihee.

GOVERNOR WAIHEE: No, I think the chairman is saying it very well. Tourism is an extremely important industry.

GOVERNOR GARDNER: All right. I would like to thank him for his assistance. He carried this particular amendment and I move the motion.

GOVERNOR WAIHEE: Seconded.

CHAIRMAN SUNUNU: Moved and seconded.

Discussion? Move to a vote. All those in favor say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay.
The ayes have it. Thank you very much.

Report from the Committee on Justice and Public Safety, Governor Deukmejian.

GOVERNOR DEUKMEJIAN: Mr. Chairman, for the second time in two years, the Committee on Justice and Public Safety devoted the entire meeting to the issue of drugs in America. We did so because the problem of drug abuse is certainly one of the most serious problems that is confronting this nation, affects every city, every state, knows no boundaries.

As reported in testimony presented before the committee, the importation of illegal drugs into America continues in large quantities despite the best efforts of federal, state, local law enforcement agencies to cut supply lines.

Governor Martinez of Florida reported to the Committee on the Florida experience where, despite valiant efforts by all law enforcement agencies, assisted by a federal task force, that major drug shipments into Florida continues.

More must be done to reduce the supply of drugs coming into this country. Increased coordination between state and federal agencies and between state agencies in each state is essential. However, the only realistic approach to solving America's drug problem lies in reducing the demand for drugs.
Darryl Gates, the chief of police of the Los Angeles Police Department, told the committee about a program that is called the DARE program. It's a school-based prevention effort developed by his department and is now being used in many states. The DARE program and other effective prevention programs need to be promoted.

The NGA very early recognized the seriousness of the drug problem. NGA policies speak very directly to the issues related in the effort against drug abuse. We have sponsored seminars, we have developed and released publications to assist governors so that they can develop strategies to confront drug abuse. But notwithstanding all that NGA has done, much more needs to be done. While illegal drugs constitute a major law enforcement problem, drugs are more than just a law enforcement problem.

Drugs in their abuse must be approached as a health problem, an education problem, a human resources problem, a transportation and commerce problem, and a foreign relations problem. NGA has either a committee or some other body considering each of these issues.

Because the drug problem transcends the jurisdiction of any one committee, some thought should be given to creating a special body to consider the problems of drugs in all of its various aspects.

On Sunday, a group of governors from border and
coastal states, with acute drug problems, met for a
discussion of ideas on ways to confront this deadly threat
posed by illegal drugs. The governors agreed on the need for
an NGA body devoted exclusively to drugs.

As the outgoing chairman of the Committee on
Justice and Public Safety, I believe that strong
consideration should be given to the establishment of a task
force with the sole mission of considering a coordinated
state and national drug strategy. The task force would draw
on the membership and staff resources of all of the NGA
committees in its work on this important problem.

As illustrated by the testimony before our
committee, and the interest expressed by governors on and off
the committee, the drug problem should remain on the top of
the NGA policy agenda. That's the report of our committee,
Mr. Chairman.

CHAIRMAN SUNUNU: Thank you very much. Governor
Baliles.

VICE CHAIRMAN BALILES: Thank you, Mr. Chairman.
I would simply echo the comments of the governor
of California. In fact, the new chairman of the Criminal
Justice Committee, Governor Castle, and I and others have
already discussed that proposal. You will find it being
advanced during the next year.

CHAIRMAN SUNUNU: Thank you very much, Governor
Any other comments?

Move on to the Committee on Transportation, Commerce and Communication, Governor O'Neill.

GOVERNOR O'NEILL: Thank you, Mr. Chairman.

We have four amendments this morning, F-1, -2, -3 and F-10. The first two, F-1 and -2, are technical in nature and are updating with no fiscal impacts to any of the states or to the federal government. F-3 is a new amendment on air transportation and it speaks to the quality of safety of the service as well as improvements at airports and air traffic control systems and modernization; and also to the importance of air transportation pertaining to economic development, whether it be in the tourism area or in manufacturing and software area. That is that one.

Number 4, which is F-10, is an item proposed on telecommunications, speaking of the proposition of network modernization, greater cooperation among all levels of government and between governments and in industry in this particular area as well.

Those are the four proposals, and I would move the four en bloc at this time.

(Motion seconded.)

CHAIRMAN SUNUNU: Moved and second. Discussion?

No discussion, we move to a vote. All those in
favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, please say nay.

The ayes have it.

Move on to the next item, discussion of the resolutions from the Executive Committee. There are two resolutions and one request for suspension. We will take them each individually.

First item is the Executive Committee policy on federalism. Is there a motion on that policy?

Governor Kean.

GOVERNOR KEAN: Mr. Chairman, I would like to move the policy.

(Motion seconded.)

CHAIRMAN SUNUNU: Moved by Governor Kean, seconded by Governor Clinton. We move to discussion.

Let me open the discussion by pointing out what is being recommended in that policy. It has about three parts to it. The first part is basically a compilation of those sections of our standing policies that address the federalism issue. The last two items in it are items that are certainly items that will probably be debated here. One is a request as a result of the South Carolina versus Baker decision in which there was legislation and then a Supreme Court decision addressing the legislation that was passed that has made it
clear that Congress has the authority to impact the capacity of the states to issue bonds, issue tax-free bonds, and to deal with the traditional areas that had been left to the states in terms of deficit financing and revenue raising. And the concern that was raised by a number of states, after evaluating the financial impact on their budgets that such a change could have, was to request that we consider asking Congress, and that's what the section does. It asks Congress to consider proposing either legislation or a constitutional amendment to protect the rights of the states to issue those bonds under the tax-free structure.

The third item that is there is an effort to address concerns that have been manifested over the last 200 years relative to the process under which states may initiate amendments to the Constitution.

I think in recent years it has become clear that there was a great deal of concern about the process for states which retains the call for a constitutional convention. There is concern that that process in which a constitutional convention would be called would be uncertain, would create difficulty, and as such has inhibited the capacity of states to exercise their check and balance process of the Constitution.

This provisions asks Congress, it asks Congress to consider proposing a constitutional amendment which in effect
replaces the constitutional convention, part of the process, with a stop at Congress, giving Congress the right to reject the constitutional amendment. It is not an effort to make the process easier; it is an effort to remove the spectre of the convention from being part of the check and balance structure that is there.

There are within that a couple of specific purposes. The first is to increase public awareness of the issue. The second is to ask Congress to share with us a solution to that constitutional convention concern that has been raised.

In the past year a couple of states have actually withdrawn their call for balanced budget amendments because of concerns raised about the constitutional convention issue.

Open it up for discussion from the floor.

GOVERNOR MCWHERTER: Mr. Chairman, on request would you divide these three issues from the Chair?

CHAIRMAN SUNUNU: I am not sure what our traditional procedure for dividing the issues is.

MR. WRIGHT: The rules are that to change any policy requires the same vote as the policy itself.

CHAIRMAN SUNUNU: It would require you to define the division and then ask for a vote which would require a two thirds vote to divide.
Any other discussion?

GOVERNOR CARRUTHERS: Question.

CHAIRMAN SUNUNU: Question has been called. Move to a vote on the policy on federalism. All those in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: All those opposed, nay.

(Chorus of nays.)

CHAIRMAN SUNUNU: I believe the ayes have it. Move on to the next item, the resolution on Guam.

Is there a motion on the resolution on Guam? Governor Clinton.

GOVERNOR CLINTON: I move the resolution on Guam reaffirming our support for their commonwealth status.

GOVERNOR KEAN: Second.

CHAIRMAN SUNUNU: Seconded by Governor Kean. Discussion?

Move to a vote on the resolution on Guam. All those in favor say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: All those opposed, no. The ayes have it.

Now we have a request for suspension on the mail order sales issue. To speak to that is Governor Sinner.

GOVERNOR SINNER: Mr. Chairman, I would first move
for suspension of the rules to consider a late resolution out of the Executive Committee.

GOVERNOR MC KERNAN: Mr. Chairman, I would like to reserve the right to object and ask what the purpose of this suspension is.

CHAIRMAN SUNUNU: Governor McKernan requests the purpose of the suspension. Would you please explain that, Governor Sinner, so that we may deal with this.

GOVERNOR SINNER: Mr. Chairman, with your leave, I will explain the resolution which was passed by the Executive Committee in its totality, and I will do it once and not twice.

The resolution is in the pink folder, pink covered folder, and I should point out there's one other resolution from the ag committee that Governor Mickelson will explain following this, and I want to remind the Chair of that, if he is listening.

This resolution urges Congress to act before this session ends to complete action on legislation that would level the marketing field between direct and catalog sales and would permit states to require out-of-state mail order firms to collect already due state and local taxes. The resolution urges the Congressional committees to mark up and report the legislation for Floor votes.

Here is the problem. The National Council of
State Legislatures, the League of Cities, the U.S. Conference of Mayors, the National Association of Counties, the Federation of Tax Commissioners, the Multistate Tax Commission, Main Street Merchants Organization and the National Retailers Association have worked long and hard to build a consensus with the national governors. We have the votes in Congress. We are confident. We must get the bill out of committee and on to the Floor for final passage.

The inequity that takes place between Main Street businesses and out-of-state direct sellers is horrendous. The average net profit of American retailers is something like 2.5 percent of gross sales and yet they live with something like a 5.5 percent handicap in competing with catalog sellers because of the Belas-Hess ruling. It is imperative that it be corrected for the equity due Main Street businesses, and we are petitioning Congress by this resolution to get the bill on the Floor and let the Congress vote on it.

CHAIRMAN SUNUNU: Governor Sinner, could you clarify whether or not you are asking for policy change?

GOVERNOR SINNER: I am not asking for policy change. Our policy is, as I remember, unanimous or virtually unanimous in support of the policy to seek Congressional action to correct the Belas-Hess inequity.

CHAIRMAN SUNUNU: Governor McKernan.
GOVERNOR MC KERNAN: Mr. Chairman, I would like the record to reflect that I oppose suspending the rules and passing this resolution. I am opposed to it. I realize I am an insignificant minority. I won’t take up the time of this conference because it only takes a 3/4 vote to suspend the rules. But I want the record to show that I oppose Congress acting in this area and I oppose our policy in this area.

CHAIRMAN SUNUNU: Move to a vote on the suspension of the rules. All those in favor of suspending the rules, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay. The rules are suspended.

Do you have a motion under suspension, Governor?

GOVERNOR SINNER: I will move that the resolution of the Executive Committee to urge the Congress to report the Belas-Hess correction legislation to the Floor be adopted.

(Motion seconded.)

CHAIRMAN SUNUNU: Moved and seconded. Discussion? Move to a vote. All those in favor say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay. Motion passes.

There is a second item under suspension. Governor Sinner.
GOVERNOR SINNER: Mr. Chairman, I will move that
again the rules be suspended, if that is necessary to --

CHAIRMAN SUNUNU: Let us make sure we do it
right. There is a motion to suspend. There is a second.
Discussion? All those in favor of suspension for a second
item, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay.

Governor Sinner.

GOVERNOR SINNER: Governor Mickelson will cover
it, Mr. Chairman.

CHAIRMAN SUNUNU: Governor Mickelson.

GOVERNOR MICKELSON: Governor Sinner has moved to
suspend the rules and the body has agreed to the suspension
for the purpose of the resolution on the drought. It does
not involve a change in policy, but rather is very timely.
Perhaps unprecedented, this association, under the leadership
of Governor Sinner and other leaders of states that have been
devastated by the current drought, have built a coalition
that I believe played no small part in some very quick and
meaningful response to the drought legislation that is
currently weaving its way through the United States
Congress. U.S. House of Representatives voted on it
yesterday and passed it. The Senate is going to act on it
today. It is an effort that was bipartisan. It involved the
Administration, both parties' leadership in Congress and
certainly governors of both parties in this organization.
And the resolution simply commends Congress and the
Administration for their quick response and excellent
legislation that is going to get done hopefully today and
signed by the President in the near future.

CHAIRMAN SUNUNU: Is there a second to that?

(Motion seconded.)

CHAIRMAN SUNUNU: Additional comments or
discussion?

Move to a vote, then, on the resolution. All
those in favor, please say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: Those opposed, nay. Passes.

That, unless I have missed on the schedule,
completes the consideration of policy matters.

Governor Romer.

GOVERNOR ROMER: You know, I am new to this
procedure, and I think that you should be put on notice that
there was a voice vote awhile ago on federalism which I don't
think reflects the considered opinion of this body. When you
were asked whether that issue could be divided, and you, I
think, properly answered no, except by two thirds vote, I for
one, as a member of this body, was waiting for that issue to
be debated and some expressions of vote taken beyond just the
voice vote. I just think, on behalf of this association, we ought not adjourn this meeting without some of us saying to you and to others, we don’t agree with that policy. There is a very serious question involved in amending the Constitution and the changes that have been proposed here. I think rather than leave this meeting just blithely with that voice vote and a nondivision of the issue, Governor Sununu, I think it would be wise if you and the Executive Committee referred that matter back for further deliberation. I think it is a very divisive and contentious issue, and I just do not want to leave this meeting thinking that the National Governors’ Association wants to loosen the amendment of the Constitution of the United States to that degree, and that blithely. Because that went by without a division of the issue and just on a voice vote, I want to express to you personally that I am concerned about it, and I just do not want the governors of this nation to be represented that, hey, we are willing to just carve that Constitution up as easily as that amendment indicates. I want to express that before I leave this meeting.

CHAIRMAN SUNUNU: I appreciate that, Governor. I wish you had been part of the input over the past year on that discussion. I waited for a motion to divide after the explanation had been made. Motion was made. I asked if there was additional discussion. Nobody chose to discuss it,
but I accept the fact, and I think we all understand that none of these issues are unanimous, that there are differences of opinion, and I would urge us individually or in any way we wish, to express either support for or concerns for that and any policy that exists at NGA. I assure you, there was no intention at all in that to suggest that there was any unanimity in that vote.

But thank you for the points you made.

Governor Mickelson.

GOVERNOR MICKELSON: Mr. Chairman, just so we don't end on a sour note, I want to congratulate the Chair for the very impartiality of recognizing that perhaps this would be controversial in this meeting today. Given anybody sitting at this table, and certainly I am just as new to this proceeding as anybody else sitting around this table, but I am certainly not naive to the parliamentary procedure and the Chair went out of its way to give everybody an opportunity to divide, to ask for a division on the vote and ask if there was any debate. So I do not believe that it is fair to infer that there was anything parliamentary or any shenanigans. It's an issue that this organization has been involved in for a long time.

CHAIRMAN SUNUNU: Thank you for your comments, Governor. I did not take Governor Romer's comments in any way as criticism. I think he raised an appropriate point and
I accepted it as such.

Governor Cuomo.

GOVERNOR CUOMO: Governor Sununu, let me add first my congratulations to you for your work this past year and especially on the question of federalism. Let me join with Governor Romer in suggesting that we ought to be heard on this issue. I have no criticism for the Chair; I do have a little criticism for myself. I was lulled into a false sense of security by the easy capitulation to all the previous resolutions and I really wasn't ready for a debate on this one. So I apologize to you.

If it is all right to explain the vote, I voted against the policy. I would like by way of explanation to put a question to the Chair. We as governors are about to propose to the Congress of the United States a new way to amend the Constitution. At least I want to be sure I know how it will work. When the two thirds of the states memorialize an amendment, will the language be exactly the same? Will each state pass on exactly the same language with the same punctuation?

CHAIRMAN SUNUNU: Governor, as was noted in the policy, it mirrors what was done 200 years ago in that a committee of style represented by one person from each of the proposing states prepares common language, submits it to Congress, Congress has an opportunity to reject it, and
failing to reject it in a two-year period, returns it to the
states for consideration again by 3/4 votes, or vote of 3/4
of the states.

GOVERNOR CUOMO: A committee of style would be
constructed to decide whether or not the language was
sufficiently close as between Vermont and New York to be
especially the same proposition?

CHAIRMAN SUNUNU: That is correct.

GOVERNOR CUOMO: Who would select --

CHAIRMAN SUNUNU: Those same states, by the same
bodies that prepared the resolution, namely the state
legislatures, would select an individual to represent them on
the committee of style.

GOVERNOR CUOMO: So a committee of style would
decide whether or not the states essentially agreed to the
same thing although different legislatures use different
language.

CHAIRMAN SUNUNU: No, the committee of style would
send common language to Congress for consideration, and that
common language would return to all the states and to be
considered by all of the states under the traditional
process, giving each state a chance to determine for itself
whether it accepts or rejects what was determined to be
common language.

GOVERNOR CUOMO: The original proposal that passes
New York and New Hampshire would not have to be in identical language, but someone would have to be able to make the judgment that your intent and ours was identical. Who would make that critical judgment?

CHAIRMAN SUNUNU: By the committee of style represented by one member from each of the states that made the proposal.

GOVERNOR CUOMO: So that if two thirds of the state used disparate language, a commission on style could decide that in fact they all meant the same thing and recast that intent in their own language.

CHAIRMAN SUNUNU: Your concern would be significant if the committee of style had a decisionmaking process that was terminal. But there are still two significant milestones which follow from that. Number 1, the milestone of Congress which in fact in itself retains the authority to initiate any new language; and, in fact, could moot, could moot the process by initiating on its own an amendment that would parallel it. But secondly, if it chose to recognize ambiguity in the ambiguities you have raised, it would then vote to reject.

And you are right, it is difficult, it is difficult for this process to pass a constitutional amendment.

The purpose was not to make it easier to pass a
constitutional amendment. The purpose was to address either
the perceived or real spectre of a constitutional convention.

GOVERNOR CUOMO: Governor Sununu, respectfully,
what you have suggested to me is that I may indeed be correct
that there would be a problem in reconciling the different
languages of two thirds of the legislatures or two thirds of
the states, but you are not concerned about that because
Congress would make it right. But the whole basis of this
proposal is to take some of the power away from Congress and
remove it to the states. You now answer me by saying it
wouldn’t work that way because a commission of style about
which we know nothing would actually make the judgment but
don’t be concerned about it, Governor Cuomo, because the
Congress will reconcile it for us.

I suggest to you that that is only one of a number
of terrible fundamental ambiguities that exist in this
proposal, that it would be wrong for us as governors to say
to the people of this country and the Congress of the United
States that we have thought it through. We didn’t even know
who would decide on the language when we voted today.

I am opposed to it as offensive to the process,
offensive to the history. You refer to the founding
fathers. Colonel Mason of Virginia was opposed to this
idea. He was right 200 years ago; he’s right now.

CHAIRMAN SUNUNU: Governor, the purpose was not to
take powers from Congress. The purpose was to return an
initiating step -- and that's the distinction -- the
initiating steps to the states. In fact, its purpose was to
blend the capacity of the states to initiate and Congress to
participate in the process of developing such an amendment.

GOVERNOR CUOMO: But Governor Sununu, you have not
given it to the states. You have given it now to a
commission on style. You haven't even told us whether they
would be elected, and if so, by whom. So you haven't done
anything for the states. You have created a whole new
artifact, a commission on style, that would tell you what two
thirds of the states meant. We don't know who they are, what
their competence is, how they are selected.

I don't think we should go to the Congress with
this kind of half-baked notion, particularly when you are
suggesting a reconstruction of a document that has worked
miraculously well for 200 years. That was simply to explain
my vote.

CHAIRMAN SUNUNU: Governor, I have enjoyed this so
much that may I suggest that you and I take this issue to the
electronic media and I will be happy to share with you --

GOVERNOR CUOMO: Oh, no, Governor Sununu. I know
how eager you are for the red light, Governor Sununu.

CHAIRMAN SUNUNU: And I know how eager you are to
avoid it.
GOVERNOR MC WHERTER: Mr. Chairman.

CHAIRMAN SUNUNU: Governor.

GOVERNOR MC WHERTER: In respect for the Chair, and I don't propose to want to tie this body up in rules, but in the articles of the organization that you have given me, there's no rule here that addresses a division of the question; and, in all fairness, I feel the same way. I don't have any problem with supporting the report as it relates to amending the Constitution, and I think a division of the question is for the purpose of giving those of us an opportunity to be recorded as voting against it. And I wish you would -- I am going to make a motion we reconsider action, for you to give us an opportunity to have a roll call vote.

CHAIRMAN SUNUNU: Governor, I think we have finished our business, and with all due respect, unless there is a call from the floor with a correction to the ruling of the Chair, I am going to rule that we have completed our business and move forward.

Governor Roemer.

GOVERNOR ROEMER: Mr. Chairman, I would like to take the personal privilege of explaining why I voted no by voice, which made me very uncomfortable. It's not the right way to do business. No reflection on you. It's my first time around. I was surprised that that's the way we did it.
But I voted no and let me tell you why.

I had the distinct pleasure and honor of serving in the United States Congress. I am trying to get over that, but I enjoyed it.

I remember in my career the toughest, most awesome votes I had to make were on amendments to America's Constitution. I mean it is a tough, serious proposition.

What we have done today is made it easier to amend that Constitution without the kind of foresight or ground rule setting that we should have done. I tell you what you have done here. You have twisted the constitutional procedure on its ear. Instead of two thirds of the men and women in the nation's legislative body making a decision to go forward, you have in effect said that one third can go forward. One third. It takes a two thirds vote to stop this process in the Congress if we adopt this amendment. You have turned the Constitution on its head, and maybe we should do that. I think not. I think it ought to be more difficult, more pressing, more awesome, more united to amend the Constitution. Not this. That's why I voted no, John. It wasn't partisan, it wasn't personal. I am surprised we did it by voice.

CHAIRMAN SUNUNU: Governor, if there had been a call for a roll call vote, we would have moved to a roll call vote.
GOVERNOR WAIHEE: Mr. Chairman.

CHAIRMAN SUNUNU: Governor Waihee.

GOVERNOR WAIHEE: Point of parliamentary inquiry.

When would it be the proper time to make a motion to reconsider previous action previously taken?

CHAIRMAN SUNUNU: Parliamentarian?

Traditionally it happens within the discussion of the policy items. If you want to overrule the ruling of the Chair, that probably can take place at any time. Let me add one more point because there was a point raised about continuing evaluation. Governor Baliles has indicated that the task force will continue in some function; whether it does with the full body of members or not will be considered. I emphasize also that all our resolution does is calls on Congress to consider the initiating of such an amendment, and Congress still, all two thirds of Congress, still has the capacity to prevent that from going any further. So we have not turned the Constitution over. We have merely indicated our concern that there is a balanced process in the Constitution that relies on a constitutional convention that itself has become a major concern.

Governor Thompson.

GOVERNOR WAIHEE: Mr. Chairman, if I may on the parliamentary inquiry, the point is not really on the substance at this point, but is the Chair then saying that
immediately after the motion is the only time in this association that you can move to reconsider a motion?

CHAIRMAN SUNUNU: No, only in that section of time in which we are considering policies.

GOVERNOR WAIHEE: When is that conceivable, Mr. Chairman? I really need to get this clear in my own mind.

CHAIRMAN SUNUNU: I am sorry, what was the question?

GOVERNOR WAIHEE: I don't understand the answer, Mr. Chairman.

CHAIRMAN SUNUNU: There is a segment under which we consider policy. We have a series of votes on policy, and any time during that session of the meeting, we may go back and reconsider any additional policy.

GOVERNOR WAIHEE: This would be at any time during the section that we consider all of policy?

CHAIRMAN SUNUNU: That's correct.

GOVERNOR WAIHEE: Have we voted on the last resolution? Would that be considered --

CHAIRMAN SUNUNU: Yes, we have. In fact, I made the point that that section was completed and that we were moving on, and then when we moved on, there was a request by one of the governors to comment.

Governor Thompson.
GOVERNOR TOMMY THOMPSON: Mr. Chairman, thank you.

I would like to make two points if I could.

First, as long as we are explaining our vote, I would like to explain my aye vote. Sometimes I am not known as a very conservative fellow, even within my own party. I am not one of those people who believes that the Constitution means exactly what it meant on the day it was adopted. Our nation has moved forward and the Constitution must always be interpreted in the light of the nation's condition at the time. But I think we have got to remember one thing that most Americans were taught, and that we ought to all remember from time to time. That is that this nation, this union of ours, was created by the deliberative, thoughtful action of individual states who agreed to come together. It wasn't a convention of the whole people who happened to reside in the geographical area known as America at the time, but states who were in existence fought and won a bloody revolution and determined that we would build the new nation and that one of the ways we would build the new nation was by ceding some of the power of the states to a new federal union. Later on in our history a President of the United States had to fight and sustain a Civil War to make clear that that union was still important.

All we have done today is to ask the Congress to restore to us some of the authority that all of us thought we
always had to see to the financing of needs within our own state without interference by the Congress; and secondly, not to make the process of amending our sacred document the Constitution easier, but to make it fairer by giving to the states of this union a chance to submit ideas, specific, concrete, individual ideas to the Congress and get them back again without risking a convention in which we open up the whole document when most of the American people are satisfied with most of the Constitution. That's not easier, that's fairer, and it is entirely consistent with the traditions under which this great Constitution and this great union was born.

We are being true to our heritage, not disrespectful to it, I suggest, with the adoption of this resolution, which simply memorializes the Congress as Congress is memorialized every day.

Second point, none of us are rookies here. There may be some first-term governors, but none of them are neophytes or rookies. Many of them served distinguished careers in state legislatures or in the Congress before they came here, they understand voice votes, they understand hand votes, they understand roll calls, they understand debates.

I don't think, with all deference to my fellow governors, whom I respect highly and have a great affection for, that it is fair to make courageous and impassioned
arguments after the vote is taken and we have moved on from
the discussion of all substantive business. This proposal is
not half baked, this proposal is not an assault upon the
Constitution but rather a strengthening of the traditions
which gave birth to the Constitution. There was a time for a
division of the question, there was a time for a debate,
there was a time for a roll call. All of us, all of us, I
suggest, deliberately let it pass. If this issue is to be
raised, it ought to be raised at the next meeting of the
National Governors' Association.

CHAIRMAN SUNUNU: I will take two more comments,
Governor Carruthers and Governor Clinton, and then we'll move
on. Governor Carruthers.

GOVERNOR CARRUTHERS: Mr. Chairman, I respectfully
request that we move on to the next order of business, the
report of the nominating committee.

CHAIRMAN SUNUNU: Governor Clinton.

GOVERNOR CLINTON: Pass.

GOVERNOR CUOMO: Governor Sununu, a point of
order.

CHAIRMAN SUNUNU: Bill, did you have a point?

GOVERNOR CLINTON: Mr. Chairman, I think the issue
-- this is not what I was going to talk about, but I think
the issue is, has anybody made a specific motion to overrule
the Chair and if so, how many votes does it take to do it.
Let's get on with this one way or the other and resolve it and go on with our business.

GOVERNOR CUOMO: I agree with Governor Thompson that we're none of us rookies and that we all ought to play by the rules, however hypertechnical. The Chair has now recognized, by allowing me and others to explain our votes, that we have a right to come to the microphone, each of us, and explain our votes. Governor Thompson has done it, I think quite eloquently. I think if every one of us were simply to take the opportunity now to explain our votes, you would know who voted for, who voted against, and whether or not you got the two thirds you needed to pass this thing. If you insisted, despite the fact that you didn't get the two thirds, you insisted on the technicality and sent it down anyway to Congress, then the rest of us could send down another transcript that says when you measure their proposal for changing the Constitution, consider the erratic fashion in which they adopted this resolution.

So I would suggest that we all now take the opportunity to explain our votes.

CHAIRMAN SUNUNU: Parliamentary inquiry. Governor Campbell.

GOVERNOR CAMPBELL: Let me first ask, in this discussion, is there a motion on the floor? Did I not hear a governor --
CHAIRMAN SUNUNU: There is no motion on the floor.

GOVERNOR CAMPBELL: Did I not hear Governor Carruthers make a motion?

CHAIRMAN SUNUNU: Governor Carruthers urged that we move on. Was that in the form of a motion, Governor Carruthers?

GOVERNOR CARRUTHERS: Mr. Chairman, I respectfully request that we move on to the report of the nominating committee.

GOVERNOR CAMPBELL: Request, not a motion.

CHAIRMAN SUNUNU: It was a request.

GOVERNOR CAMPBELL: Let me ask, then, in the parliamentary inquiry, some of us have been here for the entirety of the conference, some of us have come in only for the last show. In that regard, let me ask you what the formation of this policy was. Did this policy come through the Executive Committee?

CHAIRMAN SUNUNU: It came through two steps, Governor. It came through a task force that spent a year with constitutional scholars and other folks coming in. It then went to the Executive Committee and then went to the floor.

GOVERNOR CAMPBELL: And the votes in there --

CHAIRMAN SUNUNU: It all passed the resolution.

GOVERNOR CAMPBELL: All passed the resolution.
And the make up of those committees?

CHAIRMAN SUNUNU: Bipartisan.

GOVERNOR CAMPBELL: Bipartisan. So we are engaged in a show. Thank you, sir.

CHAIRMAN SUNUNU: Governor Thompson.

GOVERNOR TOMMY THOMPSON: Mr. Chairman, I suggest that unless some governor is prepared to put a motion to overrule the Chair’s ruling, which is clear and correct, we move on.

CHAIRMAN SUNUNU: Governor Wilkinson. Last comment.

GOVERNOR WILKINSON: Mr. Chairman, what is the procedure for -- with all due respect -- for challenging the ruling of the Chair other than an immediate request for a roll call after the ruling? Is there a procedure? If so, I would like to know what that is and advance that challenge.

CHAIRMAN SUNUNU: Parliamentarian?

MR. WRIGHT: Procedure is, as Governor Thompson has suggested, that someone can challenge the rule of the Chair with a majority vote and 10 governors can request a roll call vote. If 10 governors wish a roll call vote, then there can be a roll call vote.

GOVERNOR WILKINSON: Is that proper at this time?

CHAIRMAN SUNUNU: I suspect it’s proper at any time. Governor McKernan.
GOVERNOR MC KERNAN: Mr. Chairman, point of parliamentary inquiry.

CHAIRMAN SUNUNU: I am sorry, I don't know where that is. Governor Waihee.

GOVERNOR WAIHEE: I still, Mr. Chairman, want to get clear on the Chair's ruling before we call for a motion.

CHAIRMAN SUNUNU: I will clarify my ruling, Governor Waihee.

GOVERNOR WAIHEE: Let me ask the question which is, Mr. Chairman, are we saying then that the section on policy discussion is now closed despite the fact that we are allowing discussion on policy?

CHAIRMAN SUNUNU: Governor Waihee, let me explain that. We closed the section on policy discussion. I probably made the mistake of granting the courtesy for a comment after that to another governor. Since that section is closed, we will now move on to the next order of business, which is the report of the nominating committee. May I have the report of the nominating committee? Governor Clinton, chairman.

GOVERNOR ROMER: I would like to be recognized for a moment, sir.

GOVERNOR MC KERNAN: Mr. Chairman.

CHAIRMAN SUNUNU: Governor McKernan.

GOVERNOR ROMER: Point of order.
GOVERNOR MC KERNAN: We managed to keep politics out of this meeting until a half hour before it was scheduled to adjourn. I think that perhaps rather than going down the road of challenging a ruling of the Chair that was made on advice from the parliamentarian of the NGA, that rather we ought to accept the fact that there is a disagreement here and we ought to ask what the proper procedure is for suspending the rules in order to reconsider the out of order. I would be happy to let other people make remarks on that. I think I should indicate that that, and I assume, from the parliamentarian, would take a two thirds vote.

CHAIRMAN SUNUNU: Suspending the rules takes 3/4 vote.

GOVERNOR MC KERNAN: It would seem to me that at least that would be a way to stick with what I think ought to be the approach, which is to rely on the advice of our parliamentarian, but yet also give people the opportunity to be on record as Governor Cuomo suggested that some governors would like to be.

CHAIRMAN SUNUNU: Governor Romer.

GOVERNOR ROMER: I would like to make a motion. I would move that we suspend the rules for the purpose of enabling this body to vote on a divided issue of the constitutional amendment separate from the full report on federalism. If you will accept the motion, I would like to
explain my reason for it.

CHAIRMAN SUNUNU: There is a motion to suspend the rules. Is there a second to the motion to suspend the rules?

(Motion seconded.)

CHAIRMAN SUNUNU: Motion to suspend the rules is nondebatable. It requires a 3/4 vote.

All those in favor of suspending the rules, say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: All those opposed --

GOVERNOR ROMER: Excuse me, Mr. Chairman, can I speak to why I made the motion?

CHAIRMAN SUNUNU: It's nondebatable, Governor.

GOVERNOR ROMER: The reason I made the motion was let's get off this raising the hands bit. Let's give this body an opportunity to vote on this on some record beside raising the hands. And at least this motion will do it. Also at stake, it's not just the issue, but it's the way in which we do business here. Many people here want to say something on the record and we have not yet had a chance to do it and this motion would give it.

GOVERNOR MC KERNAN: Mr. Chairman, I ask for a roll call on the motion to suspend the rules.

CHAIRMAN SUNUNU: Motion has been made to suspend
the rules. It has been seconded. We will move to a vote.

All those in favor of suspending the rules, say aye.

(Chorus of ayes.)

CHAIRMAN SUNUNU: All those opposed, nay.

(Chorus of nays.)

GOVERNOR KUNIN: I would request a roll call vote.

CHAIRMAN SUNUNU: There is a request now for a roll call vote on suspending the rules. We will have a roll call vote on suspending the rules.

MR. WRIGHT: There are two different roll call. You can raise your hands. The ayes raise their hands, then the nays raise their hands. A roll call by name of governor will request 10 governors to request a roll call vote.

GOVERNOR MC WHERTER: I want to ask a parliamentary inquiry. Mr. Chairman, I am going to ask you to explain what we are voting on.

CHAIRMAN SUNUNU: There is a motion to suspend the rules, to return to a previous section, and we have had --

GOVERNOR MC WHERTER: What are we voting for?

CHAIRMAN SUNUNU: If you vote in favor of suspending the rules, we will then take a vote on returning to the previous section. If you oppose suspending the rules, we move forward.

Roll call vote.

GOVERNOR MC WHERTER: You didn't answer my
question, in all due respect to you now. I asked for a
division of the question. You made a ruling on that. But in
his motion he said he wanted to divide the question and vote
on the amendments, the amendment part to the Constitution.

CHAIRMAN SUNUNU: He wanted to move back to the
previous section and indicated in his comment that he would
then ask to have the section --

GOVERNOR MC WHERTER: So I ask for a parliamentary
inquiry. Actually what are we voting on?

CHAIRMAN SUNUNU: You are voting to suspend the
rules.

GOVERNOR MC WHERTER: For what purpose?

CHAIRMAN SUNUNU: So that we can then take a vote
to return to a previous section, so that we can then take a
vote to divide the question.

GOVERNOR ROMER: I want to withdraw my motion. I
just appeal the ruling of the Chair. I understand it's a
majority vote; is that correct? I want to appeal the ruling
of the Chair that we cannot have a recorded vote on that
issue and a divided vote.

CHAIRMAN SUNUNU: The Chair never ruled you could
not have a recorded vote. The Chair had ruled that we had
gone on to a succeeding section.

GOVERNOR ROMER: Then I want to repeal that ruling
of the Chair.
GOVERNOR MC WHERTER: Point of parliamentary inquiry. Would that not take the withdrawal of the second to the motion prior to the withdrawal of the motion?

GOVERNOR BLANCHARD: I withdraw my second to the earlier motion to permit the appeal of the Chair.

GOVERNOR ROMER: I just want to get this body on record as whether we are for or against this. I appeal the ruling of the Chair.

GOVERNOR MC WHERTER: I second that appeal.

CHAIRMAN SUNUNU: I have conferred with the vice chairman, and the conclusion is that we will move on the vote to suspend the rules. A roll call vote, we will take it by raising of the hands.

GOVERNOR ROMER: I withdraw that motion.

GOVERNOR CAMPBELL: A vote had been ordered. You withdrew too late.

GOVERNOR ROMER: I withdrew the motion.

CHAIRMAN SUNUNU: We'll move to a vote. All those in favor of suspending the rules, please raise your right hand.

Those opposed?

The vote fails, 19 to 18.

GOVERNOR ROMER: Mr. Chairman, I appeal the ruling of the Chair.

GOVERNOR MC KERNAN: Mr. Chairman, parliamentary
inquiry.

CHAIRMAN SUNUNU: Governor McKernan, parliamentary inquiry.

GOVERNOR MC KERNAN: Is there a time limit under which you can appeal a ruling of the Chair? Do you still have to be conducting the same business or can you do it any time at any meeting based on any prior ruling of the Chair? Or does it require suspension of the rules once we have moved on to a new section?

MR. WRIGHT: It occurs at the time when you are debating the policy statements. We have gone way beyond that time.

GOVERNOR MC KERNAN: So I would ask again if it requires a suspension of the rules in order to appeal the ruling of the Chair.

CHAIRMAN SUNUNU: We just voted on suspension of the rules. The motion was defeated. We will now move on. The next item is the report of the nominating committee. May I have the report of the chairman of the nominating committee.

GOVERNOR KUNIN: Mr. Chairman, it seems to me that earlier you said the ruling of the Chair could be appealed at any time.

GOVERNOR WILKINSON: That's precisely correct. That's what you did rule, Mr. Chairman.
CHAIRMAN SUNUNU: We will move to the report of the nominating committee. Governor Clinton.

GOVERNOR ROMER: Governor Sununu, I still have on the floor a request to appeal the ruling of the Chair. Will you entertain that?

GOVERNOR WILKINSON: I have made that second, Mr. Chairman.

GOVERNOR CLINTON: I would ask leave of the body to just present this committee while they discuss this issue. If I might, the report of the nominations for the Executive Committee. Governor Blanchard, Governor Kean, Governor Campbell, Governor Bangerter, Governor Sullivan, Governor Clinton, Governor Sununu until January of 1989, to be succeeded by Governor Ashcroft, Governor Branstad and Governor Baliles. Is there a motion to constitute this body as the Executive Committee?

Governor Kean, second?

GOVERNOR CARRUTHERS: Second.

GOVERNOR CLINTON: Motion has been moved and seconded. All in favor.

(Chorus of ayes.)

GOVERNOR CLINTON: Do we have a vote? Any opposed?

Thank you very much, Mr. Chairman.

CHAIRMAN SUNUNU: Let me make a suggestion that...
might deal with this issue in a way that you will feel comfortable. Since the point is to record the individual feelings of the governors, we will make provisions for any governor that wishes to comment on their position on the federalism issue to be appended to any communication that will take place from the NGA relative to Congress on the issue that we have memorialized. And in that way you may record either your opinion, your vote or your feelings, and I think that will serve the purpose that was raised by Governor Cuomo.

GOVERNOR CUOMO: May I say, Governor Sununu, that I am grateful to you for your patience. I think that's an admirably fair resolution, speaking for myself personally, and I thank you for it.

GOVERNOR ROEMER: Let me comment, John, if I could, and say thank you as well. I do think that gives us a legitimate opportunity to state our pros and cons on the issue. I would also like to say that in terms of the politics of it, I'm probably the most nonpartisan fellow here. I get blasted by both sides. John McKernan and Carroll Campbell and I worked for years in the United States Congress at which I supported a balanced budget amendment to the Constitution and a line item veto. Politics is not the issue here. Never was and never ought to be, John.

CHAIRMAN SUNUNU: Governor, I understand that, and
I hope you understand one of the problems we have is that we operate with a relatively informal set of rules of procedure and we have tried to accommodate everybody's comments at every portion in the process. And in a way, opening it up to too much discussion created some of the difficulty.

Mr. Parliamentarian, where are we?

Governor Clinton, did you get a vote or did you just move and get a second? You got a vote. See, you did better than I did.

Couple of items before we move to a close. First of all, I would like to thank Ms. Laura Cobb, who has been the signer, not only here but at virtually every event. She's done a superb job.

(Appause.)

CHAIRMAN SUNUNU: Secondly, I would like to, on behalf of all the governors, extend our thanks to Governor Dick Celeste and Dagmar Celeste for what has been a tremendously hospitable and well-run sequence of events here in Cincinnati. On behalf of all of the governors, I think we ought to stand up and give them a rousing applause for what they have put together.

(Appause.)

CHAIRMAN SUNUNU: Obviously, with all the discussion that has taken place here, it is clear that being governor is one of the nicest jobs and most fun in the
country. It does place us in a relatively small club where we get to know each other and our families in a very close and personal way. It is very true that amongst ourselves, once a governor, always a governor, and it is with those thoughts that we say so long to Governor Ted Schwinden and his family.

Ted, you will only be leaving us as an active member. We know that you may be back, like four others who have come back at some time in their career: Governors Clinton, Dukakis, Perpich and Moore.

Governor Ted Schwinden was last reelected by 70 percent of the vote. He still has his home number listed in the phone book. He initiated the multistate Clark Fork River Basin plan to preserve this national resource for its national beauty and recreational values, and his Build Madonna program to strengthen the economy has been nationally recognized. He has served us all in the nation as the only governor to serve three terms as Chair of the Agriculture Committee and as our spokesman and leader in the difficult 1984 farm crisis.

Governor Ted Schwinden, we are proud of you and know that you will continue to serve the state of Montana and the nation in the years to come. Ted, we wish you continued good health and happiness in the years to come, and would you come up and let us give you a plaque here.
(Applause.)

CHAIRMAN SUNUNU: Dick, you wanted to say a few words. Would you come on up.

GOVERNOR CELESTE: You thanked me, Governor Sununu, but I want to thank you and Nancy, I want to thank Governor Jerry Baliles and his wife Jeannie, and all of my colleagues for being here in Cincinnati for the past, in some cases four days, and Ray Scheppach and the NGA staff for the way in which they cooperated. But I especially want to thank all of the host committee here in Cincinnati and the volunteers, because I think my colleagues would agree with me, they are the ones who really have done an outstanding job making all of us feel at home here. My home town is Cleveland, so they have to go out of their way to make me feel at home here.

To Len Roberts, Laura Kaiser and Jim Byron, everyone else who put this together, Carl Lindner and Dr. Charles Barrett who headed up the local efforts along with the local host committee, I'm deeply grateful. They would not want me to pass up an opportunity to make sure that it is on record that we want you all to come back to Cincinnati 20 years from now as we came back in 1988 after the last one. We are glad to have you here and we really want you back soon and hope that you take many, many good feelings of Cincinnati home with you. Thank you.
CHAIRMAN SUNUNU: I know the hour is late. I just want to make some brief remarks before I turn the gavel over to Governor Baliles. I want to thank you all for this chance to have served as chairman for the past year. It has been one of the most gratifying experiences I have had as a governor, and I have said a number of times that being governor is in itself probably the best job in the country.

We have focused on an issue that I thought was not a very interesting and sexy issue, but the debate here this afternoon perhaps has changed my mind on that. But it is an issue that I believe is important. I think, in the next decade, the relationship between state governments and the federal government are going to be critical. Although we may not agree on what direction the changes and the reestablishing of parity, or balance, or equivalency may take, I think we all agree that perhaps the system as it stands right now does need, at the very least, some fine tuning.

I have been pleased that the efforts we made to change the conditions under which we operate in many areas under rules and regulations of the federal government have borne fruit and that the efforts we made were very successful in achieving some significant change there.

On the broader issue that we talked about for a
little while today, the broader issue of the possibility of the states' balance in initiating amendments to the Constitution be restored, certainly we have seen that there is a variety of opinion there. But one of the principal goals was to heighten awareness to the importance of this issue, and I would hope that the kind of debate we have had here, the memorializing of this issue by resolution of Congress and all the well thought out and brilliantly crafted appendices that you will provide to that resolution, will focus on the fact that here is something that ought to be thought about, ought to be examined, and at some appropriate time, perhaps acted on.

It has been a great experience, I thank you for the chance, I have enjoyed it, and I am sure that the saying of "once a governor, always a governor" applies. I look forward to my last six months with you. Thank you very, very much.

(Applause.)

CHAIRMAN SUNUNU: Ladies and gentlemen, I give you the new chairman of the National Governors' Association, Governor Jerry Baliles of Virginia.

(Applause.)

CHAIRMAN BALILES: Thank you, John.

Ladies and gentlemen, it's a privilege to serve as chairman of the National Governors' Association, and I accept
this post in anticipation of what we can accomplish together. On behalf of the membership of the NGA, I would like to express our gratitude to Dick Celeste and the great city of Cincinnati. The governor and his staff have put a lot of work into this meeting. The social events made it fun. Careful planning and organization made it productive. The city of Cincinnati has been exceptionally gracious. There is a real pride in this community, and it has been a pleasure to share it for the past few days. So to Governor Celeste, his staff and all those in Cincinnati who labored to make this 80th meeting of the NGA successful, thank you very much.

I also want to thank the outgoing chairman for his work during the year. Governor Sununu has worked hard. He has been a good chairman. Not only that, he has reenergized a two-centuries-old debate on who has power in the American political system and how much. As you can see from this morning's exercise, that debate continues.

Today Washington is more aware of state concerns. With the President's personal support, Governor Sununu led the most comprehensive review of federal regulations in decades. He leaves office this fall after three successive terms as governor of New Hampshire. So we wish John and Nancy all the best in the years ahead, and we thank him for his service and commitment to NGA.

ACE-FEDERAL REPORTERS, INC. Nationwide Coverage 202-347-3700 800-336-6646
At this time I would like to present John with a plaque with no recommendation for the use of a gavel on it.

(Appplause.)

CHAIRMAN BALILES: Ladies and gentlemen, I have prepared and distributed copies of my remarks for this afternoon. However, I had intended to deliver the address in its entirety, but after consultation with Governor Bill Clinton, I have decided not to.

You do not need me to tell you about the international economy. You live with it every day. You do not need me to tell you about the depth of the federal budget deficits, where America has dug itself into a very deep hole. The only issue is what are we prepared to do about it?

Here is the logic of our situation. Economic strength requires economic growth. Economic growth depends on an ability to compete. An ability to compete rests upon productivity, innovation and investment.

We must understand that the rules have changed, reconsider our priorities and design a practical and pragmatic course of action, and I propose that we do so by advancing on two fronts. First, we will reach beyond state borders. Second, we will work to strengthen within.

Let us first consider the world beyond our borders. Commerce and the development of nations go hand in hand. The history of one is the history of the other. Yet,
until the late 20th century, one could still draw a clear line between foreign and domestic trade policies. There was a separate place for each, but today that line has been blurred. The era of sheltered industries and self-sufficient domestic economies has ended. The new global economy respects no national boundaries.

Between 1960 and 1984, the U.S. percentage of world exports shrank by nearly one third. Trade deficits have been tenacious. Competition is predatory. America should be the most international nation on earth. The historian Oscar Hamlin once wrote, "I thought to write a history of the immigrants in America. Then I discovered that the immigrants were American history."

So a nation of immigrants and expatriates ought to understand better than any nation the diversity of the world. And yet, the opposite seems to be true. By all measures, Americans in large numbers neither know the languages nor the geographic characteristics of the nations with which we now economically compete.

Foreign languages are the languages of trade. Charts and maps are the languages of geography. We know neither well enough and it is time to do things differently.

American education must no longer be circumscribed by national boundaries. We must prepare to do business everywhere on the face of the earth. We must restore our
skills as international traders, as international innovators and as international leaders.

How are we to sell our products in a global economy, when we neglect to learn the language of the customer? How are we to open overseas markets when other cultures are only dimly understood? How are our firms to provide international leadership when our schools are producing insular students?

So the imperatives are clear. It is time to learn languages. It is time to learn geography. It is time to renew our emphasis on research and development. And I propose that we do so.

I propose that we organize a battery of task forces, each with a specific charge and chaired by a member of this association. The task forces will analyze the issues, diagnose the problems, hold hearings and offering recommendations.

To develop a plan for seeking new markets for existing products and creating new products for existing markets, I have asked Governor Ray Mabus of Mississippi to chair a task force on foreign markets. To learn what we must do to teach the languages of trade and the geography of nations, I have asked Governor Tom Kean of New Jersey to chair a task force on international education. To start cultivating a new era of American research, to put us on the
leading edge of international competition, to learn better
how to export ideas, technology and communications, Governor
John McKernan of Maine has agreed to chair the task force on
research and development. This is our plan for reaching
beyond our borders.

As we reach out to new markets, to acquire new
perspectives and secure new knowledge, we must work to
strengthen America's economic position within our borders.
If America cannot sell to itself, if America's children are
unprepared, if America cannot move its products and people,
and if the federal budget remains in the red, then America
simply cannot succeed in the global economy.

Our market, the American market, is the largest of
them all. Isn't it time to ask why we are having such a hard
time selling to ourselves? Private industry must answer that
question but government can help with the answer, and I say
that we should do so.

American producers must regain the confidence of
American consumers. So I have asked Michigan Governor Jim
Blanchard to chair the task force on domestic markets.

Infrastructure, that's what this economy rests
upon. It is fundamental to economic growth, and there's no
better example than Cincinnati. Founded 200 years ago,
Cincinnati grew to become a great trading center. Why?
Because the people of this city took a great resource, the
Ohio River, and built canals and waterways to move products to the market by steamboat. In short, they invested in infrastructure, in transportation. They built for the future. I think we must do the same today.

In order to grow, the building blocks of commerce must be in place. Products must reach the products. Telecommunications must join the centers of production. Workers must reach the offices. Utilities must serve our communities and permit them to grow.

But in the last quarter of the 20th century, our urban roads have become highways of frustration. They are tangled and inadequate. How can we expect to compete in the global economy if we cannot get to work across town and our products to market?

Our airports have become the black holes of transportation. It's too much aluminum in the air and not enough concrete on the ground. How can we expect to succeed in the age of the jet with airports designed in the age of the propeller?

Sewers are deteriorating, bridges are too old and utilities are strained. Solid and hazardous waste disposal threatens our environment. How can we expect our economy to meet the future when our resources are being strained and wasted?

To start finding answers and planning a strategy,
I have asked Governor Jim Thompson of Illinois to chair the task force on infrastructure.

The future is no further away than the school yards and nurseries of America. There you will find the doctors, technicians, builders, lawyers, engineers, managers and the teachers and workers of tomorrow. It takes a dozen years to build a power plant. It takes a half dozen years to build a road. For the children and the workforce they will become, the lead time is far greater. The child left in ignorance and poverty in 1988 is the unemployed adult of the 21st century.

To each generation comes a responsibility to prepare the way for the next. We cannot afford delay, inaction or indecision. The protection and the promise of our children must be our priority now, and Governor Bill Clinton of Arkansas will chair the task force on children.

The national debt, it is America's handicap in the international race for economic success. In a competitive world, who would argue that we can long endure the drain on our nation's capital resources? The National Economic Commission has been created and is now meeting. It will report to the next President and the next Congress. With its report it has the potential of being one of the most important study commissions of our time. The perspective of the states must be reflected in that report. We all shared
in the federal deficit's creation; we must all share in its reduction. Governor Mario Cuomo of New York will chair the task force on the federal budget deficit.

America is in transition. These action task forces are designed to help. They will put the National Governors' Association's resources to the task of exploring the international frontier and preparing a strategy for success.

Of course, other projects of the NGA, such as agriculture, energy and the environment, law enforcement and human resources, will continue through the standing committees. Appointments have been made and committee assignments have been set. We are ready to go to work.

But remember this. Government at any level should not try to be all things to all people. We cannot ensure success for every citizen. We cannot guarantee profits for every business.

Still, it is the obligation of America's governors to inspire and to imagine and to lead. Our job is to acknowledge our challenges, draw on our strengths and seek results. This is a proposal to do just that. Thank you very much.

(Applause.)

CHAIRMAN BALILES: My first official act as chairman is now to call Governor Clinton and Governor Dukakis
to the podium for a presentation.

GOVERNOR CLINTON: Governor Dukakis and I, and I am sure we speak for all of our Democratic colleagues, are immensely proud of the opportunity that Governor Kean has been given to deliver the keynote speech at the Republican convention. We were discussing it and thought that this would be an appropriate time for me to offer to write the speech and for Governor Dukakis to offer to sign off on its contents and length.

Failing that, I would like to ask Governor Kean to come to the platform so that Governor Dukakis can make a presentation to him as an expression of our affection, admiration and best wishes as he travels to New Orleans.

(Applause.)

GOVERNOR DUKAKIS: This, as we all know, is a very, very good man and a very decent human being.

(Applause.)

GOVERNOR DUKAKIS: We have been friends and colleagues for a long time and I know he is going to demonstrate the same kind of gentleness and sensitivity in New Orleans that he always has to me and to all of us.

Governor Clinton has said, Tom, that if for some reason you can't do it, he will be happy to do the same fine job at the Republican convention that he did for me at the Democratic convention. Just in case you have the same
problem he did, we thought you might want to take this to New Orleans with you.

(Applause.)

GOVERNOR KEAN: Not a bad idea. I thank Governor Clinton for the suggestion. And I know and I hope that Governor Dukakis will feel the same friendly thoughts for me after the speech as before.

(Applause.)

CHAIRMAN BALILES: I would remind the members of the new Executive Committee of our meeting 30 minutes after adjournment in room 220 of this convention center.

GOVERNOR SINNER: Mr. Chairman, could I suggest that you try and acquire a calendar to give to Bill Clinton for his next speech?

CHAIRMAN BALILES: Who? Do I hear a motion that we adjourn? Second?

All in favor say aye.

(Chorus of ayes.)

CHAIRMAN BALILES: Adjourned.

(Whereupon, at 12:07 p.m., the plenary session was concluded.)