

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

ORIGINAL

1991 WINTER MEETING

PLENARY SESSION

Washington, D. C.

Tuesday, February 5, 1991

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1991 WINTER MEETING

PLENARY SESSION

J. W. Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Grand Ballroom

Washington, D. C.

Tuesday, February 5, 1991

9:40 a.m.

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P R O C E E D I N G S

GOVERNOR GARDNER: Ladies and gentlemen, governors, it's my pleasure to welcome you to the 1991 winter meeting of the National Governors' Association.

I now call this meeting to order.

And ask for Governor Ashcroft to give a motion to adopt the rules of procedure.

GOVERNOR ASHCROFT: So moved.

GOVERNOR GARDNER: Governor Roemer to second?

GOVERNOR ROEMER: Second.

GOVERNOR GARDNER: All in favor, say aye.

(Chorus of ayes.)

GOVERNOR GARDNER: We have three speakers this morning. The first is on the subject of health care, a subject we've discussed in our Governors Only meetings and Health Care Task Force meetings.

We've also briefed the President and we're briefing Congress today on our concerns with regard to Medicaid mandates. It's an issue which is very close to all of us and on our minds.

We are fortunate, today, to have with us, Mr. Willis Goldbeck. Mr. Goldbeck brings a rich background in both health care issues and business.

In 1974, he founded the Washington Business Group on Health to give major employers a new and credible voice

1 in national health policy.

2 Today, the Group remains the only national
3 organization dedicated to this task.

4 He has also worked as a correspondent for Time
5 Magazine and taught political science in the Regents School
6 in New York.

7 Currently, he is helping the World Health
8 Organization explore ways in which European health systems
9 can respond to the rapid changes taking place in Europe.

10 Please join me in welcoming Mr. Willis Goldbeck
11 to the podium.

12 (Applause.)

13 STATEMENT OF MR. WILLIS GOLDBECK

14 MR. GOLDBECK: Mr. Chairman, ladies and
15 gentlemen.

16 It's a great pleasure to have this opportunity to
17 share some thoughts with you on the directions of health
18 care in the United States; those we unfortunately have been
19 taking and those we might take.

20 The United States has the most contradictory and
21 poorly designed health care system in the modern world.

22 Medicare policy consistently fails to meet the
23 constituency for which it is designed, and Medicare solvency
24 has been predicated on the shifting of economic
25 responsibility, rather than on the constructive management

1 of sound programs.

2 Medicaid, while wonderful in certain
3 circumstances for certain individuals, clearly cannot be
4 called a success when some fifty percent of those for whom
5 it's intended cannot obtain access.

6 Medicaid must be reconstructed on the basis of
7 the negotiation of fair rates and one hundred percent access
8 for those who are deemed eligible on a national basis.

9 The third leg of the U.S. health care system has
10 been the employer-based insurance. This has been suppos dly
11 the building block of our uniquely American process.

12 However, for the last decade, we have been going
13 progressively down hill in this sector, as well.

14 Retirees losing benefits, dependents losing
15 benefits, increase in part-time employment without benefits,
16 the same with leased employment, small business has stopped
17 volunteering to provide benefits. The big buyers are not
18 yet tough enough on the providers.

19 There has been a good side. In the last decade,
20 we have experienced the benefits of investing in prevention,
21 employee assistance programs, hospice and disability
22 management, elder care, long term care, although usually by
23 other names, data systems at the state as well as business
24 level, quality initiatives, cost management technologies
25 through purchasing models, smoking controls, creation of the

1 objectives for the nation in the year 2,000, and the
2 beginnings of some understanding of how one might integrate
3 better use of market forces with appropriate regulatory
4 structures, rather than incorrectly thinking of those as
5 automatically opposed.

6 I think one of the most frequently asked
7 questions is whether or not we can afford to reform our
8 health care system. Can we afford to bring in the
9 uninsured.

10 The uninsured are in, and eating your wallets.
11 They're just not getting appropriate care, and some are
12 dying, as a result, unnecessarily.

13 Between now and the year 2,000, the United States
14 will spend a minimum of \$8 trillion on its health care
15 system.

16 By 2010, and as far as I know, all of your states
17 want to be around by 2010, we will have invested another \$20
18 plus trillion in health care.

19 There is absolutely no health care system that
20 you can conceive of that we can't buy with \$20 trillion.
21 It's a question of whether we're willing to actually sit
22 down and design the use of that money so we get a return on
23 the investment at all levels, both of governance, and the
24 private sector.

25 Being able to cope with the structural issues of

1 financing, design, and delivery of health care brings us
2 face to face with the contradictions of our public policies
3 at both the Federal and National level.

4 Here we are at the very time the Federal
5 Government is exhorting people to take better care of
6 themselves, to establish prevention programs, to stop
7 smoking in the United States, and we have explicit foreign
8 trade policy to support the tobacco industry, to kill as
9 many people in the third world as we can in the next decade.

10 These kinds of policies are well noted in the
11 international competitive community.

12 The same kind of contradictions are meted out
13 when you look at the high praise for the last decade of
14 American history in which we had, quote unquote, the
15 greatest decade of sustained economic growth in our history.

16 Yet, every social indicator went down,
17 particularly those for children.

18 Reports as recently as last week corroborate that
19 generalization.

20 You can't invest in health intelligently at the
21 state level with all of the budget constraints. You can't
22 do it at the Federal level. And you surely can't do it
23 within an individual, private sector company or union, in
24 the face of such blatantly contradictory directions.

25 In essence, the U.S. health system has not

1 changed since the mid-60s; lots of tinkering around the
2 margins but no systemic change.

3 But look at what has happened to the constituency
4 since that period of time.

5 In 1974, when we started the Washington Business
6 Group on Health to try to involve the private sector for the
7 first time, there were 12 active employees for every retiree
8 that American business provided benefits for. Today, it is
9 three. Many companies are down to having one active worker
10 for two covered retirees.

11 That is as clear an issue in international
12 competition as anything you could imagine. It is also an
13 explicit state issue because the next company to bring
14 retiree medical benefits into their portfolio hasn't been
15 started yet.

16 There isn't going to be any more of that kind of
17 social policy in the private sector in the face of the
18 changing demographics, combined with economics.

19 We have a new generation of people 50 to 75,
20 languishing in early retirement, consuming massive amounts
21 of unnecessary health care, not because they got sicker but
22 because they got useless. They were declared useless by
23 retirement policies.

24 And we don't have a good system for integrating
25 change in retirement with change in health.

1 The same is true at the other end of the life
2 cycle with education. So many of you are involved at the
3 state level with trying to bring about recovery in education
4 systems.

5 But that, too, is a closely connected health
6 issue. You cannot -- there is no amount of money you can
7 invest in education, if the kids come out of the first grade
8 malnourished, unloved, no self-esteem, no capacity to
9 assimilate your new investment in the desire to make them
10 more useful citizens at a later stage.

11 Increasingly, they are unemployable, but
12 phenomenal consumers of health care resources; all unpaid
13 for.

14 By the year 2,000, 67 percent of the work force
15 of the United States will be between the ages of 48 and 53.

16 Nursing home residents, the demand will have gone
17 up 58 percent but we haven't begun to grapple with whether
18 that's even necessary, much less how to create it and
19 finance it.

20 In 1978, 33 percent of women were at work; by
21 1988, it was 65 percent. It will continue to grow. We have
22 already exceeded 50 percent of all women in America with a
23 child under the age of one, working.

24 We do not produce health policy changes at a
25 similar rate.

1 We are also kidding ourselves a little bit about
2 the uninsured.

3 We happily talk about the 31 million, and that's
4 almost become a sense of a manageable number because the
5 same number's been used for quite a while.

6 In fact, it's closer to 70 million, because there
7 are 68 million and change who do not have health insurance
8 for at least one month of the year. And unless one of you
9 has come up with a truly magical system where you can
10 guarantee that you will not have any illness or injury
11 during the period when you're uninsured, only during the
12 periods where you are insured, periodic uninsurance is in
13 fact total uninsurance from a policy perspective, from the
14 measurement of economic perspective, from the ability to
15 make any kinds of budgetary projections on consumption.

16 It's also true that the uninsured bring about a
17 great many other costs on your states and on society
18 generally. Just the fact that being uninsured so greatly
19 increases the rate of hospitalization and even dying from
20 such illnesses as hypertension point to that fact.

21 There are a number of lessons from the foreign
22 communities that are valuable in the United States, not to
23 photocopy, but from which we can gain insight.

24 I think it's particularly illustrative that there
25 are seven points of commonality that cross the bulk of the

1 European systems, the Canadian system, the Japanese system,
2 and work regardless of financing mechanisms or demographic
3 and cultural diversity.

4 All of these systems have a public policy,
5 publicly supported. The public knows what their national
6 health policy is.

7 Of course they don't have unanimity of support,
8 but they have general agreement and political consensus to
9 leave something or to recreate it, as the case may be.

10 Those policies are perceived as ethical.

11 And in the European context, those policies are
12 coordinated by such international efforts as the World
13 Health Organization's program in Europe, under the aegis
14 called Health For All, in which all 32 nations have agreed
15 to a common set of health principles that should guide their
16 respective national health policies.

17 It would be like having all the states come to
18 grips with what we want the American health picture to be
19 like, and then all deciding that each state health policy
20 and program has to sort of pass that screening test.

21 We've never taken that step. But amazingly, 32
22 countries in Europe have done so quite successfully.

23 The second thing is that all these countries have
24 a health budget. They're called different things. They use
25 a different degree of severity but, nonetheless, they all

1 have a health budget.

2 They know what they're aiming at, and they know
3 what the problem is, if they have to make an exception.
4 They do make exceptions. It does not have to be *, but at
5 least they know an exception from one.

6 All the countries negotiate with providers.

7 No country says, we'll let everybody that wants
8 to sell us a service charge whatever they want in whatever
9 fashion they want, include whatever business or marketing
10 costs that they want, and then, from that charge, we will
11 then attempt to construe some method of managing the cost.

12 Nobody else does it that way.

13 Number four, insurance as a commercial product is
14 never the basis for obtaining access; only supplementary
15 coverage.

16 The reason for that is that all the other
17 countries start from that policy perspective that everybody
18 has to be in the system. And commercial insurance is
19 inherently an exclusionary process to obtain profitability.
20 That's not morally incorrect if that's what you want.

21 But if we're in the process of trying to move the
22 United States to have everybody in the system in some
23 fashion, you can't then decide it's going to be predicated
24 on an exclusionary model.

25 Those are just distinctly juxtaposed to one

1 another.

2 The fifth item is that the employer role is
3 defined by government. It varies all over the map in
4 Europe. And in virtually every country, employers are
5 involved. It has not been an absence of private sector
6 involvement, but it's been an absence of the kind of private
7 sector involvement, such as our own, where any company can
8 say, simply, my involvement will be no involvement.

9 There is less willingness in Europe to let people
10 vote out of the entire system and let their neighbor or
11 competitor pick up the price tag, or their public sector
12 carry them.

13 One of the results of the first five items is
14 that the administrative payment processing and marketing
15 costs, the management costs within the health care systems
16 in all of those countries, are dramatically reduced,
17 compared to our own.

18 That represents, to some degree, an avenue for
19 savings in our own, as we move into consideration of
20 adopting at least some of the points that I've already
21 delineated.

22 What's interesting out of this is that all of the
23 countries that I mentioned, despite the items listed above,
24 are starting to have cost problems, as well; nowhere near as
25 severe, nowhere near as severe politically, because the cost

1 problems have not yet represented people being left out of
2 the system, only people being charged more or having a
3 service somewhat delayed, which has been done within the
4 culturally accepted values of those countries.

5 They are all delighted to look to the United
6 States as their laboratory and to the individual states as
7 their laboratory, as well, being as many of your states are
8 the size of their nations.

9 The developments in DRG systems technology
10 assessments, quality management systems, cost management
11 technologies, disability management utilization review,
12 prevention programs, all of those are going to be copied and
13 integrated by our foreign competitors, far faster into their
14 systems than we will have the capacity, politically, to
15 adopt the more macro level systemic changes into our
16 country, when they have been proven to be successful.

17 I think it's important, when you go through a
18 list like that, to realize that we are not talking about
19 radically different places within the countries in Europe
20 that are those from which we might learn any lessons.

21 Aging is a similar status, in fact, worse in most
22 than it is here.

23 They have the same problem with their children
24 with the exception of from Ireland.

25 The birthing rates are less than ours in almost

1 all the countries.

2 The integration issues are very similar to ours.

3 Working women issues are heading on exactly the
4 same curve as ours.

5 This is not some weird foreign setting, from a
6 sociological and demographic standpoint, that would
7 invalidate the kinds of examples or lessons that I'm
8 suggesting that we might pay attention to.

9 One of the other things that is taking plac in
10 the European context is that they are viewing the promotion
11 of health as a truly nationwide comprehensive responsibility
12 that fits every department of governance.

13 They want all agricultural schools to pay
14 attention to health.

15 They want architecture to pay attention to
16 health.

17 They have a program called healthy cities,
18 healthy schools.

19 They are now developing a program in Europe
20 called "healthy companies."

21 The point of all of this is that the sense of
22 environment -- not just the natural environment and its
23 preservation -- but all elements of one's environment that
24 could contribute to health enhancement, and therefore less
25 waste within the economics of health, are now being

1 considered in an increasingly integrated fashion.

2 And that is certainly a lesson worth paying
3 attention to.

4 Shifting from Europe to the private sector in th
5 United States, there are a few, I think, lessons from the
6 last half dozen or so years that are worthwhile mentioning,
7 and also suggest the policy objective that the private
8 sector will increasingly support.

9 What the private sector employer -- by private
10 sector, I'm talking about the purchasers, your counterparts,
11 not the doctors and the hospitals, but your counterparts as
12 buyers and distributors of this social services.

13 It's a very simple list. They want value,
14 quality, efficiency and accountability.

15 Most of that has not been inherent in the way
16 we've financed or distributed health care. And it seems to
17 me that that's exactly what states ought to want, as well.

18 There really should be no diversity of need
19 between a Weyerhauser in your state, sir, and the state that
20 you run.

21 In this case, whether you are serving the poorest
22 person in the state, you want value, you want quality
23 services, you want an efficiently delivered, and you want
24 accountability for what you deliver. There is no
25 distinction.

1 We need to recognize that we cannot afford to
2 sustain the concept of community standards of medical
3 practice.

4 We need national standards of medical practice,
5 predicated on national science base and on the fact that
6 science does not vary by zip code or political structure.

7 And the art of medicine should be built upon the
8 top of the science, not the other way around.

9 We need to recognize and tell the truth about
10 rationing. We do ration care in this country. We should
11 not fear another system that might lead to some rationing.
12 We have as much rationing right now as any country in the
13 world.

14 We also have unnecessary, wasteful rationing
15 generated in duplication of services.

16 Right here in this immediate area, just a very
17 few years ago, we had seven medical centers apply for heart
18 transplant capacity. The political process was a total
19 failure. Everybody had to get their transplant center. The
20 only way you could have had enough volume to legitimize that
21 from a medical standpoint would be if you transplanted the
22 entire Congress every other year.

23 It simply isn't possible to do these things.
24 Volume isn't the essence of quality in most medical care. We
25 have to be willing to say, no, if we're going to have the

1 economic capacity to say, yes, where it is necessary.

2 We need malpractice reform. And I would
3 suggest, even though this is a state audience, that we need
4 it at the Federal level.

5 I was there at the meeting in 1976 here in the
6 Washington metropolitan area when the states said, leave us
7 alone, we'll do it. We'll have it all solved in three
8 years.

9 I don't think the history books will suggest that
10 the malpractice problem has been resolved in the ensuing
11 much more than three years. And I think it is time to
12 recognize that this is a Federal Tort reform issue and take
13 it on at that level, and see to it that the trial lawyers do
14 not win.

15 We need to have Medicaid based on a national
16 eligibility standard at 100 percent of Federal poverty, a
17 buy in program above that that gives the capacity for small
18 employers to buy in, and for big employers to buy in for
19 workers who are below Federal poverty.

20 Because, in those cases, if those employers don't
21 employ them, they simply fall further under your state
22 rolls.

23 There is no particular advantage in giving
24 further incentives to big business to get rid of those
25 workers.

1 Of course, that's a hugely expensive endeavor,
2 but of course, it should not only be looked at from the
3 standpoint of tradeoffs within health. We need tradeoffs
4 within other sectors of our society as well. And they all
5 ought to be on the table at the same time.

6 States can become as aggressive a purchaser as
7 anybody in the private sector. And the States, in their
8 role as employer, have a commonality of need and a
9 commonality of opportunity.

10 States can be involved in coalitions directly
11 with the private sector as they were in Florida, and a
12 number of other areas.

13 We also have the issue of the increase in anti-
14 managed care, anti-utilization, anti-alternative delivery
15 system legislation cropping up all over the country at the
16 State level.

17 If the states ever want to be intelligent
18 purchasers of care, they're going to have to assist the
19 private sector purchasers in overcoming this provider driven
20 protection kind of legislation.

21 As it is now, there's legislation all over the
22 country, on the desk, if you will, and a few that have
23 actually passed, that would make utilization review
24 impossible unless the doctor was in the community and there,
25 personally; no telephone systems, no nurses involved.

1 negotiation for a benefit that may be taken away.

2 There is decreasing sympathy for the private
3 insurance industry. And that will certainly lead to further
4 fighting.

5 It seems fairly clear that where there are
6 provider-stimulated reductions in access to care, such as is
7 the case in many instances in the OB-GYN community, that
8 those communities suffering from that need the stimulus of
9 the states to encourage the presence of certified midwives.

10 That would produce two things: one, it will
11 produce care which has been studied over and over again for
12 some 40 years now, absolutely established as to its quality.
13 It will also get the OB-GYNs back to work because they don't
14 want the midwives to be paid, which is why the midwives are
15 not paid in most cases, today.

16 But where there are communities without OB-GYNs,
17 the advent of midwifery will solve the problem in at least
18 those two ways in relatively short order.

19 That's just one example of the kind of aggressiv
20 involvement that's going to be needed.

21 We need state health policies to promote health
22 throughout all aspects of government; not just classically
23 through the health office, health assistants. We certainly
24 need a national encouragement of state experimentation.

25 We need prompt acceptance, whether it's by HCFA

1 or other units of the Federal Government to grant the
2 necessary waivers that let plans, whether they be in Oregon,
3 Washington, Hawaii, or wherever else, to go forward and
4 properly evaluate and distribute the results for the benefit
5 of all Americans.

6 We need a collaboration between private sector
7 and public sector leaders to bring to the United States at
8 this time in our history, after a period of downturn for far
9 too long, a positive social agenda, designed to achieve
10 publicly supported goals and integrated to enhance
11 efficiency and efficacy.

12 This depends on state leadership. It does not
13 appear to be coming from anywhere else at this time. And I
14 can't think of a better audience that could produce th
15 results that would benefit the public and private sectors
16 together.

17 Thank you very much.

18 (Applause.)

19 GOVERNOR GARDNER: We have time for two or three
20 questions.

21 Do any governors wish to ask questions?

22 Governor Castle?

23 GOVERNOR CASTLE: Mr. Goldbeck, first, I agree
24 with almost everything you've said.

25 We may at the margin disagree, and somebody in

1 here may, but I think all of us have the same feeling. As
2 we've gone through these three days, I've sort of focus d
3 more and more on this.

4 And I'm just absolutely convinced that we can't
5 go on many more years as states with the health care cost
6 increases that we're facing now in our own insurance
7 policies for our employees which most of us have. And
8 particularly the Medicaid increases which are just
9 overwhelming us, and they're overwhelming the Federal
10 Government, too.

11 And you're right. You have some percentage of
12 the population that's getting no care at all. We seem to be
13 aimed more at the top than at the bottom. And there's just
14 a lot of malfunctions.

15 And I just want to ask you, if you've given any
16 thought to this, if you could build on what you said at the
17 end on what the States and the Governors can do.

18 I don't get the idea that other people feel the
19 same way that we do because we're pretty close to it.

20 I've talked to doctors who don't believe in
21 midwives or nurse practitioners.

22 I've talked to providers who don't want to hear
23 about being held down at all.

24 The public, in some sense, doesn't care that much
25 because a lot of the public that we see are not the on s

1 that don't have the health care; they're the ones who are
2 provided for.

3 Probably most of the people in this room today
4 are provided for, if I had to guess, so that we really don't
5 focus on them as much.

6 And Congress is sort of interested in using
7 Medicaid for a universal health care system, it would
8 appear.

9 That's probably a gross over-generalization, but
10 it's somewhat true.

11 My question is, how can we convince people?

12 It's sort of like education reform. We know what
13 should be done. We've been told by good educators what
14 should be done, but we can't convince people who,
15 themselves, are educated a certain way, that we should
16 change education.

17 The same thing is true in health care.

18 What can we do politically, public relations-
19 wise, or whatever, beyond just as governors, what can this
20 country do to make sure that we do focus on the fact that we
21 really have a problem and we really have to change it?

22 How do we get it on the nightly news?

23 What can we do to sort of heighten the awareness
24 of all this?

25 Because it just has to happen pretty soon.

1 I'm afraid it's going to happen after it's
2 totally broken and not before.

3 Do you have any ideas along the political lines?

4 MR. GOLDBECK: That was a comprehensive question
5 to a very sticky situation.

6 I think that in terms of the national scene,
7 generically this has to become a Presidential election
8 issue, before there will be sufficient pressure put on the
9 Congress after an election, to have something meaningful
10 come about.

11 And as long as the Congress can basically take
12 two steps to solve their health care economic problems: a)
13 give it to you; and b) give it to General Motors, where you
14 don't get to vote and neither does GM on the outcome. They
15 take that route as often as possible.

16 I am skeptical, given current events, that it's
17 going to make it through the next presidential election.

18 Therefore, those of you who are as concerned as
19 you are probably need to be plotting a longer term strategy
20 to see to it that there's no chance that it will fly past
21 the next one.

22 In the meantime, one of the things that I think
23 has to happen, which is entirely in your hands, is I think
24 the Governors need to become aggressively together about
25 what they're willing to suggest in the way of health

1 policies for states, and their role viz a viz the Federal
2 Government.

3 It's entirely too easy, right now, to divide the
4 governors, and say, well, we know you pay a lot of Medicaid,
5 so you're in one constituency. And those of you who don't
6 pay a lot, you're in another. And we'll have to deal with
7 you separately.

8 And you're a tobacco state, so we don't want to
9 talk with you. And you have more for-profit hospitals than
10 the next one, so you're going to be treated differently.

11 And you represent a different political tone.

12 If the governors want to play a significant role
13 in this, there has to be a coming past that, and a
14 presentation.

15 You can be on television; you truly could, with a
16 radicalization, if you will, of the perspective of the
17 governors, and a willingness to talk about the need for a
18 national health budget and how that would relate to state
19 budgets, for a willingness to stand behind the concept of
20 provider organizations, not taking them out of the privat
21 sector, but negotiating as major buyers at the Federal level
22 and the state level.

23 It's an open question whether you want to let
24 private institutions also negotiate. My own bias is, they
25 ought to be able to, but that's a challengeable bias.

1 Negotiation ought not to be a challengeable bias. Who does
2 it is highly variable.

3 I think we've got to have it clear that every
4 person in the United States has to register for a certified
5 health plan. There's an individual responsibility here, and
6 that will obviously ultimately have to be enforceable at the
7 state and local level.

8 Clearly, right now, by avoidance of a strong
9 cohesive position from states, you will then end up in a
10 situation where a great many cities become louder voices at
11 the Federal level, or rural groups, than do the states in
12 which they reside.

13 That is a terrible crack in what could be, I
14 think, a rather strong frontal position by governors.

15 GOVERNOR GARDNER: Governor Branstad?

16 GOVERNOR BRANSTAD: Mr. Goldbeck, you've
17 mentioned that you thought the states ought to be pro-health
18 and the governors ought to be proactive.

19 There are some specifics you recommended, and I'd
20 like to try to get more recommendations.

21 One is, I assume, strong laws and restrictions on
22 smoking, promoting health and nutrition and fitness,
23 resisting efforts to restrict managed care, and in fact, to
24 encourage more negotiated work in terms of managing the
25 cost.

1 What other specific things can we do, as
2 governors, in our role as chief executive at the state
3 level, in being pro-health and being proactive in dealing
4 with these issues, besides what we're doing as an
5 Association trying to bring this more into visibility at the
6 national level?

7 What can we do at the state level in this pro-
8 health, proactive role?

9 MR. GOLDBECK: I think there are two or three
10 specific things that may be of use.

11 One, to keep it in some of the international
12 context I was asked to cover, in Europe, the World Health
13 Organization has created a program called "Health Cities,"
14 where the mayors of 30 cities around Europe have agreed,
15 over the past five years, to supporting a prescribed set of
16 health policies, making a financial commitment a policy
17 commitment, and establishing a process within their cities
18 for the development of healthier policies and programs in
19 those cities.

20 The important thing there is, number one, it was
21 not strictly for them to deal with hospitals or clinics or
22 those things having to do with health. It had to do with
23 transportation patterns, environmental issues, it had to do
24 with building and development issues, economic development
25 issues. It had to do with recreation issues. It had to do

1 with the economic investment structure of the city, the
2 financial structure of the city.

3 In other words, the essence of that message was
4 to say, virtually everything that one does from a governance
5 standpoint can have a health perspective. And if you don't
6 look at it from a health perspective, it has a health
7 result, no matter what. So you might as well start to take
8 a pro-health posture in looking at these things.

9 That has grown in five years to some 250 cities
10 in Europe, all of which are sharing information on how
11 they're making progress. And some of it's very slight, and
12 some of it's very serious.

13 Now, a group of the cities that have chosen to
14 work on similar things have formed a coalition. There is a
15 coalition about downtown traffic issues from a health
16 perspective. It was never started by health people, but it
17 was started by mayors. And those are all sharing now, and
18 it will be added to over the years.

19 This concept has had its first legislative
20 introduction in the United States with one city in Indiana,
21 maybe two now -- I apologize to the Governor, if I'm
22 slightly behind on that -- and several in California. But
23 it's not a movement in the United States. It's an open
24 concept and there is tremendous information available, which
25 I'd be more than happy to provide to any of you who want

1 that kind of a model.

2 The same is true with looking at schools.

3 The same is true with how you review all of th
4 legislation that comes before you that isn't called health,
5 for its health implications. There are any number of tim s
6 when other kinds of legislation ends up having a deleterious
7 impact on health and health expenditures, even though it was
8 passed as an economic development measure, or some other
9 type of legislation.

10 There are many things like that; there are more
11 than that. But I sense that we're out of time for the
12 answer.

13 GOVERNOR GARDNER: Thank you very much, Mr.
14 Goldbeck.

15 (Applause.)

16 GOVERNOR GARDNER: I now call on Governor
17 Ashcroft to introduce Representative Gephardt.

18 GOVERNOR ASHCROFT: Thank you, Booth.

19 It's a pleasure for me to have this opportunity
20 of introducing to the National Governors' Association,
21 Congressman Dick Gephardt, a Missouri Democrat.

22 He is the Majority Leader of the House of
23 Representatives. Along with the Speaker of the House, he
24 directs the Democratic Party's legislative agenda in the
25 House of Representatives.

1 Additionally, he represents the Democratic
2 leadership on the Budget and Intelligence Committees, and
3 leads the House Arms Control Observers Group.

4 The Congressional Quarterly's Politics in America
5 said that from his first day in Congress in 1977, Gephardt
6 has shown a remarkable combination of concern about long
7 term problems and a willingness to hammer out short term
8 solutions.

9 This isn't something new to him since he came
10 into Government. He was the President of the student body
11 at Northwestern University, and received his undergraduate
12 degree in speech from Northwestern.

13 He earned his law degree from the University of
14 Michigan.

15 He's a native of St. Louis, and a life-long St.
16 Louis Cardinals fan, born in 1941 in South St. Louis, he
17 represents that same district in Congress today.

18 He began in career in public service as a
19 precinct captain in the 14th Ward. From that location, he
20 was twice elected alderman in the City of St. Louis, and
21 that may be some of the toughest duty that Dick has ever had
22 to face.

23 In 1976, he was elected to Congress to represent
24 Missouri's Third District.

25 As a freshman, he had the rare opportunity and

1 honor of serving on both the Ways and Means, and Budget
2 Committees.

3 In 1984, he was elected Chairman of the House
4 Democratic Caucus, the fourth ranking leadership post in the
5 House.

6 Dick Gephardt was Democratic candidate for
7 President in 1988.

8 After his withdrawal from the presidential race ,
9 he was reelected to represent the Third District of Missouri
10 for another term.

11 He was appointed to chair the House Trade and
12 Competitiveness Task Force, which recommends and coordinates
13 policy on a host of domestic as well as international
14 commercial issues.

15 In 1989, he was elected by the House Democrats to
16 serve as Majority Leader, the second highest post in the
17 United States House of Representatives.

18 It's a good privilege of mine to know him and his
19 wife and his mother. Just three weeks ago, I spent an
20 evening with his mother at the 140th anniversary of Dick's
21 own church, the Third Baptist Church in St. Louis. His
22 mother is well respected, not only in that congregation, but
23 around the State. There is no more gracious lady in
24 Missouri than Dick's mother.

25 He and his wife have three children, Matt, Crissy

1 and Katie.

2 I want to commend him for his accessibility to
3 me, as Governor.

4 I recently went to talk to him about the new
5 Highway Act, and explained our concerns to him. And I
6 believe his commitment to support the kinds of things that
7 will free us and give us greater flexibility to deploy the
8 resources which we send to Washington for purposes of
9 putting in place the highway infrastructure that the country
10 needs, will help all of us.

11 I'm grateful for his appearance here today.

12 It's a pleasure to introduce to you, Dick
13 Gephardt, Congressman from the State of Missouri.

14 (Applause.)

15 STATEMENT OF REPRESENTATIVE DICK GEPHARDT

16 MR. GEPHARDT: Thank you, Governor, very much.

17 I want to first say that all Missourians,
18 Republicans and Democrats, alike, are very proud of our
19 Governor, and very proud that he is Vice Chairman of this
20 august organization.

21 I have very much enjoyed working with him on a
22 whole range of issues; education, highways, infrastructure,
23 and look forward to working with him and with you in the
24 days ahead.

25 Also, I'm pleased to be properly introduced.

1 After having to run for national office, you often get
2 confused in airports and public places. Just this week nd,
3 I was in New York with my wife. We were in the Museum of
4 Modern Art, and a man drug his wife, my wife said, to three
5 rooms and he said, "there he is. I told you. That's that
6 Senator from Indiana."

7 (Laughter.)

8 So sometimes, it's good to be properly
9 introduced.

10 Governor Ashcroft, Governor Gardner, other
11 Governors, and guests, I'm honored to have this opportunity
12 this morning to address the National Governors' Association.

13 Of course, our thoughts today and every day now
14 are with the young men and women whose lives are on the line
15 in the sands of Saudi Arabia, and the seas of the Persian
16 Gulf.

17 We entered the war united and strong, with a
18 plentiful supply of the finest equipment, the best weapons,
19 and most important of all, the most highly trained and
20 skilled men and women in the world to operate them.

21 But as Governors, you know, we must be concerned
22 not only with winning the war overseas, but with what kind
23 of country our troops will come home to.

24 After the war concludes successfully, as we know
25 it will, and as the wounds from the war begin to heal, as we

1 know they must, America must fight other wars.

2 The war to revitalize our economic strength, the
3 war against drugs and crime, the war against illness and
4 despair, and countless other battles on countless other
5 fronts.

6 But as we enter these battles poorly armed,
7 poorly financed, and I think poorly trained, we all know
8 why. For ten years, our National Government has pursued a
9 policy of unilateral economic disarmament. Our leaders have
10 appeased enemies like ignorance, poverty, disease, and
11 despair.

12 There is no reason we cannot apply the same know
13 how, the same skill and the same focus that we now have on
14 the Gulf to the clear and present dangers that we face here
15 at home, dangers that will be with us long after Saddam
16 Hussein is reduced to his rightful place as a footnote of
17 history.

18 This morning, I would like briefly to do three
19 things: Talk about the state of our economy and our budget;
20 suggest a new way of looking at our domestic needs; and
21 propose a method of financing a new program to deal with
22 these needs, without adding a penny to the Federal deficit.

23 The program I want to discuss is based on an idea
24 that I call "rewards for results."

25 The challenges we face here at home are great,

1 and I think you all know that the stakes are enormous. With
2 our living standard at risk, America faces a fundamental
3 choice.

4 At almost every town hall meeting I have at hom ,
5 someone stands up in the back of the room and says, how in
6 the world am I going to compete against dollar-an-hour labor
7 in Mexico or Singapore, or someplace else.

8 That really is the sixty-four-dollar question
9 that all of us, as Americans, face. I think we can compete
10 with dollar-an-hour unskilled third world labor. And I
11 think we can do it without lowering our families' earning
12 capacity in the process.

13 But we have a choice. We can do that, or we can
14 decide that we can't do it. And give up on the competition
15 with the high-skilled, well-trained work forces of the other
16 western democracies.

17 I believe, and I know you believe, in the
18 strength and the ability of the American people. If we give
19 them the tools and the training they need, they can out-
20 compete, out-work, out hustle anybody anywhere in the world.

21 But the current and former Administrations have
22 cut investment in human capital, education, job training,
23 and the like, about thirty percent since 1980. Sadly, the
24 Administration's budget offers, to me, little hope for
25 improvement.

1 In my view, the President's budget lacks a vision
2 for economic security. It is inexplicable that this
3 Administration that properly devotes so much energy and
4 attention to foreign policy refuses to summon the will to
5 confront the threats we face at home.

6 One initiative, however, has captured our
7 attention. In the State of the Union last week, the
8 President discussed the transfer of \$15 billion in programs
9 to the States.

10 If, by that, the President means a more
11 thoughtful sorting out of State and Federal
12 responsibilities, then I welcome it.

13 (Applause.)

14 If he intends to increase the flexibility by
15 which you, as governors, can address the vexing problems we
16 all face, then I embrace it.

17 And if he desires to reduce bureaucracies and
18 streamline services, then I applaud it.

19 I don't know, yet, if that's what the President
20 has in mind.

21 But I do know the history of how modern Stat -
22 Federal relations got to this point.

23 The micro-management of the 60s through
24 categorical programs, like Model Cities; then came the era
25 of revenue sharing and bloc grants, an improvement to be

1 sure, but those huge grants, often shielded from any
2 meaningful oversight, proved to be easy targets for
3 crippling cuts.

4 Then came the new federalism which promised mon y
5 without strings, but usually delivered strings without
6 money.

7 And now we have the new promise; to return more
8 power to the States.

9 As a former city alderman, I'm a firm believer in
10 returning power back to the people and to the government
11 that's closest to the people. But more than shifting deck
12 chairs on a ship adrift, I think we need a new direction.

13 I'm especially interested in the menu of programs
14 and services from which the President would have us choose.
15 All have been the target of a decade-long attempt to abolish
16 them.

17 So I think we've got to look at the list with a
18 healthy skepticism. If the proposal is a shell game, if
19 it's merely fiscal sleight of hand, designed to hamstring
20 states still further, if this is abdication masquerading as
21 flexibility, then I think we should oppose the proposal.

22 But don't mistake the critical comments that I've
23 made about a proposal that we don't fully understand for a
24 knee jerk, negative reaction.

25 Last fall, I devoted six months with my

1 colleagues and the President, and that six months almost
2 seemed like six years at times, to a budget summit that cut
3 \$99 billion in entitlements spending alone.

4 I don't believe the government, as it exists,
5 should be revered the way we look at the Mona Lisa, as the
6 way it was painted.

7 We must insist on results, tangible, measurable
8 results in exchange for funding.

9 So this morning, I'd like to outline a proposal
10 for getting the Federal Government and the States back on
11 track in the critical area of early childhood, through a
12 strategy of rewards for results.

13 A shift in focus away from funding programs as
14 though the system was an end in itself, and toward rewarding
15 results, I think is really just common sense. But, as
16 Voltaire says, "common sense is often not too common."

17 As the commanding generals on the frontlines of
18 the fight for our children's future, you don't have to be
19 told how critical the situation really is. You know, and
20 the people we serve know that today's at-risk child is
21 tomorrow's gang member.

22 Today's abused child is tomorrow's violent
23 criminal.

24 Today's dropout is tomorrow's drug dealer.

25 And the question that hovers uncomfortably in the

1 public consciousness, even if it's not fully voiced, is, if
2 we have too many damaged and injured children today, what
3 will tomorrow bring?

4 What will become of them?

5 What will become of us all?

6 The American people understand, I think, the
7 importance of investing in children. They understand that,
8 if we don't pay now, surely we will pay later.

9 But when they pay, they want results, not just
10 good intentions.

11 And they're skeptical about the ability of big
12 Government and Federal spending programs to achieve results.
13 The truth is, their skepticism is justified.

14 It's time for the Federal Government to show the
15 public that we are serious about achieving the goals of
16 these programs.

17 And there's a way to do that, a new kind of
18 Federal policy, a way to make real progress in investing in
19 people, and using Federal tax dollars efficiently and
20 effectively.

21 In my approach, the Federal Government used
22 Federal money to create incentives to achieve certain
23 national goals.

24 Rather than micro-manage how you accomplish the
25 public goals we set together, the Federal role should be to

1 provide rewards for results.

2 Here's how I'd use the "rewards for results"
3 approach: To finance achievement of a national education
4 goal, number one, set by this organization and the President
5 and the Congress in last year's education summit.

6 After consulting with you, and other leaders in
7 the field, I would propose legislation to provide a bonus to
8 the state for every child entering first grade who has four
9 things: First, health care, including prenatal care for the
10 mother, well baby care, and any additional care recommended
11 by a pediatrician.

12 Second. All immunizations.

13 Three. Periodic screening of national status
14 and, where appropriate, nutritional status and, where
15 appropriate, nutritional supplementation.

16 And, fourth, early childhood education, beginning
17 no later than age four in programs in small classes taught
18 by qualified professionals.

19 These bonuses would be paid for improvements over
20 current state achievement.

21 Further, each state would be paid as many bonuses
22 as it earns.

23 There would be no competition among states for a
24 limited pool of money. The bonuses would be paid on a per
25 capita basis.

1 That is, for every child who meets the criteria,
2 the state would be paid the bonus.

3 In recognition that lower income children are
4 more frequently difficult to serve than higher income, the
5 size of the bonus could be inversely proportional to family
6 income, with a specified minimum and maximum which we can
7 determine through a continued Federal-State dialogue.

8 It would be left to your discretion and your
9 people's discretion how to use the bonus money, with th
10 expectation that some of it would be passed through to
11 localities or provider groups.

12 I think such a system of bonuses can work because
13 it plays to the strengths of all levels of government.

14 The National Government is uniquely qualified to
15 work with the States and localities and professionals to set
16 goals and standards. That's what we've done in your group
17 on education. And then to tie Federal funding to its
18 achievement of those goals.

19 State government and localities are better suit d
20 to the implementation and the management of such a system.
21 It will cost money in the short term.

22 But children who are ready to learn when they
23 start school will grow up to pay us many times over.

24 In fact, the businessmen and women of the
25 Committee on Economic Development tell me that for every

1 dollar we invest in our children when they're young, we get
2 \$4.50 in return.

3 A 450 percent rate of return would make a
4 business jump for joy.

5 Why, then, do we hesitate to make the investment?

6 The answer, in part, is, I think, because the
7 American people fear that Government will be unable to
8 deliver a dollar's worth of service for a dollar's worth of
9 tax.

10 The beauty of the "rewards for results" system is
11 that we don't spend any public monies, until the public's
12 goal has been reached.

13 Simply saying the program will pay for itself
14 over time is not good enough, not when the Federal
15 Government is facing a deficit that makes our calculators
16 blow a fuse, and not when the deficit in the national budget
17 has spawned deficits in your budgets, as well.

18 So I would pay for the bonuses after they're
19 earned by raising the corporate tax on taxable income over
20 \$10 million a year by two percent.

21 A two percent increase in the top marginal rat
22 paid by some of the wealthiest corporations can pay for a
23 system of bonuses that will, over time, provide them with
24 higher skilled, better trained, better educated work force.

25 These corporations already spend \$210 billion a

1 year training their own workers.

2 Early childhood attention is a smart investment.
3 The Oster-Sunbeam Appliance Company learned that just
4 recently. Just one year after initiating a corporate-
5 funded program of prenatal care, their average maternity
6 costs dropped from \$16,000 to just \$3500.

7 I believe that if the Federal Government puts up
8 the incentive money, and the State and local governments
9 achieve the goals, we will cut our Medicaid costs, lower our
10 compensatory education costs, and save on disability
11 programs, not to mention the long-term savings in police,
12 prisons and welfare.

13 If I sound evangelical about early childhood
14 attention, it's because I am, and I know you are, too.

15 There are other steps that we've got to take,
16 other investments that we've got to make.

17 I'd like to apply the "reward for results"
18 approach to other national education goals that we've set,
19 including improving our high school students' math and
20 science scores, and raising the level of post-high school
21 education and training available to our children.

22 Financing these incentives is not going to be
23 easy but, as a leader of the Democratic Party, I want to say
24 that our Party is willing to cut existing programs. The \$99
25 billion in entitlement cuts that were made last year is

1 proof that there is determination within the Administration
2 and within the Congress to make necessary cuts.

3 The President has produced a list of more than
4 200 programs that he suggests we eliminate. I think th
5 list and the suggestions are useful.

6 And I don't, and I don't think anybody in the
7 Congress rejects these suggestions out of hand.

8 There may be other programs not targeted by the
9 President that could use trimming and cutting.

10 The point is that, just like you at the State
11 level, we at the Federal level are now on a pay-as-you-go
12 basis. And there are no more sacred cows.

13 As you and I both know, there's no silver bullet.
14 There's no one-shot miracle cure for our decaying
15 competitiveness, our declining test scores, and our
16 deteriorating schools, but perhaps it is useful to apply one
17 of the catch phrases of education reform, "back to basics,"
18 to government.

19 If we return back to basics, investing in our
20 people, if we teach them and train them, give them the
21 schools and the tools they need, then they will lead us into
22 the future.

23 Half a century ago, as America faced a barbarous
24 dictator, a broad, and crushing depression here at hom ,
25 Franklin Roosevelt laid out a back to basics prescription

1 for recovery for America.

2 He said the only real capital of a nation is its
3 natural resources and its human beings. So long as we take
4 care of and make the most of them, he said, we'll survive as
5 a strong nation. He said, if we skimp on that, if we
6 exhaust our natural resources and weaken the capacity of our
7 human beings, then we shall go the way of all weak nations.

8 Roosevelt faced a choice between investing in
9 people and allowing decline. He and the American people
10 faced it with courage and confidence.

11 We, who have been entrusted to carry on this
12 work, must do no less.

13 We must resolve, here and now, that American will
14 not go the way of the weak, and that we will be strong. And
15 that we'll always remember that the greatest weapon in the
16 arsenal of democracy is our people.

17 Thank you very much.

18 (Applause.)

19 GOVERNOR GARDNER: We have time for one or two
20 questions to Congressman Gephardt.

21 Does anyone wish to?

22 Governor Snelling?

23 GOVERNOR SNELLING: I have a question for
24 Congressman Gephardt.

25 First, you'll forgive me a country story about

1 the circus that went broke. A fellow had to dispose of the
2 animals, so he went to one of the townspeople and said,
3 "I'll sell you this elephant for \$100."

4 The fellow said, "I don't think I can afford to
5 support that elephant. What does the elephant eat?"

6 And he said, "He eats a bag of peanuts a day."

7 "Oh," he said, "I just couldn't afford that."

8 So the circus man said, "well, I'll tell you
9 what. I'll throw in ten bags of peanuts."

10 The fellow said, "now, you're talking."

11 The question I would ask you is, how would you
12 estimate the cost of what you would think the states would
13 have to do that they're not now doing in order to earn this
14 incentive money that you're talking about.

15 Particularly we would need an answer to that in
16 view of the fact that we're believing that when the Congress
17 was through with this budget cutting last year, that we're
18 still looking at an additional \$2 trillion or so in deficits
19 accumulated over the next five years.

20 Why isn't it better for you to help us with our
21 support? Many of us support a program which would enable us
22 to use funds which are already coming to the States with
23 less restrictions in the ways which would enable us to do a
24 better job, more tailored for our states, than to have us
25 take on a vast new program which you can't possibly intend

1 to fund any where near the cost to us?

2 MR. GEPHARDT: Let me first say, as I said in my
3 talk, I don't at all reject the idea of giving states more
4 flexibility with present programs. If that can be done, if
5 we can agree and figure out a way to do that properly, I
6 think that does make sense.

7 Obviously, you have a much better sense of how
8 programs can work in your state, and it differs from state
9 to state.

10 So if we can find a way to do that that's
11 sensible, I'm for that.

12 I think you need those monies, programs, and
13 flexibility, in order to be able to produce more of what we
14 all together want, which are better-educated, better-trained
15 young people.

16 I just felt that adding to that, by giving an
17 incentive, would be a real inducement to the local
18 governments, to local boards of education, to teachers, to
19 be able to produce what the country so desperately needs.

20 I'm not saying that we can't do better with what
21 we have. I am saying that with greater attention to this
22 problem, we can get on top of this and really achieve what
23 we've got to achieve.

24 I am urgent, and I know you're urgent, about the
25 need for trained, capable people in our society, to compete

1 against the competition we face. The competition is not
2 Mexico and, frankly, many of the other countries that are
3 taking many of the jobs that we used to have in America; the
4 competition is in Japan, it's in Germany, it's in Europ .

5 Just the other day, I had the head of a large
6 Swiss corporation tell me that he had opened a plant in the
7 United States. He said that when he put the manufacturing
8 process in place, it was the one that he uses in Switzerland
9 and West Germany. He said, the only problem was that he
10 couldn't find people who were capable of doing the jobs the
11 way they were done in Europe with the amount of money that
12 he had to pay, which was commensurate with what he paid in
13 Europe.

14 So he said, "I either had to take the plant out
15 of the United States to a third world country, or I had to
16 use third world techniques in the way the plant ought to be
17 run in the United States."

18 So that's what he's done.

19 I think that story is probably replicated in all
20 of our states, and it's the most worrisome threat that w
21 face.

22 So I think we've got to add another incentive. I
23 realize it will be expensive. I tried to outline a way to
24 pay for it. I think it does pay for it. And I know there
25 may be other ideas on exactly how it should be paid for.

1 But if we can say to States and local
2 governments, together, this is what we need. We've agreed
3 on this. We've got to have young people that have these
4 characteristics, these abilities, if you could produce more
5 of those with existing programs, hopefully more flexible,
6 that's what we want to do.

7 GOVERNOR GARDNER: Governor Clinton, and then
8 Governor Martin.

9 Unfortunately, then we're going to have to move
10 on in the interest of time.

11 I know a lot of other Governors would like to be
12 able to ask questions, but we have a long agenda today, so
13 we're going to have to keep the questioning down.

14 GOVERNOR CLINTON: Let me just make an
15 observation, and ask all of you to go back over the
16 specifics of this again.

17 I think this is a wonderful idea.

18 I agree with Governor Snelling, as a general
19 proposition, we have to be careful about being asked to
20 spend ten times as much as we're getting.

21 But keep in mind, this is all incentive money;
22 we're not getting this money anyway.

23 And look at the requirements.

24 Universal prenatal health care available.

25 Federal law now requires us to go to 185 percent

1 of the Federal poverty level, or 133 percent for
2 preschoolers', anyway, immunizations.

3 In my state, the State Health Department is
4 providing over 85 percent of all immunizations, including
5 immunizations for middle and upper middle class kids,
6 periodic screening in all of our budgets. We've increas d
7 that 700 percent in two years. It's not an expensive item.
8 Anybody can do that in early childhood. That's one of the
9 things that I recommend we ask the President to include, to
10 give us more flexibility in the bloc granting process, in
11 employment, education and training.

12 I think this is a terrific idea and, at least in
13 this context, the specific requirements have been well
14 thought through. And I think they are well within the
15 financial reach of every State in the country. And I
16 applaud you, Congressman. I think it's a great idea.

17 MR. GEPHARDT: Thank you, Governor.

18 I would just say one thing.

19 We have thought long and hard about this
20 legislation. We're trying to get all the words down on
21 paper.

22 But we don't have any corner on wisdom. We
23 probably have less than most.

24 One of the things I want to do is to work with
25 the Committee that Governor Roemer and others are serving on

1 on the Education Goals, and talk specifically about how best
2 to do this, to get your best thinking on this area, and
3 incorporate your thoughts in the way this is written.
4 Because it's something that is obviously a concern we share
5 together.

6 GOVERNOR GARDNER: Governor Martin?

7 GOVERNOR MARTIN: Thank you, Mr. Chairman.

8 First, I have an in kind contribution for my
9 friend and fraternity brother and former colleague.

10 As we sit here, sometimes we tend to anticipat
11 that our speakers will engage in partisan rhetoric.

12 And I want to commend you for having avoided it.
13 In fact, I think it showed a great deal of courage for you
14 to indict, so effectively, the last couple decades' record
15 of the Congress on these domestic issues.

16 And I want to thank you for having done that.

17 (Laughter.)

18 GOVERNOR MARTIN: We're very pleased with your
19 commitment to bloc grant funding. We've worked with several
20 Administrations under the New Federalism, and several oth r
21 approaches. And I think you put it very well.

22 The Administrations' promise was for money
23 without strings, and by the time the Congress go through
24 refining it and fine-tuning it, it was strings without
25 money.

1 I think you expressed that very well, and it was
2 very helpful to us.

3 (Laughter.)

4 GOVERNOR MARTIN: One of my questions would be
5 the hope that you would be willing to support our appeal for
6 a delay in additional Medicaid requirements. I hope you're
7 going to be a great ally and a leader for us on that because
8 we're really strapped by that.

9 Look at everybody around here, and they'll tell
10 you the same thing. We're looking to you for reliance and
11 leadership to help us delay a moratorium on those increases,
12 so we can get our budgets back in shape.

13 MR. GEPHARDT: I understand your concern about
14 the Medicaid changes. I understand one of the changes that
15 is most important was made in the context of budget summit
16 where we were raising the Medicare fees for Part B. And we
17 were concerned, as I know you are, about those costs falling
18 on people who are at or below the poverty line.

19 And so we asked that Medicaid help pick up those
20 fees. That's a cost, as you well know, a cost to the Stat
21 Governments and a cost to the Federal Government, although
22 we have an easier time, although it's getting less and less
23 easy to deal with that, than you do.

24 But I understand your concern in that area, and
25 in many other areas in the health field.

1 My hope would be that we can sit down together,
2 talk together, work together to solve those problems.

3 Another area that I'm concerned about is the area
4 of malpractice costs which I think have a huge impact on
5 Medicaid.

6 And I think that, together, we've got to attack
7 that problem.

8 If we can do that one thing, we would have a
9 tremendous impact on overall health costs and on health
10 costs within your states in the Medicaid program.

11 And I think the cost containment area is one that
12 we've got to work together on.

13 This health cost increase is eating everybody
14 alive; not only Medicare and Medicaid, but private health
15 insurance, as well.

16 And I think, working together, we can make some
17 real impact.

18 GOVERNOR MARTIN: Perhaps putting a cap on the
19 co-payments and deductibles is also a way to help restrain
20 those costs.

21 GOVERNOR GARDNER: Thank you very much.
22 (Applause.)

23 GOVERNOR GARDNER: I'd like to ask Governor
24 Sullivan to come to the podium, please, to introduce the
25 next speaker.

1 GOVERNOR SULLIVAN: Thank you, Mr. Chairman.
2 Colleagues, ladies and gentlemen, it's my
3 pleasure, this morning, to introduce Al Simpson from
4 Wyoming.

5 As most of you know, our nation's census
6 confirmed that Wyoming was the least populous state of this
7 country. We refer to it as the land of high altitudes and
8 low multitudes.

9 (Laughter.)

10 GOVERNOR SULLIVAN: That circumstance makes
11 relationships in our state all the more important.

12 And Al is prone to say that, in Wyoming,
13 everything is political except politics, and that's
14 personal.

15 And I'm very pleased, in every sense of the word,
16 to be able to introduce my friend, Al Simpson, this morning.

17 Al is the son of a beloved former Governor and
18 Senator, and First Lady, Milward and Lorna Simpson.

19 He is a native son of Wyoming, and he received an
20 undergraduate and law degree from the University of Wyoming,
21 where he participated in football and basketball, at a time
22 when he still thought beer was food.

23 (Laughter.)

24 GOVERNOR SULLIVAN: He is a former state
25 legislator. He is currently the Assistant Republican Leader

1 and Party Whip.

2 He is on the Veterans' Affairs, Judicial,
3 Environment, and Public Works Committees.

4 And he has provided leadership in such important
5 national arenas as immigration and refugee policy and, more
6 recently, the Clean Air Act.

7 In providing that leadership, Al forges
8 consensus. He does so with wit and with wisdom, with
9 directness and dedication. He does so with a western manner
10 and articulation that has added such tender and descriptive
11 phrases to our nation's political lexicon as, "just plain
12 goofy."

13 (Laughter.)

14 GOVERNOR SULLIVAN: Or "horse pockey."

15 Or referring to a portion of a politicians
16 anatomy as a "gazoo."

17 From very tender and descriptive phrases, we in
18 Wyoming are proud of the leadership we are able to provide
19 to the nation, and I'm proud, this morning, to introduce a
20 friend.

21 And, as Buddy Roemer would say, "a great
22 American," Al Simpson.

23 (Applause.)

24 **STATEMENT OF THE HONORABLE AL SIMPSON,**
25 **UNITED STATES SENATOR FOR WYOMING**

1 SENATOR SIMPSON: Thank you, Mike.

2 His wife, Jane, is here, the lovely First Lady of
3 Wyoming. They are a great pair.

4 Even though I am not of the same political faith
5 as our Governor, he's a life-long friend and a very dear
6 one. He even ran against my brother and beat him, so you
7 know it's friendly.

8 (Laughter.)

9 SENATOR SIMPSON: The full phrase there was, "had
10 hair, weighed 260, and thought beer was food," and I did
11 have hair and weigh 260 and thought beer was good.

12 Being in Congress has done this to me, an
13 emaciated cadaver-like person which you see before you.

14 (Laughter.)

15 SENATOR SIMPSON: It comes from the abuse we
16 take.

17 (Laughter.)

18 SENATOR SIMPSON: In the campaign, I went in to
19 get a fishing license in my home town of Cody, where they
20 know all about me, even my checkered past. And the woman
21 said, "you don't need a fishing license. What you need is
22 catastrophic health care, you big poop."

23 (Laughter.)

24 SENATOR SIMPSON: To which I said, "I didn't vote
25 to repeal that. I didn't do that."

1 And she said, "yeah, you guys are all the same."

2 I kept trying to give her the \$15 bucks, and I
3 finally said to her, there won't be any fish left, if you
4 don't finish."

5 (Laughter.)

6 SENATOR SIMPSON: She just kept chipping away.

7 And finally, I said, "I really must go."

8 And so she handed me the license. And down where
9 it said, "hair color," she wrote "glossy."

10 (Laughter.)

11 SENATOR SIMPSON: That's the kind of stuff w
12 take.

13 (Laughter.)

14 SENATOR SIMPSON: Then when I was a freshman
15 Senator of the other faith from the President, people like
16 Cecil Andrus called me a "sheep loving, coyote-killing, son-
17 of-a- --." You know, you don't have to take that. He
18 called me a "coyote-killing s-o-b" for years. I had to take
19 that abuse from him.

20 (Laughter.)

21 SENATOR SIMPSON: So enough from you, Andrus.

22 (Laughter.)

23 SENATOR SIMPSON: It's a great honor and a
24 privilege to be here.

25 You've heard from Dick Gephardt. He is one of

1 the brightest of the bright, a very able young man. I don't
2 always agree with him.

3 In fact, I came down very hard on him about a
4 year and a half ago, and we both agreed that we didn't know
5 each other very well. And we decided to remedy that, so I
6 had lunch with him, and on many occasions since I've come to
7 know him, and I have high regard for him, indeed. And I do
8 mean that.

9 And that is one sharp person.

10 I have that same high regard for Mike Sullivan
11 who administers our State in a beautiful way.

12 I come to you today, as a legislator. If my
13 father were here -- he's 93, and he was a former Governor,
14 he would say to you, "how could you possibly be here while
15 your legislature is in session, leaving them there to do
16 what they're doing while you're gone?"

17 Pop never left town when the legislature was in
18 session, so I come as a legislator. I'm not wanted to be
19 president or king or emperor or anything else, or even Vice
20 President.

21 (Laughter.)

22 SENATOR SIMPSON: I really could not administer
23 may way out of a paper sack.

24 (Laughter.)

25 SENATOR SIMPSON: I'm not an administrator. I am

1 a legislator. I love it. It's very dry work, if done
2 properly.

3 (Laughter.)

4 SENATOR SIMPSON: Because if you're doing it just
5 for the publicity, you're not getting it done. Because it
6 means hearings and it means lots of sessions, it means lots
7 of mending, and it means floor duty, it means conference
8 committees, and that's what legislating is. That's my
9 crack, my craft. So these are things that I share with you
10 about State-Federal relations.

11 But I must share with you a great story my dad
12 always used to love to tell on himself as Governor. He
13 served also as U.S. Senator. And he always loved to tell
14 the one about the old boy down the street with his pickup
15 truck, and he had everything he owned in there.

16 It was in the 30s, and he's tooling down the
17 highway. This highway patrolman stopped him, and he said,
18 "going kind of fast there, aren't you?"

19 He said, "nope, didn't think I was."

20 Well, he said, "you were. In fact, you're
21 speeding."

22 He said, "I can't believe it."

23 He said, "haven't you got a governor on that
24 truck?"

25 He said, "nope." He said, "that's manure you

1 smell."

2 (Laughter.)

3 SENATOR SIMPSON: No need to applaud there.

4 (Laughter.)

5 SENATOR SIMPSON: I always liked the one about
6 the two guys sitting in the pen. One turned to the other
7 and he said, "the food was better here when you were
8 Governor."

9 (Laughter.)

10 SENATOR SIMPSON: In a pen in another state.

11 (Laughter.)

12 SENATOR SIMPSON: Well, enough of that, now.

13 (Laughter.)

14 SENATOR SIMPSON: Well, back to the fishing.
15 Critical State-Federal issues.

16 Well, the principal one, of course, is the
17 budget, and money and money and money.

18 What's new?

19 This new proposal of the President I think is
20 worth considering. It's not like revenue sharing, and it's
21 not like anything we've known before.

22 Someone described it here marvelously so, using
23 an illustration, saying they're building the truck as they
24 go down the highway. That's my kind of language.

25 But I don't think so, because we're going to cut

1 loose the balloon and we're going to put the money there and
2 then get it back, literally so. It's not going to come with
3 the strings, and it's going to come in the form of at least
4 \$15 billion.

5 As to what you will do with it, God knows, you
6 know better than anyone as to what you will do with that.

7 Our job is to coordinate with you the \$15 billion
8 transfer, in order to see that it works. And every time in
9 my 12 years here, and my 13 in the State legislature, we
10 always get into the issue of money, and then education seems
11 to be next, always.

12 Yet, the curious thing is, of the huge
13 educational budgets of the entire United States,
14 universities, junior colleges, community colleges, secondary
15 and primary, kindergarten, only eight percent of that is
16 paid for by the Federal Government; eight percent, not 88 or
17 38, eight percent.

18 So, it's a curious thing. You keep looking back
19 here for educational money when, of course, it is the local
20 school districts that provide it, and we only provide eight
21 percent. So even if we went up a whole percent or two, or
22 went up whatever, to 20 percent, we wouldn't be meeting the
23 needs that you're going to have in education.

24 I personally think that without getting too
25 innovative, we ought to get back to where we should be with

1 regard to coordination of existing State-Federal activiti s.

2 And you're going to get a whole new one to play
3 with in the Clean Air Act. We hammered that together at
4 6:00 o'clock one morning, just a few days before the
5 adjournment. And it put some tremendous responsibilities on
6 State offices, State bureaucracies, that have to do with
7 toxics and environment and so on.

8 What I found, especially in the Conference
9 Committee, but before, too, is that a lot of the stuff we
10 were doing with the Clean Air Act was because that the
11 States didn't want to do it because it wasn't politically
12 popular.

13 And so we had all these cats running in here who
14 were administrators of state programs saying, "you've got to
15 put this in the Federal law." And we said, well, if you
16 were doing your job, you'd be doing that right now.

17 Well, they're going to have to do their job,
18 because we passed the Clean Air Act.

19 And the State administrators are going to have to
20 do things which irritate he hell out of business and small
21 business, and if you get into the issues of the wetlands
22 issue and non-point source pollution, you're going to have
23 to stiffen the spine of the state people. They don't like
24 to do that because it's not politically popular, and that is
25 going to rub off on you.

1 My father didn't enjoy cleaning up the Platte
2 River, except he said, we're going to do that. And a lot of
3 industries said, well, we'll see you, buster. And he lost
4 the next election.

5 And I know how that goes because I saw the pain
6 that he had when he did.

7 But that's what you're coming to. That's the
8 reality of what's coming with regard to these things.

9 We did a child care bill that's going to put you
10 in a lot of administrative turmoil and coordination. We got
11 the Americans for Disabilities Act.

12 You see, we did these things even though, if you
13 were just reading the paper and listening to the press in
14 October, that we were doing nothing. We did a lot.
15 Democrats and Republicans, alike, did a lot.

16 And those things are coming your way.

17 There's the real issue of State-Federal
18 coordination.

19 The Housing bill, a sweeping thing, we did that.

20 A crime bill which is less than sweeping because
21 we couldn't deal with the issue of the death penalty and the
22 exclusionary rule and habeas corpus, but we sure will this
23 time. Because you can't get crime bills unless you have
24 those attributes and conditions in it.

25 The community service bill, you're going to have

1 to take a look at that one.

2 We have those things coming y our way in a brand
3 new year. And then the real thing is, well, I was going to
4 save that to the end, but you'll have some questions.

5 I'll tell you what really is something around
6 this place, and that's to watch how we tried to put together
7 a budget bill. And dick Gephardt gave hours of his life,
8 along with other members of the House and the Senate, at
9 Andrews Air Force Base, and all over in their various
10 meetings, and I see a lot of my dear friends, former
11 senators. No one knows what hell is until you're doing the
12 budget.

13 (Laughter.)

14 SENATOR SIMPSON: That's why whatever fires await
15 him in the gubernatorial chair will be nothing, compared to
16 what he had as Chairman of the Budget Committee.

17 While we were doing all that heavy lifting, and
18 they were saying, we need \$5 billion to close this gap, or
19 \$7 billion. And meanwhile, the media is reporting it all
20 beautifully and ineptly, as the rich versus the poor.

21 (Laughter.)

22 SENATOR SIMPSON: The cuts. You know what a cut
23 really is? A governor knows what a cut is.

24 I'll tell you what we were doing.

25 Medicare was going to go up 11 percent whether we

1 did nothing. And we said, Democrat and Republican, alike,
2 let's let it go up only ten percent. And that was described
3 as a cut.

4 Now, you figure that one out.

5 When a ten percent increase is a cut, and
6 reported to the American public that way, we're all in
7 trouble, everyone of us, especially with Medicare, which is
8 eating our lunch, as Dick said, totally.

9 And so we're doing that.

10 And no one even paid any attention as we grappled
11 about that figure.

12 Then, on January 1st, like a silver freight on
13 another track, came a cost of living allowance of \$21
14 billion bucks. Thirty percent of it went to people who were
15 twenty times above the poverty level, and nobody said a
16 word.

17 That is irresponsible. And that's where we've
18 got to get in and do the heavy lifting, and nobody likes to
19 do that. I can tell you that.

20 Social security. You don't mention it. They
21 throw bombs under your chair if you mention it. But
22 somebody better start talking about it, because in the year
23 2030, it'll be on the rocks.

24 Is there anyone here that would challenge that
25 statement?

1 Can it work?

2 You get, you know, three bucks back for every
3 buck you put in?

4 There were 16 people paying in in 1950 and one
5 taking out. Today there are three people paying in and one
6 taking out. In 25 years, there'll be two paying in and one
7 taking out.

8 You figure that out. Who's going to sit still
9 for that? While you're getting \$25 grand out of it, two
10 people are putting in \$12,500. That's called pay as you go.

11 So these are the tough issues.

12 We don't need to go get new ones. We just need
13 to step up to the plate.

14 I just came through an election and, boy, I felt
15 the sting. I was very fortunate; I won. But I never muted
16 what I said about social security and benefits and
17 entitlements. And I had an opponent who couldn't even raise
18 \$5,000 bucks, and was a 32-year-old lady with four children,
19 and a college student. And she got more votes than Mike's
20 opponent, who was known and had quite a budget.

21 So I got the message. But, again, I'm a
22 legislator. I'd rather go down in flames than not address
23 the issues of the day.

24 The issues of the day, Governors, are the
25 entitlements programs, period. We can either get in and get

1 wet, or we're going to all be in deep trouble.

2 And Medicare is a classic example.

3 So we're going to do something with those
4 Medicare. We're going to raise the Part B.

5 You heard Dick speak about the poor, and he's
6 genuinely concerned with that.

7 Let me tell you, ladies and gentlemen, it wasn't
8 the poor that brought down the Catastrophic Health Care
9 bill.

10 That was done by the top five percent of the most
11 affluent people in the United States who shot that one out
12 of the sky.

13 The mailman in Sun City had a hernia hauling the
14 stuff in here.

15 (Laughter.)

16 SENATOR SIMPSON: But I can tell you what we did.

17 We had provided that for this group of people, we
18 would provide 365 days of hospital care, 180 days of skill d
19 nursing care, hospice care, no more co-insurance, never pay
20 over \$600 bucks a year for your pharmacy, and the cost was
21 \$4.19 a month. Then going up to \$9.18 in '93, and that
22 would have taken care of 80 percent of the people we were
23 trying to direct our resources to.

24 And another 15 percent would have had to pay \$200
25 bucks more than that monthly fee.

1 And the top five percent would have had to pay
2 \$700. You remember them. Then going up to \$1500 in '93.

3 And the mailroom broke down.

4 And they come to the town meetings, and they
5 raise hell.

6 And then the social security, the grey haired guy
7 in the back, he's always saying, why you? I put it in
8 there, I did that, and you're going to give it to me coming
9 out.

10 And I said, great; I'm ready to do that, because
11 if you were in it from the beginning, you never put in over
12 \$30 a year from 1954, 1937 to '43, and then they never put
13 in over \$174 a year up to 1964. Look it up. And they're
14 getting \$580 a month, or \$600.

15 And you tell me how that's going to be address?
16 That's the issue.

17 That's the one I leave you with.

18 And you're in it, we're in it. We have a lot to
19 do internally, campaign reform, the Keating Five. Those are
20 unpleasant. Honorariums.

21 We've got things to do for ourselves.

22 But I can tell you, we'll have a real debat on
23 the social security payroll tax reduction.

24 If you want to think you're doing that for the
25 poor, maybe you've got to give it back to the rich, too.

1 G.M. puts in that, when you deal with the payroll
2 tax.

3 And we'll deal with deposit laws infrastructure
4 and transportation issues, and donor versus donee states
5 gear up, that'll be a blood bath.

6 RCRA and CAFE standards and the Clean Water Bill.
7 And an energy policy which is coming to us very
8 soon.

9 And civil rights legislation.

10 But the biggest domestic problem of all is health
11 care. It's costing us \$660 billion a year.

12 Don't miss that.

13 \$660 billion a year.

14 I always hate those guys who get up and say, you
15 know what a billion bucks is?

16 Well, I'll tell you what it is.

17 A billion seconds ago, Don Larsen was pitching a
18 perfect game at the world series.

19 A billion minutes ago, Hannibal and his troops
20 were crossing the Alps.

21 A billion hours ago, the earth was a solid block
22 of rock and ice, floating in an orbit.

23 And a billion bucks is what your country spent on
24 Medicare since 9:00 a.m. yesterday morning.

25 (Laughter.)

1 (Applause.)

2 GOVERNOR GARDNER: Governor Stephens?

3 GOVERNOR STEPHENS: Thank you, Mr. Chairman.

4 Senator Simpson, my good friend from Wyoming,
5 we're always delighted to hear your presentations. They're
6 always so appealing and always laced with common sense.

7 During the State of the Union, of course, we were
8 all very interested in the President's statement on bloc
9 grants, and you spoke of that.

10 Congressman Gephardt also spoke about it.

11 He indicated a general support of the concept,
12 but he did issue some caveats.

13 He was concerned that there may be an aspect of a
14 shell game in there, or an abdication on the part of the
15 Congress.

16 And he did mention that buzz word, "oversight."

17 As you know, the President is offering this with
18 no strings attached.

19 When I hear "oversight," I think, not of a
20 string, but more of a steel cable.

21 We have to, I'm sure, agree that we're in
22 somewhat of a turf invasion here, if we move into the
23 Congress and ask for bloc grants to coming back to the
24 states for our jurisdiction.

25 But my question to you, Senator:

1 Assuming the Governors are united, and we had a
2 good orientation with Governor Sununu on this particular
3 proposal, and I have the sense that there is strong
4 unanimity among our group.

5 Assuming the Governors remain united, as we must
6 be, and assuming the Administration remains resolute, as
7 they must be, from your vantage point, what do you think we
8 can expect from the Congress?

9 We've done this before.

10 This has been recommended in the past, and has
11 not succeeded.

12 This time around, what can we expect?

13 Are we going to get that kind of cooperation?

14 Are we ultimately going to end up with bloc
15 grants that we administer?

16 SENATOR SIMPSON: I'll tell you.

17 Maybe this is naive, but what I see is a much
18 better rapport between the Governors and the Congress.

19 And it comes because of members I know: Pete
20 Wilson, Laughton Chiles, Lowell Weicker.

21 That's a pretty good heavy-hitting crew to send
22 in to talk with Congress about the needs of the states.

23 I think -- that's just three.

24 We've got Jim Florio who knows the game. He's
25 been there.

1 He and I have served on conference committees
2 together.

3 There are others, Jim Exon.

4 In the Senate, then, you've got Dave Pryor, a
5 former Governor.

6 Kit Bond, a former Governor.

7 Exon, former Governor.

8 Dave Boren, a former Governor.

9 These are real advantages that have never been
10 there before that I think are very good.

11 And I do think that you will see a difference
12 simply because of the realities of the day.

13 The Budget Reform Act that they chuckled it away,
14 and we upheld it the other day by a vote of 97 to 2, or
15 something like that.

16 They really put it to us because of discretionary
17 funding in a lot of aspects.

18 Whenever we're going to add, we've got to go find
19 where to take it away.

20 And, boy, you know how that one goes at the state
21 house.

22 But that's what we've built in and it's going to
23 be very painful.

24 But it's going to be our job.

25 We can't escape it.

1 We decided not to waive it, and not to de-trigger
2 Gramm-Rudman-Hollings.

3 I just think that you've never had a more
4 forceful interior cadre of people to deal with the issue in
5 an honest way than you have at this time, and people who
6 know the game.

7 GOVERNOR GARDNER: Governor Florio and then
8 Governor Campbell.

9 Then we'll have to move on with our agenda.

10 GOVERNOR FLORIO: Senator, we've very pleased to
11 have you with us here, again.

12 We always enjoy your presentations.

13 My request is to urge the Senate and the Hous to
14 be very vigorous in its oversight of the regulatory process
15 as we go forward with the implementation of the Clean Air
16 Act, in general.

17 But, specifically, a piece that's going to have
18 an impact on all of our budgets; at least it will in my
19 state.

20 One of the things that was, I think, on balance,
21 good, but is going to cost something are the new
22 requirements for enhanced monitoring of automobile emissions
23 standards in our testing systems.

24 The standards are going to be more vigorous, and
25 that's going to mean that we have to change our way of

1 evaluating and testing automobiles.

2 In our state, in this year's budget, we tried to
3 get some sense of what it's going to cost us, because it's
4 probably going to take new capital and equipment to do the
5 enhanced testing, and we're going to have to adjust to it.

6 We got the information back that the regulatory
7 process would be started in the not too distant future.

8 But we weren't sure when it was going to end.

9 And when we tried to calculate what it would cost
10 us to implement whatever the regulations are going to result
11 in, we were told the range was \$15 million to \$75 million of
12 increase.

13 That's a fairly substantial range for us to try
14 to roll into this budget that we have to pass by the 1st of
15 July in our state.

16 And I guess what I would urge is that the
17 Congress stay on top of this regulatory process, have it
18 done sooner rather than later, so that we can have real
19 numbers and be as vigilant as we can to try to get the most
20 cost effective results out of the regulatory process so as
21 to minimize costs for an admittedly desirable thing to do.

22 But we're hopeful that there will be some
23 vigilance in trying to keep the costs at a reasonable level.

24 SENATOR SIMPSON: Jim, you were on the conference
25 committee with me on Superfund.

1 You know the anguish in your own state with the
2 Clean Air Act, and indeed, it heavily impacts your state.

3 I think that we will hear that, but watch out.

4 We have the CAFE Standards coming now in a
5 separate bill. It failed the last time, but it was upheld
6 on a close vote to dispose of it, and not deal with it.

7 We will deal with it again.

8 And I can just say that I think we're just going
9 to have to rely on the human resources of your group and our
10 group.

11 I can add a couple of others.

12 I know I'm going to leave some more out.

13 But Bryon, in Nevada, is a former Governor.

14 And Hatfield of Oregon is a former Governor, and
15 there's some more.

16 And those people will hear.

17 And they can come to us.

18 And there are a lot more legislators in Congress
19 than ever before, and they know the tenuous relationship
20 with the governors and the legislators in their home states.

21 But I just think that 12 years ago, there were no
22 voices out there except suspicion.

23 And I don't feel that now.

24 I feel that we have a lot to do.

25 We don't know what the Clean Air Act is going to

1 cost, but it's going to be big.

2 GOVERNOR GARDNER: Governor Campbell?

3 GOVERNOR CAMPBELL: Thank you for your very fine
4 presentation, Senator. It's always a pleasure to hear you.

5 One of the major problems the states have is the
6 fact that the actions of the Federal Government drive our
7 resources in directions that may be different from those
8 which we want and need to spend money on.

9 You mentioned education is 8 percent at the
10 Federal level, and yet the mandates in other areas from the
11 Federal Government drive our resources away from education,
12 and we have to fund what Washington requires.

13 Of course, we're concerned.

14 And I'm not going into the Medicaid co-payments
15 and things that have been mentioned, even though these are
16 possible solutions to help us at the local level.

17 What we do need is a limit on mandates.

18 My question really is, and I guess it goes back
19 to the years that I was there, when we took this up in '81,
20 but do you think that Congress will have the intestinal
21 fortitude to address the restructuring issues of
22 entitlements?

23 We know that Social Security is largely impacted
24 by the fact that people are living longer and that they're
25 retiring earlier and they're drawing much longer.

1 We know that we've expanded the eligibility for
2 entitlement programs in every field.

3 We know we have limited the ability to put checks
4 on those programs.

5 We know that the cost of medical care is being
6 driven because of the high cost of medical malpractice
7 insurance.

8 And we haven't addressed the structural problems
9 of tort reform.

10 We know that we can't have new inventions,
11 research and development come forth in America easily,
12 because the problems with product liability that are
13 national.

14 And you mentioned the problems we have.

15 My question is, do you think that Congress has
16 reached a point where they are willing to address these
17 basic structural problems that are driving costs in this
18 country and literally ruining our competitiveness, as well
19 as our ability to fund the things we think are necessary?

20 SENATOR SIMPSON: I think they will, because of
21 what some perceive as that minor budget reform, but that I
22 think everyone will agree was a pretty good little package
23 of budget reforms that we did.

24 We are unable, now, to just start up a new
25 program and watch the demagoguery and the rhetoric on the

1 floor about this magnificent thing or, you know, on and on.

2 We'll get a little less of that because they're
3 going to say, okay, where are you going to get it?

4 Are you going to get it from the EDA, which was
5 kind of a nice idea when it started, but just sort of
6 piddled and scratched all over the United States and got
7 away from their mission.

8 What are you going to do with that program.

9 And I think, for the first time, we can't avoid
10 the restructuring because of the Budget Reform Act.

11 We will know soon, because we'll be going to that
12 kind of debate.

13 But who would dream of means testing, if you
14 brought up means testing?

15 And when I brought it up in my campaign, boy,
16 they hammered me flat.

17 Well, here we go.

18 If you're going to talk about the rich and the
19 poor, then what's wrong with talking about people who have
20 over \$125,000 of income paying more of their premium on Part
21 B, like the difference between, say, \$2800 and \$1200?

22 There's nothing wrong with that in my mind.

23 If you're going to use the United States Treasury
24 as your bank, then file a net worth statement.

25 I have a peculiar view about that.

1 A lot of people do think of it as their local
2 bank.

3 And so file a net worth.

4 Do it with farmers, agriculture.

5 We cut agriculture back to \$13.6 billion.

6 You talk about ready to grapple.

7 I think that's the most extraordinary example of
8 it.

9 When the Congress of the United States stepped up
10 to the plate and cut agriculture from \$26 billion, three
11 years ago, to \$13.6 this cycle, I call that addressing what
12 is really not an entitlement, but is a subsidy-type theory.

13 But, remember, the reserves of social security
14 will build at such an extraordinary rate, that we may
15 actually scrub out that national debt.

16 Now, that's a strange statement, but you watch.

17 The reserves are just going to go out of sight.
18 They could reach \$3 trillion in the year 2030 or 2025.

19 In 2030, they'll go into the bow wows.

20 But those are things to look at.

21 And we should not forget that that reserve will
22 really fund the United States, but also remember go look at
23 page 1144 of the last budget act.

24 You'll see that we raised the debt limit to \$4
25 trillion, \$185 billion. That was so it wouldn't come up,

1 unfortunately, in October of an election year.

2 So there it is.

3 It's your money.

4 We're in it.

5 We're citizens, first.

6 We hold high office, and we should be very proud
7 because we're very privileged.

8 But you must remember, we're citizens, first.

9 Thank you.

10 (Applause.)

11 GOVERNOR GARDNER: That concludes our public
12 speakers for the day.

13 We now have a business agenda, and we're running
14 behind schedule.

15 So hang on.

16 We'll try to expedite this.

17 I would ask the people who are scheduled to speak
18 to keep their comments concise; not necessarily brief.

19 We'll start with the National Educational Goals
20 Panel.

21 I would call on Governor Romer and Governor
22 Campbell.

23 GOVERNOR ROMER: This will be very concise.

24 I think all of us, as Governors, need to
25 recognize the commitment we made, when we said we would hold

1 ourselves accountable over a ten-year period on the national
2 goals.

3 I believe it's the most important work as
4 Governors, individuals, and as an Association.

5 Let me just quote one line from Goal 3:

6 "Learn to use their minds well."

7 We need, this September, to make our first report
8 card.

9 We will be identifying, with the best educational
10 minds in America, how to format that report card, and what
11 questions to put to you, as individual governors in states,
12 to include in that report card.

13 We'll have a draft of that at the end of February
14 and March.

15 We will then go to you in the months of April and
16 May, and say, this is the information we need.

17 And then we'll report it in September.

18 But we have a second challenge.

19 And that is, over a ten-year period, to devise a
20 system in this country which will do three things:

21 One, arrive at a consensus on national standards,
22 levels of achievement, what a youngster should know and be
23 able to do.

24 Secondly, arrive at an assessment method which
25 will authentically tell us not only where we are as a

1 nation, but hopefully tell every student and every parent
2 where their youngster is.

3 Then, finally, use these two instruments, the
4 standards and the assessment method, to reform the system.

5 That's what this panel is about.

6 We're going to need your cooperation.

7 And I'd like to turn to the co-league Governor,
8 Governor Campbell, to make further comments.

9 Governor Campbell?

10 GOVERNOR CAMPBELL: Mr. Chairman, at the historic
11 summit in Charlottesville, the Governors and the President
12 made commitments to establish national education goals, and
13 develop strategies for achieving the goals, including
14 greater flexibility and enhanced accountability at all
15 levels of government.

16 And when to take restructuring in each of our
17 states, as well as to report, annually, on achieving the
18 goals.

19 Obviously, we've adopted goals, and Roy has
20 described our efforts to begin to measure progress and hold
21 ourselves accountable.

22 Through the NGA, we're continuing to work on
23 helping states develop strategies and identifying statutory
24 and regulatory barriers.

25 An NGA report on the status of state

1 restructuring efforts demonstrates that every state is
2 undertaking some reform.

3 So these goals have caused some things to happen,
4 already.

5 The good news is that the business community has
6 joined the educational reform movement with a commitment of
7 both resources and leadership.

8 In establishing the national goals, it was our
9 intention to develop an ambitious set of performance goals
10 that would provide a common framework and vision for
11 education reform.

12 And I'm pleased that many education associations
13 have placed the national goals on their agenda.

14 The Children's Defense Fund, the college boards,
15 the conference boards, the National Community Education
16 Association, the National Association for Partners in
17 Education, the National School Boards, Phi Delta Kappa, are
18 among just a few of the groups that are focused on the
19 goals.

20 The U.S. Congress has organized some major
21 education legislation around the Governors.

22 As we heard Dick Gephardt speak this morning, one
23 of the things he was proposing has to do with one of the
24 goals.

25 And the Administration is developing and

1 expanding many goals-related programs.

2 I can't begin to mention all of the initiatives
3 the Governors have launched.

4 But in state after state, education reform is
5 being undertaken with the goals as the underpinning.

6 In our own state, we have a new chief state
7 school officer who won by campaigning on the national
8 education goals, and who is a firmly committed person to
9 achieving their success in South Carolina.

10 This fall, all governors will be reporting
11 specifically on their efforts.

12 Seeking national goals through local strategies
13 will allow more meaningful progress to be made towards a
14 system which will ultimately preserve our ability to thrive
15 in an increasingly competitive world.

16 Let me stop right here, and thank Roy Romer for
17 the job he's doing in the panel that we're now working on.

18 It's taken long hours and a lot of effort, and he
19 has put that effort in.

20 Most significantly, these goals are not going
21 away.

22 They're not just words that are filed away in a
23 dusty old policy book.

24 And they are not just long meetings to try to
25 determine how to measure them.

1 We see goals posters in schools across the
2 country, and attention to them is increasing.

3 It's catching on as part of the fabric of
4 education.

5 And it appears as one thing that's true, and
6 that's Terry Branstad's vision of using national goals to
7 spur real change is working.

8 Mr. Chairman, I would like to yield back to
9 Governor Romer at this time, to discuss an amendment that
10 pertains to these goals.

11 GOVERNOR GARDNER: Governor Romer?

12 GOVERNOR ROMER: You have all just received a
13 copy of that amendment.

14 It's on the page that's the short paragraph.

15 It would be in addition to the national goals at
16 the bottom of page 11.

17 It would be a new paragraph 4.

18 Let me tell you the reason for it.

19 We now have the most authentic test assessment,
20 NAEP, the National Assessment of Educational Progress.

21 When that was legislated, however, through
22 Congress, there were restrictions of two kinds.

23 One, state-by-state comparisons could be used
24 only on a pilot basis through 1992.

25 Secondly, there was an absolute prohibition of

1 any use of this sampling data below state levels.

2 We need to lift these restrictions and make it a
3 voluntary situation where, if a state chooses to have itself
4 compared, or wants that data state by state, it can get it.

5 Or if something below that wants it, it can get
6 it.

7 This was discussed in our Governors-only session,
8 and I think Governor Bangertner raised the question, and
9 others approved it.

10 I would like to ask unanimous consent to consider
11 this resolution at this time.

12 GOVERNOR GARDNER: Moved by Governor Romer.

13 Seconded by Governor Campbell.

14 All in favor, say, aye.

15 (Chorus of ayes.)

16 GOVERNOR GARDNER: Opposed?

17 (No response.)

18 GOVERNOR GARDNER: Carried.

19 GOVERNOR ROMER: I would then move to add the
20 resolution to our policies.

21 GOVERNOR GARDNER: It's moved and seconded.

22 On the question, all in favor, say, aye.c

23 (Chorus of ayes.)

24 GOVERNOR GARDNER: It carries.

25 Thank you very much, Governor Romer and Governor

1 Campbell.

2 I would add to Governor Campbell's comments,
3 you've devoted, I know, a day a week to this, even back in
4 Washington, D.C., every Monday, for this purpose.

5 Speaking on behalf of all the Governors, I just
6 want to commend you and thank you, personally, for your
7 tremendous dedication to this issue.

8 GOVERNOR ROMER: Thank you.

9 GOVERNOR GARDNER: We are now going to move to
10 the adoption of the proposed policy resolutions.

11 Let me remind you that amendments require a
12 three-fourths vote to suspend the rules and/or adoption.

13 We will vote on the resolutions of the Executive
14 Committee, first, followed by the Standing Committees in
15 alphabetical order.

16 Moving to the Executive Committee, the first
17 policy is A-31 in your books or your handout sheets.

18 "The Governors pledge their continuing
19 participation with Congress and the
20 Administration, in developing a domestic
21 blueprint that includes health care, education,
22 transportation, and waste management."

23 In the short run, the policy you're looking at
24 calls for the relaxation of Medicaid mandates, statem nt of
25 matching rates in transportation programs, spend down of

1 dedicated funds in the transportation budget, preservation
2 of the state revenue sources, and emergency administrativ
3 costs of unemployment insurance funding.

4 We had a motion from Governor Ashcroft, and a
5 second comment from Governor Ashcroft.

6 GOVERNOR ASHCROFT: The short term Medicaid
7 policy calls on Congress to make three changes in the
8 Medicaid program.

9 One. Congress should delay the implementation of
10 the 1990 Medicaid mandates for two years.

11 Two. States should not be required to implement
12 Medicaid mandates until the Health Care Financing
13 Administration has published final regulations.

14 Three. States must be allowed authority to raise
15 the state matching money, with flexibility, in any way they
16 can.

17 GOVERNOR GARDNER: Is there any discussion?

18 (No response.)

19 GOVERNOR GARDNER: All in favor of the policy,
20 say, aye.

21 (Chorus of ayes.)

22 GOVERNOR WILSON: Is this the appropriate time to
23 offer an amendment?

24 GOVERNOR GARDNER: This is the collective,
25 Governor Wilson.

1 The next one is the Health Care Task Force, and
2 your amendment comes at that time.

3 Opposed?

4 (No response.)

5 GOVERNOR GARDNER: Carried.

6 We'll now move to the Health Care Task Force at
7 C.27. Short Term Medicaid Policy, a motion from Governor
8 Clinton, seconded by Governor Castle.

9 Comments by Governor Clinton.

10 GOVERNOR CLINTON: It's clear what my concerns
11 are.

12 We've talked about it at great length.

13 I would just like to move the adoption of the
14 policy, and I acknowledge the Governor of California for his
15 proposed amendment.

16 GOVERNOR GARDNER: Governor Wilson?

17 GOVERNOR WILSON: Thank you, Mr. Chairman.

18 First, I commend the Governor of Arkansas for a
19 very fine job.

20 The amendment that has been distributed is the
21 one which, at the Chairman's request, I worked with Governor
22 Chiles on.

23 It simply seeks to do what you're really seeking
24 to do with respect to the larger subject of a turnback to
25 the states of resources and much greater authority and much

1 greater flexibility.

2 It simply reads:

3 "Accountability based upon results is a better
4 test of state performance than strict compliance
5 with mandated procedures. The Governors seek to
6 work with the Administration and Congress to
7 develop state-specific mutually acceptable
8 agreements to measure accountability."

9 I would move the adoption of the amendment.

10 GOVERNOR GARDNER: The adoption of the amendm nt
11 has been moved.

12 Seconded by Governor Castle, Governor Branstad
13 and Governor Chiles.

14 Any questions or comments?

15 Governor Engler?

16 GOVERNOR ENGLER: To Governor Wilson, I think.

17 At the end of that "measure of accountability,"
18 we mean in return for flexibility, don't we?

19 That's the quid pro quo here?

20 GOVERNOR CHILES: Absolutely.

21 GOVERNOR WILSON: That's the whole idea.

22 GOVERNOR ENGLER: I'm wondering.

23 We don't mention -- we talk about our goal ther ,
24 but we talked about the mutual agreements, especially
25 accountability, but do we just want to add the term, "in

1 return for flexibility," and make sure that's very clear.

2 As Governor Stephens mentioned the steel cable
3 before.

4 GOVERNOR CHILES: If you want to put a sentence
5 in, "in return for flexibility," the governors agree to
6 accountability based on results.

7 GOVERNOR ENGLER: That would be fine.

8 GOVERNOR GARDNER: Any other questions or
9 comments on the amendment?

10 Governor Chiles?

11 GOVERNOR CHILES: I'd just state, again.

12 I think if you listened to what Gephardt was
13 saying this morning, I think, again, he talked about this
14 accountability.

15 I think this is an area that if we really take
16 this, we take away a lot of excuses that you'll find
17 everybody coming up with for failing to deal with things.

18 GOVERNOR GARDNER: Governor Ashcroft?

19 GOVERNOR ASHCROFT: I have some real reservations
20 about working with Congress to develop state-specific,
21 mutually acceptable agreements to measure accountability, if
22 that means that I have to go to the Congress of the United
23 States and get them to agree on goals that are specific to
24 the State of Missouri, and work with the Administration and
25 the Congress to do this.

1 I'm wondering how flexible that is, and if I'm
2 not going back to the same well that's imposed guidelines
3 that have been hamstringing us for a long time, and asking
4 them to try it over again.

5 I think we ought to ask for the flexibility to do
6 this as states, and do it with that flexibility.

7 But to go back to making some mutually agreeable,
8 acceptable agreement to measure accountability, with th
9 Congress and the Administration, to me, is to jump back into
10 the frying pan after we've escaped.

11 GOVERNOR CHILES: But have we escaped?

12 I ain't got out of the pan, yet, in my state, you
13 know. And I'm trying to get out.

14 And what I think we're trying to say is that we
15 don't want a 50-state accountability plan.

16 We want an accountability plan that's mutually
17 accepted, that you find something that's acceptable to your
18 state.

19 So I thought, you know, we were trying to get us
20 more flexibility, rather than tighten it.

21 And, you know, 50 states in an accountability
22 plan that probably applies to Florida and Missouri.

23 GOVERNOR ASHCROFT: My view is that to ask each
24 Governor to go to the Congress, to get the Congress and the
25 Administration to agree with the state on the way in which

1 we devote resources --

2 GOVERNOR CHILES: What we're talking about, I
3 think, is the opening wedges of trying to knock out a lot of
4 the categorical programs.

5 These are programs that we are already
6 handicapped.

7 I would love to go to the Congress and say, turn
8 me loose, in all of these requirements on Medicare and
9 Medicaid, turn me loose, and let me agree with you on the
10 kind of results you'll get for your turning me loose.

11 These are programs that we're already handicapped
12 and we're already handicapped and we have all these
13 requirements upon us.

14 So goodness knows, I'd love the opportunity to
15 negotiate with them to get out from under the requirements
16 that are now there.

17 GOVERNOR GARDNER: I'd like to call on Governor
18 Castle who'll speak to the issue as a whole.

19 GOVERNOR CASTLE: Mr. Chairman, as to the issue
20 as a whole, the amendment is a difficult amendment.

21 Somebody worked very hard on it, and I give them
22 a great deal of credit.

23 I wonder if, in some ways, it would be better
24 when we adopt the final policy.

25 I think they are clearly right as to what they're

1 trying to do.

2 But as to the policy, as a whole, it's very
3 simple.

4 We've been talking about it for two or three
5 days, and we all feel that it's a short term solution, which
6 I think is important to stress.

7 Hopefully, this summer, we'll have a formal
8 policy for health care that will embrace a lot of things,
9 including accountability.

10 For the time being -- we know this is not an
11 ultimate solution, but for the time being, I think that the
12 statements that are in the short term health care policy
13 impose some reason and restraint in terms of some of th
14 problems that we have.

15 That's all that this is addressed to do.

16 This is not going to solve problems of health
17 care.

18 It may solve some fiscal problems and begin to
19 impose some reason in terms of our relationship with the
20 Federal Government on the issues of Medicare.

21 GOVERNOR WILSON: Mr. Chairman?

22 GOVERNOR GARDNER: Governor Wilson?

23 GOVERNOR WILSON: Mr. Chairman, the basic
24 underlying policy, I think, doesn't have a problem.

25 The amendment is offered, really, in response to

1 the observation made by my friend from Florida, the other
2 day, with which I emphatically agree.

3 We all think that the Administration is sincere
4 in offering the turnback, as it's been termed.

5 The skepticism that we have all expressed is to
6 whether or not we can get it through Congress.

7 The suggestion has been made that in 60 days or
8 so, Chairman Gardner reconvene all 50 Governors, and that we
9 march upon the Hill and undertake a massive lobbying effort
10 to try to achieve the kind of managerial flexibility that
11 Governor Engler was just concerned about.

12 I don't think there's any difference on goals.

13 This may be a semantic quibble, but I think
14 perhaps the little dialogue that's just taken place between
15 Governor Ashcroft and Governor Chiles should provide, as a
16 proper point of focus, the realistic concern as to what it's
17 going to take to get this through the Congress.

18 This happens to relate to Medicaid.

19 It relates, in a much larger sense, to all that
20 we are seeking, as we hope to achieve much greater
21 managerial flexibility.

22 What I hear Lawton Chiles saying is that you're
23 not going to get Congress to give up the power of the purse,
24 if you have not provided them some assurance that there will
25 be accountability of some kind.

1 What we're asking for here is that accountability
2 be measured in terms of results, rather than procedural
3 compliance.

4 So what Governor Ashcroft is saying is that he
5 would like to have the discretion that I think he is
6 entitled to have.

7 The sad fact is that Congress has not given
8 either him or any of us that kind of discretion.

9 We are asking for it.

10 And what Lawton Chiles is saying is that, in
11 order to get it, we are going to have to address the
12 question of accountability.

13 If we're going to ask them to relax their iron
14 grip on the purse, then we're going to have to talk
15 accountability with them.

16 What we're saying is, let's do it based upon the
17 results of outcomes, and not upon compliance with
18 procedures.

19 I was delighted with what I heard Dick Gephardt
20 say this morning.

21 He said things that resonate with all of us,
22 having to do with early child care and prevention.

23 But what we really need to hear is that what
24 we're going to be rewarded for is not simply having programs
25 of the kind that have been specified by Congress, but that

1 we are going to achieve a result, however we get there.

2 GOVERNOR GARDNER: Thank you, Governor Wilson.

3 I call on Governor Ashcroft, and then move to a
4 vote on the amendment.

5 GOVERNOR ASHCROFT: I have a couple of things
6 that concern me.

7 One. If this is designed for the Medicaid
8 resolution, the Medicaid resolution is to ask that we not be
9 mandated to do things.

10 The Medicaid resolution is not related to the
11 turnback proposal.

12 As I see it, if this is designed as an amendment
13 that would address the turnback proposal of the White House,
14 I think we are ill served and ill advised to say that th
15 President's proposal is not achievable and to volunteer to
16 set up a new set of guidelines, 50 of them, for each of the
17 proposed turnbacks, which we might negotiate.

18 And I think that's really what you're saying.

19 I don't understand how this applies to the
20 Medicaid resolution.

21 Secondly, if it is designed to address the issue
22 of the President's proposed program to turn back funds to
23 the states without strings, I think we're ill advised to add
24 strings when the President has said, I'd like this to be
25 string-free.

1 GOVERNOR GARDNER: A vote on the amendment.
2 All in favor, say, aye.
3 (Chorus of ayes.)
4 GOVERNOR GARDNER: Opposed?
5 (Chorus of noes.)
6 GOVERNOR GARDNER: It passes.
7 Now, we move to the policy resolution, itself,
8 with the amendment included.

9 It's been moved and seconded.
10 Is there any further discussion?
11 (No response.)

12 GOVERNOR GARDNER: All in favor, say, aye.
13 (Chorus of ayes.)

14 GOVERNOR GARDNER: Opposed?
15 (No response.)

16 GOVERNOR GARDNER: It's carried.
17 We'll now move to the Agricultural and Rural
18 Development Committee.

19 Governor Mickelson, Policy G.1.

20 GOVERNOR MICKELSON: I'll be very brief.

21 Mr. Chairman and fellow Governors, the Committee
22 on Agricultural and Rural Development met in a joint session
23 with the Inter-Governmental Trade and Foreign Relations
24 Committee on Sunday afternoon, chaired by Governor Thompson.

25 It was one of the most spirited and beneficial

1 meetings that we've had in a long time.

2 And it was due to a dialogue between Ambassador
3 Carla Hills, the Ambassador from the European Community,
4 Ambassador Benacque, and also the Minister of Commerce from
5 Australia, a gentleman by the name of Mr. Thomson.

6 It was lively, and highlighted the importance of
7 the issues that we talked about, both in international trade
8 and agriculture.

9 The Committee adopted amendments on only one
10 policy, and I'll be very brief, on global agricultural trade
11 and rural development.

12 Basically, what we talked about is the GATT
13 negotiations.

14 We talked about what happens if GATT negotiations
15 are successful, but we also talked about what happens if
16 GATT negotiations are not successful.

17 Basically, there are five sentences that
18 summarize the amendments that are before you.

19 Number one is a rewriting of the preface to
20 update the language. It contains really no change in
21 policy.

22 Second. There is language that supports the
23 extension of credit for emerging democracies and the Soviet
24 Union to purchase agricultural products, credits for
25 purchase of agricultural products.

1 Third. It endorses the continuation of the GATT
2 negotiations, and suggests that in order to be successful in
3 this round, that the agricultural agreement be part of the
4 total package.

5 Fourth. There is an amendment that deals with
6 the situation when the GATT agreement is reached, and
7 outlines three principles the Congress should use in
8 reviewing any GATT-implementing legislation.

9 Lastly. The resolution or change in policy also
10 deals with the situation of a failed GATT negotiation to be
11 summarized by saying that the Congress and the
12 Administration use all the tools available to achieve fair
13 international trade, particularly with agricultural
14 commodities.

15 I move the adoption of the policy G.1.

16 GOVERNOR GARDNER: G.1 has been moved and
17 seconded by Governor Thompson.

18 Is there any discussion?

19 (No response.)

20 GOVERNOR GARDNER: All in favor, say, aye.

21 (Chorus of ayes.)

22 GOVERNOR GARDNER: Carried.

23 Committee on Economic Development and
24 Technological Innovation, Governor Edgar.

25 GOVERNOR EDGAR: In place of Chairman Mabus, who

1 had to leave, I'm offering a policy amendment which was
2 moved and passed by the Economic Development and
3 Technological Innovation Committee, in which we, the states,
4 reaffirm existing policy on the question of dual banking.

5 This resolution makes three points.

6 It closes with a portion that any change must be
7 revenue-neutral on the states.

8 The three points of the resolution call for any
9 reforms to recognize and retain the essential components of
10 the dual banking.

11 Point 1. A healthy partnership between state
12 regulators and Federal Deposit insurers.

13 Point 2. State authority to continue to use
14 state banking law to promote capital availability,
15 strengthen economic development, and encourage community
16 reinvestment.

17 Point 3. The ability of states to equitably tax
18 state and federally chartered banks.

19 The Committee added language which asks that the
20 Federal Deposit Insurance Reform treat all depositors
21 equally, because the too-big-to-fail rule has hurt smaller
22 state banks, while favoring large, federally-chartered
23 banks.

24 There is no doubt that there will be several
25 proposals before this Session of Congress dealing with

1 restructuring. And there's likely to be Congressional
2 action during this session.

3 Therefore, it's important that we determine the
4 components of the current system that are important to us,
5 as Governors.

6 This resolution does just that, and I so move
7 adoption of this resolution.

8 GOVERNOR GARDNER: Thank you, Governor Edgar.

9 Is there a second?

10 Governor Walters.

11 Is there any discussion?

12 (No response.)

13 GOVERNOR GARDNER: All in favor, say, aye.

14 (Chorus of ayes.)

15 GOVERNOR GARDNER: Carried.

16 We now move to the Energy and Environment
17 Committee.

18 Governor Sinner?

19 GOVERNOR SINNER: Mr. Chairman, the Committee on
20 Energy and Environment met, yesterday, to discuss solid
21 waste management, and the need for a national energy
22 strategy.

23 We also approved one policy amendment for your
24 consideration under suspension of the rules with regard to
25 solid waste.

1 The Committee met with Senator Max Baucus to
2 discuss the right of the states to set standards, and to
3 collect fees from the importation of municipal waste from
4 beyond the state borders, and the importance of the states
5 making their own terms for the importation of hazardous
6 wastes and all wastes.

7 We are moving into a very concentrated action
8 mode on this issue.

9 We're going to work with Congress to
10 expeditiously change the law in this area.

11 We will, along with that, work for the
12 reauthorization of the Resource Conservation and Recovery
13 Act in ways that are compatible with NGA policy.

14 On energy, let me just say that the Committee has
15 been working with the Department of Energy and other
16 Administration officials on the development of a national
17 energy policy.

18 Yesterday, Admiral Watkins told us that the
19 President's recommendation will be forthcoming within the
20 next few weeks.

21 We must have an energy policy in this country.

22 The Administration must write it.

23 We won't all like it.

24 It won't be perfect, and so it must be dynamic.

25 Secretary Watkins has agreed to closer

1 consultation with Governors in the flushing out end
2 activities that brings the policy into being.

3 Mr. Chairman, at the meeting, we also approved
4 one amendment which is under the pink label in your file,
5 under the pink tab. It's page 3.

6 And at this time, I will move for suspension of
7 the rules to allow consideration of Governor Sullivan's
8 amendment.

9 GOVERNOR GARDNER: The move to suspend the rules
10 has been seconded.

11 All it takes is a three-fourths vote.

12 All in favor?

13 (Chorus of ayes.)

14 GOVERNOR GARDNER: Opposed?

15 (No response.)

16 GOVERNOR GARDNER: Carried.

17 GOVERNOR SINNER: Mr. Chairman, I move the
18 adoption of the policy supported by the Committee.

19 GOVERNOR GARDNER: The policy change has been
20 moved and seconded.

21 All in favor?

22 (Chorus of ayes.)

23 GOVERNOR GARDNER: Opposed?

24 (No response.)

25 GOVERNOR GARDNER: Carried.

1 Thank you, Governor Sinner.

2 I'll now call on Governor Snelling to discuss
3 Human Resources.

4 GOVERNOR SNELLING: Mr. Chairman, the Committee
5 on Human Resources represents the adoption of resolution and
6 amendments to one existing policy.

7 First, the resolution:

8 "To ensure that employment security funding is
9 responsive to rising unemployment."

10 This resolution amplifies the Governors' concerns
11 about the recurring shortfall in administrative funds, the
12 non-response to case load funds which provides services to
13 unemployed workers.

14 We were assured the other day by the White House,
15 as I understand it, that the \$100 million supplemental
16 appropriation will be recommended.

17 This resolution asks us to keep the pressure on
18 both the Congress and the Administration, to make sure that
19 that takes place.

20 We need to enact that emergency supplemental
21 appropriation to create a mechanism that will ensure that
22 funding will be responsive now and in the future.

23 And then, secondly, the amendment to our existing
24 employment security policy program would make sure that the
25 focus of the employment service is a critical link that

1 deals with the fact that we've got to help new labor market
2 entrance and be particularly responsive to displaced,
3 experienced workers to make sure that we're integrating into
4 a total work force.

5 Mr. Chairman, on behalf of the Committee, I move
6 these policies in bloc.

7 GOVERNOR GARDNER: It's been moved, these
8 policies in bloc, and seconded.

9 All in favor, say, aye.

10 (Chorus of ayes.)

11 GOVERNOR GARDNER: Carried.

12 Thank you very much, Governor Snelling.

13 We now move to Governor Thompson of the
14 International Trade and Foreign Relations Committee.

15 GOVERNOR THOMPSON: Thank you very much, Mr.
16 Chairman.

17 As Governor Mickelson has pointed out, we had a
18 very spirited meetings with two ambassadors, one
19 representing the European Community, and Ambassador Carla
20 Hills, as well as Minister Thomson.

21 All of those individual speakers, even though
22 they differed on getting the Uruguay round completed,
23 indicated that it would be very much in the purview of all
24 of us to get involved in trying to get the Uruguay round
25 moving, that is currently stalled, and it would have the

1 opportunity over the next ten years to expand trade by \$3 to
2 \$5 trillion.

3 And it would be very helpful to each of us in our
4 individual states to do what we can to get the round
5 completed.

6 The International Trade and Foreign Relations
7 Committee has three resolutions.

8 The first one was encouraging Carla Hills to
9 continue the negotiations.

10 It also points out that the State Governors
11 certainly want to make sure that they reserved to their
12 individual states, the opportunity to protect services and
13 to regulate state services and state procurements, as well
14 as pointing out the agricultural policy that Governor
15 Mickelson has presented and already adopted.

16 The second one is the fast track legislation
17 dealing with the United States, Mexico, and Canada,
18 encouraging the talks to begin.

19 And if they do begin, we will have a further
20 statement on this in the summer meeting in your home state,
21 Chairman Gardner.

22 Finally, the Committee recommended that all
23 states be involved with the Peace Corps in international
24 education.

25 They appeared in front of our committee last

1 summer, and were very instrumental in getting states to use
2 volunteers from the Peace Corps to help.

3 It's a great program.

4 Governor Carroll Campbell was involved in it, as
5 well as my staff, and it's very helpful if states want to
6 get involved.

7 Mr. Chairman, I think all of these policy
8 statements are in need of unanimous support from the
9 Governors.

10 And I recommend that they be adopted, and I mov
11 their adoption.

12 GOVERNOR GARDNER: Governor Thompson recommends.

13 It's been seconded.

14 Any discussion?

15 (No response.)

16 GOVERNOR GARDNER: All in favor, say, aye.

17 (Chorus of ayes.)

18 GOVERNOR GARDNER: Thank you, Governor Thompson.

19 We'll now move to Governor Miller, Justice and
20 Public Safety Committee.

21 GOVERNOR MILLER: Thank you, Mr. Chairman.

22 We met yesterday afternoon, and had an
23 informative conversation with FBI Director Judd Sessions,
24 the President of the International Association of Chiefs of
25 Police, and the Assistant Attorney General, as well as a

1 prelude to the President's upcoming subcommittee meeting on
2 violent crime.

3 We're going to continue to work with the
4 Department of Justice as a follow up to that troubling
5 concern that we're all having with street gangs.

6 The Committee had only one amendment of policy
7 and that is B.11, relative to Equal Opportunity in the Army
8 and Air National Guard, under the goldenrod paper in front
9 of you.

10 I move its adoption.

11 Perhaps in the absence of Governor Voinovich,
12 Governor Wilson will second it.

13 GOVERNOR WILSON: Second.

14 GOVERNOR GARDNER: Discussion?

15 Governor Waihee?

16 Oh, that's a second?

17 All right.

18 All those in favor?

19 (Chorus of ayes.)

20 GOVERNOR GARDNER: Opposed?

21 (No response.)

22 GOVERNOR GARDNER: Thank you very much, Governor
23 Miller.

24 We'll now move to the Committee on
25 Transportation, Commerce and Communications, Governor

1 Stephens.

2 GOVERNOR STEPHENS: Thank you, Mr. Chairman.

3 The Committee on Transportation, Commerce, and
4 Communications met yesterday and had an excellent session.

5 Although we missed Governor Wilkinson's
6 participation, we did have an excellent conversation with
7 two committee chairmen, Senator Lottenberg from New Jersey,
8 and the new transportation legislation.

9 Predictably, we got around to money.

10 We've got our work cut out for us on this one.

11 The Committee recommends the adoption of two
12 policy positions and one resolution.

13 First, amendments to F.1, dating from the
14 transportation policy overview.

15 These relate to the use of highway taxes only for
16 dedicated transportation and finances, opposition to
17 changing the matching rates, and no more federal mandates.

18 Secondly. A position statement on the Surface
19 Transportation Bill covering these topics, and others
20 relating to the Governors' priorities.

21 Third. An amendment to F.10, dealing with
22 telecommunications.

23 It relates to supporting a satellite-based
24 telecommunications system dedicated to education and to
25 other public purposes.

1 Mr. Chairman, I would move the adoption of the
2 policies and the resolution en bloc.

3 VOICES: Second.

4 GOVERNOR GARDNER: It's been moved and seconded.
5 Discussion?

6 (No response.)

7 GOVERNOR GARDNER: All in favor, say, aye.

8 (Chorus of ayes.)

9 GOVERNOR GARDNER: Opposed?

10 (No response.)

11 GOVERNOR GARDNER: Carried.

12 We'll now move to a resolution on Puerto Rico.

13 At the request of Governor Hernandez-Colon, we're
14 reaffirming our current policy on Puerto Rico.

15 This resolution reaffirms the policy that states:

16 "Political self-determination for Puerto Rico"

17 and urges the 102nd Congress and the President to swiftly
18 pass this enabling legislation.

19 I call on Governor Branstad.

20 GOVERNOR BRANSTAD: I so move the resolution.

21 VOICES: Second.

22 GOVERNOR GARDNER: It's been moved and seconded.

23 Any comment on the resolution?

24 (No response.)

25 GOVERNOR GARDNER: All in favor, say, aye.

1 (Chorus of ayes.)

2 GOVERNOR GARDNER: Opposed?

3 (No response.)

4 GOVERNOR GARDNER: Carried.

5 We now move to an item of the deletion of pre-
6 1987 executive committee policies.

7 In a fit of common sense, someone recommended
8 that we delete most of our pre-1987 policy positions, and
9 carefully review the rest.

10 Since most of us here didn't vote on pre-1987
11 policies, it seems to make exceptional sense.

12 Governor Ashcroft, will you move, please?

13 GOVERNOR ASHCROFT: So moved.

14 GOVERNOR GARDNER: Second?

15 VOICES: Second.

16 GOVERNOR GARDNER: Discussion?

17 (No response.)

18 GOVERNOR GARDNER: All in favor, say, aye.

19 (Chorus of ayes.)

20 GOVERNOR GARDNER: Carried.

21 We now have an NGA rules procedure change to
22 permit the sunseting of policy after four years.

23 Now that we've deleted policy pre-1987, we're
24 recommending that any new policy additions be sunsetted
25 after four years.

1 GOVERNOR SINNER: So moved.

2 VOICES: Second.

3 GOVERNOR GARDNER: All in favor, say, aye.

4 (Chorus of ayes.)

5 GOVERNOR GARDNER: We move to the resolution on
6 the war in the Persian Gulf.

7 I'd like to call on Governor Branstad.

8 GOVERNOR BRANSTAD: Mr. Chairman, this resolution
9 was authored by Governor Tommy Thompson, and it was endorsed
10 unanimously by the Executive Committee.

11 It says that the nation's Governors unequivocally
12 support the men and women serving in our Armed Forces in the
13 Persian Gulf.

14 We respect their bravery and patriotism.

15 We strongly support the leadership of the
16 President, as Commander-in-Chief, and are proud to say this
17 was approved unanimously.

18 And I think this show of our strong support and
19 appreciation for the troops and their families is something
20 that the Governors certainly feel strongly about.

21 And I appreciate the opportunity to offer it at
22 this time.

23 GOVERNOR GARDNER: Thank you, Governor Branstad.

24 GOVERNOR BRANSTAD: I move to suspend the rules
25 so that it can be considered.

1 GOVERNOR GARDNER: It takes a three-fourths vote
2 to suspend the rules.

3 All in favor, say, aye.

4 (Chorus of ayes.)

5 GOVERNOR GARDNER: Governor Thompson, do you car
6 to add anything further?

7 GOVERNOR THOMPSON: No, Mr. Chairman.

8 GOVERNOR GARDNER: Thank you for your leadership
9 on this particular issue.

10 All in favor of this resolution, please say, aye.

11 (Chorus of ayes.)

12 GOVERNOR GARDNER: Opposed?

13 (No response.)

14 GOVERNOR GARDNER: Carried.

15 In keeping with making this organization a
16 vehicle for Governors, at the close of each plenary session,
17 there will be an item called "Other Governors' Issues."

18 We now move to that item on the agenda.

19 I would call first on Governor Schaefer.

20 GOVERNOR SCHAEFER: Thank you, Mr. Chairman.

21 I want to propose a resolution to be referred to
22 the Public Safety Committee.

23 I don't think it's necessary for me to reiterate
24 about violence on the streets.

25 Some of our cities are now known as murder

1 cities.

2 That's not doing our country any good in tourism,
3 and it doesn't help the people in the cities that live
4 there.

5 You have a copy of the resolution in front of
6 you.

7 It's very straightforward.

8 It asks that each of us work in our state to stop
9 the spread of assault weapons and it directs the National
10 Governors' Association to encourage Congress and the
11 President to enact a Federal law banning the manufacture,
12 sale, and possession of assault weapons.

13 We're all concerned about criminals using these
14 dangerous weapons.

15 And I might say, when I was mayor, we had to
16 upgrade our guns, we had to up-date our body safety jackets
17 in order to combat the crime on the streets.

18 Maryland is joining several other states in
19 trying to restrict possession of assault weapons, to ban
20 future sales.

21 Interestingly enough, I don't think an assault
22 weapon is actually needed to kill squirrels, and I've said
23 that.

24 And I've been told that these assault weapons
25 really are not assault weapons at all; then I look at them,

1 and I see they are.

2 I propose this legislation to the General
3 Assembly, last month, and, of course, immediately had the
4 NRA in opposition to it.

5 Maryland's proposed law would, 1) ban the sales
6 or transport of assault weapons after July 1, 1991, and
7 require individuals who now own such weapons to apply for
8 and receive permits to possess them.

9 And after January 1, 1992, no one could possess
10 an assault weapon without a permit.

11 Anyone with an assault weapon in his possession
12 will be guilty of a crime.

13 Other states have taken this action: California,
14 New Jersey under Governor Florio, and Delaware and New York
15 are considering or have enacted the assault weapons curb.

16 And the restriction of course will only work if a
17 lot of states impose them.

18 Restrictions would be most effective if they were
19 enacted by the Federal Government.

20 So I hope each of you will look to your own laws.

21 We could make a difference if every state enact d
22 gun restrictions, and the Federal Government enacted
23 legislation banning the manufacture, importation and sale of
24 these weapons.

25 These assault weapons were designed for the

1 military, not for sporting use.

2 And they have one purpose; that is, to kill.

3 I have been around long enough to remember the
4 days in the 1930s when gangsters had a choice weapon called
5 the Thompson Machine Gun.

6 And it took Federal legislation to prohibit the
7 sale and possession of the Thompson Machine Gun, in order to
8 help the police in that period.

9 So the resolution I'm proposing calls on states
10 and on Congress and on the President to enact a
11 comprehensive ban on assault weapons.

12 And I hope the Committee on Public Safety will
13 review the proposal and put the National Governors'
14 Association on record, at our next meeting in August.

15 GOVERNOR GARDNER: Thank you, Governor Schaefer.

16 GOVERNOR FLORIO: Mr. Chairman, I would just like
17 to commend Governor Schaefer for this very timely
18 initiative.

19 The process of course will now be that the
20 appropriate committee will review it.

21 I just think this is something that this nation
22 is going to have to face up to.

23 I've always believed that the most important
24 right of all of us is the right to be safe and the right to
25 be secure in our communities and in our homes.

1 As Governor Schaefer made reference to, we have
2 just enacted, in my state, the strongest such law in the
3 nation, banning the possession and sale of these military
4 weapons.

5 And I think it's significant to note that the
6 group that was among the most forceful in support of this
7 was the State Police Chiefs Association, because they know
8 that in many instances, our police were literally being out-
9 gunned in fire fights with drug dealers.

10 We're talking about the weapons of choice of drug
11 dealers and criminals.

12 That these AK-47s and Uzis are not required by
13 sportsmen, as was stated by Governor Schaefer.

14 These are military weapons that are specifically
15 designed to kill as many people as possible in the shortest
16 period of time.

17 So I'm very pleased to be identified publicly
18 with this initiative, and hope that this body, through the
19 course of its normal deliberative process, will evaluate and
20 ultimately be supportive of this initiative.

21 Thank you, Mr. Chairman.

22 GOVERNOR GARDNER: Thank you, Governor Florio and
23 Governor Schaefer.

24 Any further comments on this particular item?
25 Governor Sinner?

1 GOVERNOR SINNER: Mr. Chairman, I'm from a farm
2 state and a rural state, with lots of hunting. And I'm a
3 hunter and a sportsman.

4 I just have to say, amen.

5 It's high time.

6 I wish that the people who really disagree with
7 this would be willing to take their weapons to a public
8 hearing and demonstrate to everybody what they're really
9 trying to sell, if they don't agree with the States'
10 decision, let them provide a public hearing and then we'd
11 see whether the public thought that we were right in
12 curtailing the sale of these weapons.

13 GOVERNOR GARDNER: Thank you, Governor Sinner.
14 Governor Waihee?

15 GOVERNOR WAIHEE: Mr. Chairman, I also want to
16 commend Governor Schaefer.

17 And to ask for a clarification of what happens if
18 we don't vote on a motion.

19 GOVERNOR GARDNER: It's referred to Committee.
20 It will be brought up in Seattle this summer at
21 the summer meeting.

22 GOVERNOR SCHAEFER: Mr. Chairman, could I
23 possibly dare to ask for a vote now?

24 I guess I'd better not.

25 (Laughter.)

1 GOVERNOR GARDNER: It would take unanimous
2 consent, Governor Schaefer.

3 GOVERNOR SCHAEFER: One reason for taking a vote
4 on unanimous consent.

5 I think it's important, and I do thank you for
6 allowing me to deviate from the schedule, but it is an
7 important message.

8 I don't think there's any question that an
9 assault weapon, uzis, machine guns, on the floor or in the
10 streets, when they can outgun our policemen, when they'r in
11 the alleys and so forth, are confronted with superior
12 weapons.

13 I didn't want to go into this in detail, but I've
14 seen it. And I've seen the cost that we've had to expend in
15 upgrading body armor and buying nine-millimeter guns, so
16 that we could have at least an equal opportunity to be able
17 to run the criminals off the streets, the drug dealers and
18 others, who permeate society and cause us great
19 difficulties.

20 GOVERNOR GARDNER: Thank you, Governor Schaefer.

21 There are a lot of governors absent who had
22 schedules at home who, I think, would like to be part of
23 this decision when and as it's made.

24 So I think it would be preferable if we delayed
25 it until the summer meeting, and let it go through the

1 committee process, if there's no objection to that.

2 Thank you very much.

3 I'd like to call on Governor Branstad.

4 GOVERNOR BRANSTAD: Mr. Chairman, I want to
5 personally thank each of the Governors and every Governor
6 attending this conference from all the states and
7 territories, who signed a letter which I and seven other
8 Governors delivered yesterday to the Israeli Ambassador,
9 expressing our support and appreciation for what the
10 civilian population of Israel has had to endure with the
11 SCUD missile attacks from Iraq.

12 It was a very proud moment to see the Ambassador
13 receive, on behalf of the people of this country, this
14 statement of support and solidarity for Israel, and our
15 appreciation for the restraint with which the Israeli
16 government has handled this situation.

17 I personally took that around to each of you.

18 And I want to thank all the Governors for signing
19 it.

20 It was certainly a proud moment to be able to
21 deliver that to the Ambassador, yesterday.

22 And, Mr. Chairman, I thank you, and I thank each
23 member of this Association for that statement.

24 And I know the people of Israel appreciate that.

25 The Ambassador expressed that to us very

1 eloquently yesterday.

2 GOVERNOR GARDNER: Thank you, Governor Branstad.
3 Is there anything further?

4 GOVERNOR SCHAEFER: I also want to commend
5 Governor Branstad on that resolution.

6 I also think we should call attention that the
7 Israelis are devoting quite a bit of money to armament, that
8 they're spending a tremendous amount of money on
9 resettlement and the moving of Soviet Jews into Israel, and
10 from Israel into America.

11 I attended Super Sunday, not too long ago, wher
12 not only they were meeting the commitment, but in many
13 instances, increasing their commitment to do this.

14 I think they ought to be commended for that.

15 GOVERNOR GARDNER: I thank you, Governor
16 Schaefer.

17 Any other Governors wish to make comments?

18 (No response.)

19 GOVERNOR GARDNER: I look forward to seeing all
20 of you in Seattle.

21 As you know, we have two seasons in Seattle:
22 August and the rainy season.

23 And I recognize that all of you suffer with great
24 humidity problems in August, so we'll welcome you to
25 Seattle.

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My greatest concern is that we won't be able to keep you at the meetings.

If we can help you with other plans before or after the meetings, please let us know.

I want to thank you all for your participation.

This meeting is adjourned.

(Applause.)

(Whereupon, at 12:20 p.m., the meeting was concluded.)