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4 THE NATIONAL GOVERNORS' ASSOCIATION

5 1993 ANNUAL MEETING
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10 TRANSCRIPT OF THE EXECUTIVE COMMITTEE

11 MEETING, held in the Tulsa Convention Center, Tulsa,
12 Oklahoma, on Sunday, August 15, 1993, and reported by
13 Karla E. Barrow, Certified Shorthand Reporter in and
14 for the State of Oklahoma.
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23 HICKERSON & ASSOCIATES
24 CERTIFIED SHORTHAND REPORTERS
25 616 SOUTH MAIN, SUITE 204
TULSA, OKLAHOMA 74119

1 GOVERNOR ROMER: Fellow Governors, ladies
2 and gentlemen, guests, this is the Executive Committee
3 of the National Governors' Association, and I would
4 estimate that we have more attendees at this Executive
5 Committee meeting than we have ever had. We have a
6 very busy agenda. At 12:30 the Vice President of the
7 United States, Al Gore, will join us, and we have a
8 good bit of work to do before, and also some work
9 after.

10 Let me just state a welcome and a very brief
11 overview. As you all know, our agenda this year is
12 deficit reduction, health care reform, continuing our
13 education reform, reinventing government, welfare
14 reform. These are very important and challenging
15 issues which we will address some this morning in the
16 Executive Committee, some during our task group and
17 committee sessions, and in our Plenary sessions.

18 I would like to expedite our process this
19 morning by asking for a motion and a second to approve
20 the minutes of May 17th Executive Committee meeting.
21 Do I have such a motion?

22 UNIDENTIFIED GOVERNOR: So moved.

23 UNIDENTIFIED GOVERNOR: Second.

24 GOVERNOR ROMER: The record of those minutes
25 are in your briefing books. All in favor say aye.

1 GOVERNORS: Aye.

2 GOVERNOR ROMER: All opposed, no.

3 So adopted.

4 Now, we're going to have a discussion of NGA
5 legislative issues; Medicaid; gas taxes; and Education
6 2000. Then we'll have an update on some task force
7 agendas on Medicaid waivers, Indian gaming, and
8 welfare reform, and then we'll consider some proposed
9 policies on federalism and health care, and then we'll
10 be joined by Vice President Gore, or if we don't get
11 through that, we'll take up some of those after Vice
12 President Gore is here.

13 Now, before I get to these legislative
14 updates, I'd like to acknowledge the presence of three
15 White House staffers. All of the governors know them,
16 or will know them shortly; Marsha Hale, who is
17 assistant to the President and Director of
18 Intergovernmental Affairs, and Keith Mason and John
19 Hart, Deputy Assistants to the President for
20 Intergovernmental Affairs. They are key links for all
21 of us to the administration, and we're very pleased
22 that they're here this morning.

23 I'd first like to call on Governor Campbell
24 to give us a brief discussion of the status of
25 the Medicaid waivers. Governor Campbell.

1 GOVERNOR CAMPBELL: Thank you very much, Mr.
2 Chairman. You have before you a proposed Executive
3 Committee statement supporting the results of nearly
4 six months' negotiations between the states and the
5 administration on health and welfare waiver
6 simplification. I understand that some very tough
7 talks have gone on to get to this point. Carl Volpe,
8 of our association, the National Governors'
9 Association, along with several of our state Medicaid
10 directors, have worked long and hard with Bruce
11 Vladick, of the Health Care Finance Commission and
12 Administration and his people.

13 We have not gotten everything that we need to
14 make the waiver process user friendly, but we have
15 gotten a lot, particularly in areas where
16 administrative changes can be made without
17 legislation. For instance, the administration has
18 agreed to the following: One, to seek a change in
19 attitude by increasing early consultation with and
20 technical assistance to states to help us in designing
21 and developing approval, a provable waiver of
22 proposals. Second, to assess cost neutrality over the
23 life of a proposed demonstration program instead of
24 year by year. Third, to approve waivers which test
25 the same or related policy considerations in more than

1 one state to make it easier for us to replicate
2 successful programs, something that we've all asked
3 for. Next, to speed up the review and the decision
4 process, and finally, to consider joint Medicaid
5 Medicare waivers and joint AFDC Medicaid waivers.

6 Now, what we have not come to closure on are
7 important legislative changes. The governors would
8 like to see a move to make it easier for us to move to
9 Medicaid under managed care. This is something we're
10 all interested in, and it would certainly be helpful
11 to have support as we seek this flexibility from
12 Congress. Nevertheless, substantial progress has been
13 made, and all parties have acted in good faith, and I
14 think it's appropriate for the governors to commend
15 the President for his willingness to work with us, and
16 Secretary Schellayla for this progress, while making
17 it clear that our work is not done. So I move that we
18 adopt -- the Executive Committee adopt the resolution
19 that you have printed.

20 UNIDENTIFIED GOVERNOR: Second.

21 GOVERNOR ROMER: All right. Now, you all
22 have copies of this resolution in front of you. The
23 motion has been made and been seconded to adopt this
24 resolution. Is there any discussion?

25 GOVERNOR RICHARDS: Mr. Chairman?

1 GOVERNOR ROMER: Yes.

2 GOVERNOR RICHARDS: I just want to say that I
3 think that -- am I doing the right thing?

4 GOVERNOR ROMER: Yes, now it's fine.

5 GOVERNOR RICHARDS: I just want to say that I
6 really am grateful to have the opportunity to have a
7 White House and President that's worked with us on an
8 issue that is fundamentally one that pervades almost
9 everything the federal government does, and it is so
10 good to have somebody who has come from our background
11 and understands our experience. I think this spirit
12 of cooperation both from the Department of Health and
13 Human Services and from the President is
14 unprecedented, and I enthusiastically support Carroll
15 Campbell's motion.

16 GOVERNOR ROMER: Any other comments?
17 Governor Carlson?

18 GOVERNOR CARLSON: Mr. Chairman, I would
19 certainly applaud the comments by the good governor
20 from Texas, provided we could say the same for the
21 United States Congress, which has done everything it
22 possibly could to block waivers.

23 GOVERNOR ROMER: Are we ready for a vote?
24 All in favor of this say aye.

25 GOVERNORS: Aye.

1 GOVERNOR ROMER: Opposed no.

2 It's been adopted.

3 Governor Bob Miller, I'd like to call on you
4 for a comment upon our gas tax concerns. Governor
5 Miller, are you here?

6 GOVERNOR MILLER: Yes, I am.

7 GOVERNOR ROMER: Governor Miller of Nevada.

8 GOVERNOR MILLER: The gas tax provisions and
9 the budget reconciliation law had two effects, as it
10 relates to the state, two primary effects. First, on
11 the more positive note, the 1990 budget agreement
12 included a five cent gasoline tax increase, of which
13 half was dedicated to the highway trust fund, and half
14 was dedicated to the general fund. We've been on
15 record before, during and since asking that the money
16 that was diverted be rededicated to the highway fund,
17 and that, in fact, will occur beginning October the
18 1st, 1995, two cents to the highway account and a half
19 a cent to the transit account. Without that, there
20 wouldn't have been enough money to fully fund ice tea
21 in its three years should the Congress choose to do
22 so, there would have been an \$11 billion shortfall.

23 On the less positive side of the ledger, the
24 proposal is that the gasoline tax be increased by 4.3
25 cents, none of which will be dedicated to the highway

1 trust fund. I think that's an issue that we should
2 discuss in future meetings because it sets the
3 precedent, the same precedent we were concerned about
4 in the last budget agreement of diverting some highway
5 trust funds for other purposes, and it is one that we
6 have down on record in the past as being opposed to.

7 Thank you.

8 GOVERNOR ROMER: Thank you, Governor Miller.
9 We do not need to take any action on that, but I
10 just wanted to have that brought to our attention.

11 Let me -- was there any comment upon this
12 issue? Let me turn to our next issue. I'd like to
13 call on Ray Scheppach for comment on other issues
14 arriving out of the reconciliation issue and the
15 budget agreement. Ray.

16 MR. SCHEPPACH: Let me summarize very quickly
17 some of the other issues. First off, the package did
18 cut, over a five year period, a little bit less than
19 500 billion; 102 billion were in discretionary cuts.
20 Essentially, they had a freeze in nominal dollars over
21 the next five years. There was some tax increases for
22 individuals moving the rate up from 31 to 36 percent
23 for individuals over 115,000, and families over
24 140,000. There were cuts in Medicare of about 56
25 billion over five years. An increase in the earned

1 income credit of about 21 billion. There ended up
2 essentially with no entitlement caps in the
3 Reconciliation Bill, but the Congress has decided that
4 they will relook at entitlement caps and rescissions
5 in the October to November time frame. Our sense is
6 that they're real serious about enacting some types of
7 entitlement controls at that particular time.

8 There's also, in terms of other issues that
9 affect states, there is a billion dollars for family
10 preservations, to try and keep families intact.
11 There's about a 2.5 billion increase in food stamps.
12 There's a number of tax credit extensions in terms of
13 low income housing, mortgage revenue bonds and small
14 issue development bonds.

15 On the Medicaid, there was a cut of about 7.6
16 billion in Medicaid over a five year period. Most of
17 this came out of the disproportionate share; however,
18 there was a number of other provisions which help
19 states, such as immunizations, asset transfers and the
20 ability to use formularies. Overall, I think states
21 faired relatively well in the reconciliation package.

22 GOVERNOR ROMER: Is there any comment on
23 that? I'm sure we don't want to take a vote on that.

24 GOVERNOR RICHARDS: Can I say something?

25 GOVERNOR ROMER: Yes. Governor Richards.

1 GOVERNOR RICHARDS: We're talking, I hope,
2 about the Reconciliation Act, is that what we're on?

3 GOVERNOR ROMER: It was just a report on
4 that, yes.

5 GOVERNOR RICHARDS: I want to tell you
6 something that's in there, Governors, listen up, that
7 you don't want to stay in there. For lack of a better
8 phrase, I'm going to call it the scrooge amendment.
9 It says that states will be required to collect from
10 the estates of deceased Medicaid recipients for any
11 nursing home care that the deceased might have
12 incurred. Do you understand?

13 GOVERNOR ROMER: I understand that.

14 GOVERNOR RICHARDS: It means that if you have
15 a person who has died and their families already are
16 poor or near poor, that you, as a state, are required
17 to sue that family for the reimbursement of those
18 funds that might have been expended by the deceased in
19 their nursing home care before they died.

20 I would suggest to you that it is very
21 important to all of you to make sure that this
22 provision be optional and not mandated on the states,
23 and whenever it is appropriate, Mr. Chairman, I will
24 make that motion.

25 GOVERNOR ROMER: Well, this is a law that has

1 pass d, and I gather you're saying that we should be
2 concerned about that provision in the law, and that as
3 we live with it, we ought to try to change it;
4 correct?

5 GOVERNOR RICHARDS: We ought to have it
6 interpreted, if that is possible, so that it gives the
7 states every ounce leeway that they can get.

8 GOVERNOR ROMER: All right. We appreciate
9 those comments.

10 Now, let me take up next -- this is, again,
11 under the report on pending legislation, the Education
12 2000 Bill, and I will give you that brief update.

13 As you know, this bill was introduced by the
14 administration to add for innovation, quality and
15 equity. We are concerned, as governors, about the
16 House version of that bill. It does not create the
17 framework that we intended, and we believe will not
18 help states achieve the goals of educational
19 improvement.

20 The House version has a number of significant
21 flaws, including its weakening of the National
22 Education Goals panel, its addition of a seventh
23 national education goal, and its prescriptions for how
24 states must address a major opportunity to learn
25 standards.

1 Now, we have very much better identification
2 with the Senate version of this bill, the governors
3 do, yet we still have some concerns about the Senate
4 bill. We would like the Senate bill to be clear that
5 the state will never be required to adopt national
6 content in performance standards or opportunity to
7 learn standards as a condition of participation in
8 federal education program. And we'd like that Senate
9 bill to be clear that groups of states can come
10 together to develop assessment systems to have them
11 certified, and we'd like to be clear that the National
12 Educational Standards and Improvement Council, the
13 NESIC, is not permitted to prescribe how states go
14 about using any opportunity to learn standards
15 developed under the bill.

16 We'd like to delete the provision that
17 requires states to demonstrate that all schools in the
18 state are meeting the opportunity to learn standards,
19 and substitute with the provision that requires states
20 to show that schools are making progress toward,
21 rather than meeting.

22 Now, this is a quick summary of the House
23 bill and the Senate bill. We have been in intense
24 negotiations on behalf of all the governors on this
25 matter, and I just wanted to give you an update on

1 that legislative proposal.

2 Are there any further comments about that?
3 Governor Campbell?

4 GOVERNOR CAMPBELL: Mr. Chairman, let me echo
5 your remarks. We have had a bipartisan group that's
6 worked on this. The education goals evolved, of
7 course, from the summit that was held in
8 Charlottesville, Virginia, co-chaired by the now
9 President of the United States. It was a 10 year
10 program. It was based on the output of education as
11 the measurement tool and not the input.

12 Congress has taken some very good legislation
13 that was offered by the administration and the House,
14 and has basically moved to micromanage education in
15 this country, something that I think that we cannot
16 stand for.

17 The Senate bill, as Governor Romer has
18 described it, is much better, but does leave some
19 things to be changed. Now, we believe that if the
20 amendments that we have offered are changed in the
21 Senate bill, that we will have something we can
22 support. At the present time, we are deeply concerned
23 that all of the efforts that have been going before
24 this legislation, up and including the legislation
25 offered, are being cast aside in the Congress, and

1 that we had better be heard on it.

2 GOVERNOR ROMER: Governor Voinovich.

3 GOVERNOR VOINOVICH: Mr. Chairman, I'm
4 outraged about this recommendation. We get about six
5 percent of our money from the federal government. We
6 did a study in Ohio, and by the way, we've got to
7 produce 170 reports to get that six percent we get
8 from the federal government's support of education,
9 now they want to turn around and jam down our throat
10 and talk our throats what they expect us to do in
11 terms of what our classrooms look at. Now, this is
12 nothing but a special interest group lobbying Congress
13 to mandate on the states what they want the classrooms
14 to look at, and it's the kind of thing that we've been
15 taking too long, and I'm glad, Mr. Chairman, that
16 we're speaking up on this one. We'd better make it
17 very clear that we are opposed to this.

18 GOVERNOR ROMER: Governor Engler.

19 GOVERNOR ENGLER: Thank you, Mr. Chairman.
20 I want to second what Governor Voinovich just said. I
21 think that the NGA position on this has been the right
22 position, it's a strong position, but we have
23 problems, particularly in the House of
24 Representatives. We have a Congressman from Michigan
25 I apologize for, Congressman Bill Ford, who is doing

1 the NEA's bidding in Washington, and simply has no
2 interest in freeing states to be innovative, and his
3 staff is really intent on micromanaging education all
4 across America.

5 This is a position where this organization is
6 four square with the administration. President
7 Clinton and Secretary Riley, who will be here, need to
8 have our support, and we need to have the showdown in
9 Washington on this issue, because we've got some of
10 these Congressmen who simply are out of touch with
11 what's going on in the education reform movements
12 across America and our respective states.

13 What this is is a rearguard action, if you
14 will, to come in and ride over top of some of the
15 reforms that are taking place at the state level, and
16 it is very dangerous. We've got, I think a lot of
17 things that respectively we've talked about, some of
18 our education policy-making, that are so important
19 across the country, and yet we've got Congress, in
20 this case, really doing the bidding of the special
21 interest groups. And the NGA position is the right
22 position, and the administration agrees with that.

23 The Senate, by and large, is doing the right
24 thing, and I think we're going to get a pretty good
25 bill there, but that conference committee, there

1 isn't going to be a lot of room to sort of split the
2 difference on this one because much of what's in the
3 House bill I think really works against our respective
4 efforts. And so I just want to say when Secretary
5 Riley is here, we ought to give him a lot of support.
6 It isn't all clear in the department down below that
7 he doesn't have professional bureaucrats who are
8 pretty much in alliance with the staff up on the Hill,
9 but the leadership is doing the right thing, and we
10 ought to support that four square. So I think the
11 recommendation in your report is a good one.

12 GOVERNOR ROMER: Governor Nelson.

13 GOVERNOR NELSON: Thank you, Mr. Chairman.
14 As this year's chair of the National Education Goals
15 Panel, I think that I'd like to thank Governor Engler
16 and others for continuing to have a bipartisan support
17 of educational reform, and we will continue to do
18 that. We're fortunate. We've got a President that
19 knows that educational reform can't happen in the
20 White House. We've got governors who understand that
21 it shouldn't happen in the state House, and that it
22 should happen in the schoolhouse. If we could get
23 Capitol Hill to understand that that's where it needs
24 to happen, in the schoolhouse, not on Capitol Hill, we
25 have a chance, I believe, to see true educational

1 reform, we'll meet the standards and we'll meet the
2 goals by the year 2000; otherwise, we won't.

3 GOVERNOR ROMER: Okay. Any other comment? I
4 just want to say, because I have been involved in
5 these negotiations, that there are diverse opinions in
6 the House, and some of the leadership has been trying
7 to help bring some of that together, and I just want
8 to make that comment. I think we are now on record as
9 to where we are.

10 Let me take the next issue, and it's Governor
11 Sullivan, for an update on Indian gaming. Governor
12 Sullivan.

13 GOVERNOR SULLIVAN: Thank you, Mr. Chairman.
14 Let me just quickly say that as most of you know,
15 we've been involved in extended negotiations at the
16 request and with the assistance of Senators McCane and
17 Hennaway on Indian gaming, along with the State
18 Attorneys General, and the tribes. Those negotiations
19 are ongoing. We did not arrive at an agreed upon
20 legislative approach prior to the recess, as was the
21 original time line, but the negotiations continue, and
22 we will have some technical discussions among the task
23 force at this meeting. I hope to have a meeting at
24 5:30 on Monday in the Governors' Conference Room with
25 the task force and any other interested governors on

1 that issue. And the negotiations, which have been
2 extended, are still extending.

3 GOVERNOR ROMER: Where is the meeting at 5:30
4 Monday?

5 GOVERNOR SULLIVAN: Governors' Conference
6 Room, I'm advised, which I think is on the second
7 floor, up near the administrative offices.

8 GOVERNOR ROMER: I would really like to urge
9 as many governors as possible, even though you're not
10 on the task force, attend that meeting, because this
11 is a matter which I think has very, very important
12 consequence to all of us, and I am concerned, quite
13 frankly, that -- well, just let me say I'm concerned
14 that the governors' perspective is not being fully
15 considered by members of the House and the Senate, and
16 it is an issue in which we may have to, one by one, go
17 through the full membership of the House and the
18 Senate on in order to resolve this issue. I think
19 that there are some consequences to all of us out of
20 the federal courts' decisions that are very, very
21 radical, I'll use the word deliberately.

22 Were there some other hands I saw here? Yes,
23 Governor Finney.

24 GOVERNOR FINNEY: Mr. Chairman, while I'm
25 pleased to learn that this task force meeting will be

1 an open meeting, I remind you that the position of
2 the, quote, Governors' Association, is not unanimous.
3 I do not support that position.

4 GOVERNOR ROMER: I appreciate that. And I
5 don't think we have ever had a closed meeting of the
6 task force, have we?

7 GOVERNOR SULLIVAN: I'm unaware of any closed
8 meetings.

9 GOVERNOR FINNEY: I believe that last meeting
10 in Tucson was labeled as closed.

11 GOVERNOR SULLIVAN: Not the governors.
12 We've never had a meeting where it was closed to
13 governors.

14 GOVERNOR ROMER: Any comments? Governor
15 Sundlun.

16 GOVERNOR SUNDLUN: I've read the literature
17 that you distributed in the orange book on the Indian
18 gaming update, and I compliment Governor Sullivan for
19 the way he headed up the committee.

20 I'm seriously concerned about one omission,
21 and there are at least five other governors who should
22 be equally concerned, and those are the six or seven
23 states that have Land Settlement Acts which predated
24 the Indian Gaming Act, and have special reservations
25 whereby the tribes agree to be bound by the criminal

1 law, civil law, and regulations of those Land
2 Settlement Acts. If we don't get some provision for
3 the priority of the Land Settlement Act in the Indian
4 Gaming Act, those six states, at least in my judgment,
5 are down the tube, and I would urge that we push hard
6 for some reservation for those Land Settlement Act
7 states.

8 GOVERNOR ROMER: Thank you. Any other
9 comment on Indian Gaming? Governor Miller.

10 GOVERNOR MILLER: I think that you emphasized
11 appropriately the importance, but -- and I don't mean
12 to speak for the task force, but I believe that
13 although there's an ongoing process, there's some
14 reason to believe that that ongoing process is not
15 going to be fruitful, and I don't want to speak for
16 staff, but I think there's a lot of information to be
17 brought forth at that meeting, and I, too, would like
18 to encourage everybody to attend. While in some
19 states this is not a problem, it becomes a problem
20 overnight and it becomes insoluble if it's not
21 attended to. And if we don't develop a unified
22 strategy and take very strong action within the next
23 several months, then you won't be able to attend to it
24 period. And I think that we need to re-emphasize the
25 importance to the administration, and particularly to

1 the Secretary of the Interior.

2 GOVERNOR ROMER: All right. The next issue,
3 Governor Florio, report on welfare reform task force.
4 Governor Florio?

5 GOVERNOR FLORIO: Thank you very much. The
6 welfare task force has been working very hard. The
7 governors who are on the the task force, Governor
8 Engler, Governor Thompson, Governor Miller of Georgia,
9 and Governor Jones of Kentucky, have worked with a
10 number of other organizations at the state and local
11 level toward the end of coming forward with a proposed
12 policy statement that Governor Carlson and I, tomorrow
13 afternoon, will present to the Human Resources
14 Committee.

15 The basic outline of this policy statement
16 involves the recognition of the fact that welfare
17 should be a transitional system. I think all of us
18 are aware of the fact that it has degenerated into
19 something more permanent than perhaps what had been
20 hoped for at the very beginning of the process.

21 Likewise, the proposed statement calls for
22 thinking of welfare in a contractual basis.
23 Responsibilities and obligations that certainly we
24 want to provide for assistance, educational
25 assistance, job training assistance, but while we help

1 the recipients, they, of course, are required to help
2 themselves is an aspect of the whole concept that we
3 are putting into this proposed new policy.

4 We want to reward work. Toward that end, the
5 earned income tax credit was of big assistance in the
6 Reconciliation Bill. We want to provide for support
7 of families, and that, of course, means we have to
8 change the perverse impact of the law now, which does
9 not provide incentives to formulate families. We want
10 to also provide that any federal mandates be
11 accompanied by federal funding, which I trust everyone
12 here will support strongly.

13 Child support enforcement is a very important
14 part of this proposal; that we say that parents
15 hopefully will love and nurture their children, but at
16 least they are required to support their children.
17 Parenthetically, I would just say that in my state
18 last year, as a result of enhanced child support
19 enforcement, we raised some \$440 million in delinquent
20 payments, thereby kicking 12,000 families off of
21 welfare; no longer having the taxpayers pay for the
22 children, rather having the parents pay for them.

23 The last point is the question of time
24 limited benefits, and the fact that there should be
25 some limitation on the period of time that one can be

1 on welfare. All of these are incorporated, all of
2 these points and basic principles are incorporated
3 into the policy statement, and I have confidence that
4 tomorrow, our Human Resources Committee will review it
5 and hopefully accept it for purposes of submitting it
6 to the entire organization.

7 GOVERNOR ROMER: Thank you very much. Any
8 comments on that report?

9 We are now ready for a motion and a second on
10 our federalism policy. It is in Tab D of your
11 workbook. Do we have such a motion?

12 Governor Thompson has moved. Is there a
13 second?

14 GOVERNOR ENGLER: I'll second it.

15 GOVERNOR ROMER: Now, I think, Governor
16 Engler, you had an amendment you wanted to offer?

17 GOVERNOR ENGLER: I did have an amendment.
18 I've shared it I know with the staff and with the
19 respective governors on the Exectutive Committee
20 staffs, and it deals with -- it's real simple.
21 Perhaps we should read it, because we've got so many
22 governors here that might wish to hear it. I can do
23 that, Mr. Chairman, if you wish, or you might read
24 it.

25 GOVERNOR ROMER: Why don't you go ahead and

1 read it.

2 GOVERNOR ENGLER: It would amend Section 1.7,
3 after paragraph three, to add the following language:
4 The federal courts, as well as the Department of
5 Justice, must practice restraint when determining
6 states' responsibility versus deprivation of
7 constitutional rights. As a result of litigation,
8 states have been required to impose restricted
9 standards in our state prisons; schools go far beyond
10 the guarantee of constitutional rights. To avoid
11 state preemption whenever the federal government is
12 party to litigation to secure federal constitutional
13 guarantees, and in the area of primary state
14 responsibility, the U.S. Department of Justice should
15 vigorously pursue termination of litigation as soon as
16 constitutional concerns are alleviated.

17 Basically, I think it fits nicely with the
18 section on the federalism policy where we offer to
19 change it, because that sets out very clearly
20 discussion of an affect of what are sort of Tenth
21 Amendment rights that the states might reserve to
22 themselves, and it sets out the case where Congress,
23 if they would determine that federal preemption of
24 state law is in the national interest, these are some
25 of the state concerns that ought to be taken into

1 consideration.

2 The amendment is more limited, but it flows
3 because there have been situations -- we have one
4 in Michigan, and I know I've talked to several
5 governors who have experienced it in their states,
6 where action has been brought by the Justice
7 Department, in our case, back in 1981, on prisons, and
8 that has now been used into 1993 for a couple of
9 federal judges to sit in control of the prison system
10 in the state of Michigan. In our case, we've actually
11 reached a settlement with the Justice Department that
12 the plaintiff and defendant agree the litigation ought
13 to be dropped, and the judge still doesn't want to let
14 it go.

15 Now, this is a little bit unusual, and I
16 think we ought to take a fairly strong and dim view of
17 that kind of entanglement, and that's what the
18 amendment speaks to. In working with the staff, we
19 wanted to try to keep it broad, and it was a policy
20 statement, it's not dealing with any specific
21 situation, but I think it sets out something that has
22 been a problem for many of us around the country, and
23 so I'd like to see it part of this policy.

24 GOVERNOR ROMER: Any other discussion on
25 this? Governor Wilson.

1 GOVERNOR WILSON: I didn't know that support
2 had arrived. You thought my voice was changing. I
3 would like to simply affirm, in the strongest possible
4 terms, the comments that Governor Engler had made.
5 This is hardly new ground for the governors, but we
6 are, I think increasingly under siege from the
7 Congress, from congressional good intentions that are
8 costing us a fortune. In some cases, they really
9 relate to responsibilities that are exclusively
10 federal, and yet the impact is state and local, and
11 without dwelling on it at great length here, I think a
12 cardinal example of that, Mr. President, is the fact
13 that we are, in the most populous states in
14 particular, feeling the impact of illegal immigration.
15 We are compelled by state law or rather by federal law
16 to perform duties and provide services at a cost that
17 in my state is causing us to deny services to legal
18 residents, and that's simply not fair, and I think
19 that the federalism policy needs to make that point
20 emphatically.

21 Beyond that, I would simply say that I think
22 that we, as governors, really have to adopt a
23 strategy. It is not sufficient that we adopt
24 resolutions, we have to adopt a strategy to get the
25 attention, and I would hope the responsiveness of

1 congressional committee chairmen.

2 The problem that I think we face in many
3 areas is less with the administration than it is with
4 Congress, and with the kind of long-standing, not the
5 sort of -- frankly the almost inherently preemptive
6 assumption on the part of members of Congress that
7 they can prescribe a generalized prescription, and in
8 cases like this, where there is an exclusive federal
9 responsibility, simply slough it off on the state,
10 whatever the cost.

11 GOVERNOR ROMER: Thank you. We have a vote
12 now. Let me remind all of us that there are nine
13 members of the Executive Committee, Governors Romer,
14 Campbell, Engler, Zell Miller, Voinovich, Richards,
15 Thompson, Branstad and Waihee, and during this vote,
16 we'll still do it by voice vote, but I only need to
17 hear nine voices on this, all right?

18 This is on the amendment. All in favor of
19 the amendment say aye.

20 GOVERNORS: Aye.

21 GOVERNOR ROMER: Opposed, no. The amendment
22 is adopted. Now -- go ahead.

23 GOVERNOR VOINOVICH: We have had an excellent
24 federalism policy over the years, but it has not had a
25 strong statement in terms of directing us in terms of

1 our lobby, and if you'll look at your federalism
2 policy paper, 1.4.4, we have added some new language
3 into the federalism policy paper which fundamentally
4 deals with unfunded federal mandates. It requests
5 Congress to pass legislation to require the
6 Congressional Budget Office to report on the cost of
7 mandates prior to congressional action of fiscal note;
8 asks Congress to look at the 101st, 102nd and 103rd
9 Congresses to determine the costs that have been
10 passed on to us in those sessions of Congress. And
11 last, but not least, calls upon the President to veto
12 and the legislators to oppose further mandates without
13 money.

14 I think that this is a good addition to our
15 policy. We've been struggling with mandates for a
16 long time. The thing that really excites me is that
17 finally it appears that not only are we excited about
18 it, but also other government officials in this
19 country. And it should be noted that the National
20 League of Cities, the U.S. Conference of Mayors, the
21 National Association of Counties, and the
22 International City Managers and Mayors Association has
23 also become very exercised about this, along with the
24 National Council of State Legislators. And I
25 sincerely believe that this may be the year when we

1 can make some headway on this, and I think we need
2 this additional language to give our representatives
3 direction in terms of what we want them to do, and I
4 would urge its adoption.

5 GOVERNOR ROMER: Thank you very much.
6 Governor Campbell.

7 GOVERNOR CAMPBELL: Thank you, Mr. Chairman.
8 Just briefly, I totally agree with what's been
9 offered, and I think that we have to take the approach
10 with the President of the United States and with
11 Congress as we try to gain relief for the states, but
12 I think also that we're going to reach a point that we
13 have to look beyond that to legal recourse as we
14 attempt to establish what the meaning of the Tenth
15 Amendment of the Constitution is. There's been an
16 infringement from the federal government, and at
17 sometime in the very near future, we may have to be
18 prepared to find a case and challenge some of the
19 things that are done.

20 GOVERNOR ROMER: Are there any other
21 comments?

22 GOVERNOR VOINOVICH: I'd like to make one
23 other comment. We took it upon ourselves in the state
24 of Ohio to do a comprehensive study of the cost of
25 mandates to Ohio, and I'm going to make a copy of this

1 study available to each of you, because I think if you
2 give it to someone in your staff and your cabinet, you
3 can follow through and calculate the costs that you've
4 incurred from mandates over the years. I don't think
5 that we really fully comprehend how bad things are, at
6 least I didn't, until this report was put together for
7 me.

8 GOVERNOR ROMER: Okay. Are we ready for a
9 vote?

10 GOVERNOR RICHARDS: Mr. Chairman?

11 GOVERNOR ROMER: Yes. Governor Richards.

12 GOVERNOR RICHARDS: I would call the
13 committee's attention, if I could, on page seven, to
14 the last section of 1.5 in the report. And I simply
15 want to express serious concerns. I suppose in the
16 best of all possible worlds, I would suggest that we
17 delete the whole section, but barring of the
18 committees' feelings about that, perhaps it could be
19 reworked or reworded and acted on at our next meeting
20 in January.

21 I'm really worried that I am making, by
22 supporting this section on federalism, which I do not
23 oppose in principle, but what I'm saying here is that
24 if the federal government would develop a national
25 program of medical care for the needy, that I, in

1 turn, am committing, on the part of the State of
2 Texas, to take on the responsibility of all education,
3 community development, transportation and social
4 services, which I assume would include welfare. And
5 until we make a real analysis of the cost of that
6 swap, I think that it is inappropriate for us to
7 determine we're going to do that at this point.

8 There's a further point in the last paragraph
9 that says that we would ensure that all states have
10 the fiscal capacity to meet the requirements of the
11 national income security policy. Maybe you all know
12 what that is, but I don't. I don't know what that
13 means I'm committing the State of Texas to do in
14 relation to a national income security policy.

15 So in short, what I'm really suggesting is
16 that I think that this establishment of
17 responsibilities of local and federal government is a
18 very good thing to do, but I, for one, am not prepared
19 today, in that last section, to say that I think
20 that's in the best interest of my states, because I
21 haven't done the cost analysis to know that yet.

22 GOVERNOR ROMER: Governor, I hear you. This
23 is existing policy, and I think your suggestion
24 that we take it up between now and our next meeting is
25 a good one.

1 GOVERNOR RICHARDS: Okay.

2 GOVERNOR ROMER: And let me give that
3 recommendation to the next chairman of this
4 organization, okay?

5 GOVERNOR RICHARDS: Thank you very much.

6 GOVERNOR ROMER: Are we ready to vote upon
7 this amendment? All in favor say aye.

8 GOVERNORS: Aye.

9 GOVERNOR ROMER: Opposed, no.

10 GOVERNOR RICHARDS: No.

11 GOVERNOR ROMER: Amendment is adopted.

12 Do we need a motion to re-adopt the policy?
13 I'll accept a motion to re-adopt the policy as
14 amended. Governor Engler --

15 GOVERNOR ENGLER: Second.

16 GOVERNOR ROMER: -- second. All in favor say
17 aye.

18 GOVERNORS: Aye.

19 GOVERNOR ROMER: Opposed, no.

20 We have one more item of business before --
21 I would like to offer a resolution and an amendment on
22 behalf of the Chair, and then call upon Governor
23 Wilson for comment. You have before you in your --
24 what color is that? In Colorado, we don't use those
25 colors. Whatever that color is, look at that book,

1 and on Tab D, page 12, you'll see a national health
2 care reform resolution. And on your desk you'll see a
3 proposed amendment to resolution on national health
4 care.

5 I'd like to move the adoption of the
6 resolution, and I'd like to move the adoption of this
7 amendment, together with a deletion on page 13 of Tab
8 D, of the word incremental. It's on page 13, it's 16
9 lines down, it's the last word in that line, and
10 therefore, I offer the motion to adopt the resolution,
11 to adopt the amendment, which is in writing on your
12 desk, together with the deletion of the word
13 incremental, and I would like to call upon Governor
14 Campbell for a second.

15 GOVERNOR CAMPBELL: Mr. Chairman, I'd like to
16 second your motions, all of them, and since you're
17 combining them into one, I'd like to second it, the
18 items in this resolution, and offer maybe one
19 exception, relatively non-controversial. A simplified
20 waiver process from moving Medicaid to managed care;
21 national insurance reform addressing such issues as
22 guaranteed issue and renewable -- and renewal;
23 portability experience rating and risk sharing; and
24 red lining practices; clear authority for states to
25 establish small group purchasing pools; a mechanism

1 for obtaining waiver authority on your ERISA, now that
2 one may be a little controversial. National uniform
3 minimum standards for malpractice reform; antitrust
4 reform to remove impediments to establishing
5 cooperative health care networks; and an appropriate
6 emphasis on primary care treatment.

7 These are issues that should be addressed in
8 any health reform bill. The resolution would
9 accommodate action on them either in conjunction with
10 broad based health reform or in a stand alone bill.
11 If broader reform is delayed or diluted by the
12 Congress, then this would not be hampered.

13 The issues of access, cost containment and
14 public health persists, and states must have the
15 ability to take actions to address these problems.
16 The modest steps outlined in the resolution would
17 facilitate such action in a narrowly drawn enough way
18 to hopefully limit the inclination of Congress to
19 tamper with it.

20 For that reason, I second the motion, and
21 commend the Governor of the great state of California
22 for his efforts in this regard.

23 GOVERNOR ROMER: Governor Wilson.

24 GOVERNOR WILSON: Thank you, Mr. Chairman,
25 and if I might, I might ask that you and Governor

1 Campbell include in your motion to amend one further
2 small amendment, and that is on page 14, at the
3 pullout the second from the bottom where we have
4 spoken of establishing in cooperation with the states
5 national uniform minimum standards, I think some might
6 prefer, and I think it wise to suggest that the word
7 be guidelines rather than standards.

8 Basically, what we are seeking to do here is
9 to reiterate existing National Governors' Association
10 policy, and that is why the staff has, in other
11 versions, an annotated reference to when it was and
12 precisely in what document we have set forth these
13 various principles that are incorporated within the
14 resolution. But basically, this is what we did in
15 Seattle, and it's what we did in Washington last
16 February, and our purpose here, I think is well stated
17 in the President's offered amendment. Actually, what
18 we want to do is to assure ourselves that the
19 principles that we have previously adopted assure the
20 states the flexibility in devising health care, which
21 so many have exercised I think very wisely.

22 When we came back after a two year study by
23 the health care task force in Seattle, there was a
24 consensus that developed, and it was clear that a
25 number of states were moving forward developing their

1 own approaches. We, at the time, mentioned the
2 efforts in Hawaii under Governor Waihee. Since that
3 time, there have been other states that have pursued a
4 similar employer based system. In the state of
5 Oregon, a waiver now has been given so that they are
6 going to be permitted in Oregon to go forward with a
7 very innovative and courageous, realistic effort to
8 try to determine what is affordable in the way of
9 procedures.

10 In my state, in California, we have not just
11 broken ground, but are being deluged with inquiries
12 and with people who are interested in signing up
13 in what is a voluntary system, which relies, for its
14 cardinal point, on evidently the same kind of managed
15 care and purchasing power pooling that seems to be
16 central to what we expect to be proposed from the
17 federal government.

18 In all of those instances, the states have
19 been laboratories. They have been engaged in an
20 active experimentation from which I think we can learn
21 from one another, and from which the Congress and the
22 administration can learn. Indeed, that is what we had
23 hoped would occur in Seattle. And what we are seeking
24 now is the assurance, by this resolution, that
25 congressional oversight will not become, frankly, an

1 overbearing attitude on the part of the Congress. We
2 understand the need for a national approach, but I
3 think you have put it well, we think the states should
4 be permitted the kind of flexibility in state role
5 that, in fact, the states have exercised. So I would
6 urge adoption of this.

7 There is a time, I think, when we need to
8 remind people of not just the fact that we have taken
9 positions, that we feel very strongly about them.
10 This is one of those instances, I think -- I think
11 that the billets are all very much self-explanatory,
12 and as a very quick summary in offering the second,
13 Governor Campbell has indicated what was necessary.

14 We've also addressed earlier the need for the
15 kind of flexibility which in fact the administration,
16 and President, specifically, and his secretary of
17 health and human services have committed to. We have
18 commended them for that commitment, but what we are
19 finding is that the bureaucracy is still not following
20 the lead of the President and the secretary. We have,
21 in some instances, states that for 10 years have been
22 engaged in what is for them no longer an innovation,
23 that is managed care, but we are continually required
24 to get new waivers. It seems to me that one of the
25 things that is necessary is to change the actual

1 policy so that, in fact, the states can simply amend
2 their state plans. That has been done in a number of
3 state plan amendments. We think that it should be
4 done with respect to managed care. And the basic
5 point, too, that I am most concerned about is the
6 billet that says that we wish the states be provided
7 with the clear authority to ensure that we will have
8 the ability to offer state based small group insurance
9 purchasing pools with the protections and financial
10 viability necessary to assure that they will be
11 workable.

12 Again, in my state, we have a system that is
13 a voluntary system, a system in which the cost of
14 administration are paid not by taxes but by the
15 participants. The response to it has been not just
16 encouraging and gratifying, it's extraordinarily so.
17 We have had about 30,000 inquiries in about a little
18 more than 30 days.

19 So I thank the Chair and the Governor of
20 South Carolina for their support, and am pleased to
21 see their amendments adopted, and I would ask that
22 that one additional amendment be included.

23 GOVERNOR ROMER: I will include that change
24 of the word standards to guidelines as a part of the
25 amendment, and let me state the amendment again. It's

1 the paper in front of you. Let me read it. "The
2 governors reiterate their commitment to national
3 health care reform as embodied in the policy statement
4 adopted on February 1, 1993. With that policy is a
5 foundation. The governors have been working as a
6 bipartisan team with the President and Congress to
7 develop a federal framework for health care reform.
8 Governors have consistently stated that a significant
9 degree of state flexibility must exist within that
10 national framework, and that states should be
11 permitted to move ahead in the period before national
12 reform is enacted. These types of flexibility are
13 essential components of any national reform effort."

14 That, plus the change on page 14 of the
15 word standards to guidelines, and the change on page
16 13 of the word incremental being deleted.

17 All in favor of that amendment say aye.

18 GOVERNORS: Aye.

19 GOVERNOR ROMER: Opposed, no.

20 Now we'll vote on the resolution. Governor
21 Jones, do you --

22 GOVERNOR JONES: Yes, I'm sorry, I was trying
23 to ask a question relative to that wording before we
24 voted on it, but apparently I was too late in getting
25 my hand up, but I would like edification, nonetheless.

1 Before asking the question, however, let me
2 say how much I appreciate, and I think every governor
3 appreciates the bipartisan approach that has been put
4 forth on this amendment. I know it had the potential
5 to create lots of problems, and I think if any one of
6 us makes the health care issue a partisan issue, that
7 we ought to be very ashamed of ourselves, and I think
8 the fact that it's working this way is exceptionally
9 good.

10 But my question was relative to the part of
11 the amendment that I didn't realize was coming,
12 changing the word standards to guidelines, and
13 wondered if that was an effort to weaken the desire
14 for tort reform or what was the reason for the
15 changing of that word?

16 GOVERNOR WILSON: Certainly not to weaken any
17 movement for tort reform. To the contrary, it is
18 exactly the reverse. It is a concern that even though
19 we have stated a minimum in the same language, very
20 candidly, Governor, I don't want my state, which has a
21 strong protection against the abuse of malpractice, to
22 lose the authority that we have under the existing
23 system to be able to protect our consumers against the
24 rising costs of tort liability.

25 We have substituted the word guidelines

1 rather than standards out of that caution, that
2 concern.

3 GOVERNOR JONES: Thank you very much.

4 GOVERNOR ROMER: With that explanation, are
5 you ready to vote on the resolution? Governor Weld.

6 GOVERNOR WELD: Just a very brief comment,
7 Mr. Chairman. My understanding is that the references
8 to national framework and federal framework in both
9 the amendment and the resolution as offered by
10 Governor Wilson do not commit us as a body to any
11 particular form of frame work, i.e., one which might
12 include price controls or payroll tax increases?

13 GOVERNOR ROMER: No. No. What we know -- we
14 have been working on this I think together in a
15 bipartisan way for some time, and we know that this
16 frame work needs to have something that gives us
17 portability, which is a standard definition. We know
18 it means insurance reform when they give us a
19 community base rating. We know it involves antitrust
20 and and the ERISA laws. We know we have to get
21 something that we all can work within. We also know
22 there's some very tough decisions yet to be made about
23 how you pay for it and how fast you phase it in,
24 and nobody has foreclosed for any framework.

25 All ready for a vote. All in favor say aye.

1 GOVERNORS: Aye.

2 GOVERNOR ROMER: Opposed, no.

3 We have one last item before we have the Vice
4 President. I'd like to ask Governor Richards to state
5 this issue.

6 GOVERNOR RICHARDS: Mr. Chairman, this is an
7 issue of significance to governors all over the United
8 States, and I'm going to tell you straight out that
9 there will be some disagreement. I prepared this in
10 terms of a resolution. I understand from the staff,
11 after discussing it with your staff, that what you'd
12 really like to do is just be informed about it and not
13 pass a resolution on it, and I'm really not going to
14 press that, and the only reason I'm not is that to get
15 a plenary session vote on this issue requires 75
16 percent of those present, and I may not be able to be
17 here. I've got some pressing business at home and I
18 may have to leave, and so as a consequence, I just
19 want to tell you all about it.

20 All of you collect escheat funds, unclaimed
21 property. I know about this particularly, as does the
22 Chairman, and certainly Governor Finney, as a
23 consequence of the fact that we have served as
24 treasurers of our state in the past.

25 What has happened on escheat property and

1 unclaimed property is that we have, in almost every
2 area, attempted to make sure that every state gets
3 their specific amount of unclaimed property returned
4 to them. We've done that through a sort of
5 clearinghouse association, in which most of your
6 states are participants, and that clearinghouse will
7 go in and audit for a retailer, or perhaps it might be
8 an oil company, it could be any sort of concern, and
9 redistribute those funds to your states, and it runs
10 into the millions of dollars every year. But there is
11 one area in which we do not do that, and as a result,
12 there are three states that benefit disproportionately
13 from the rest of the states.

14 This, of course, is not personal to any of
15 the governors who certainly must represent the
16 interests of their states, but Delaware and
17 Massachusetts and New York currently receive hundreds
18 of millions of dollars that I think should be spread
19 out among the other 47 states as it is in all other
20 unclaimed property. And this unclaimed property
21 relates to the distribution of funds that brokerage
22 firms and banks and depositories, acting as
23 intermediaries in the distribution of dividend and
24 interest payments, hold large sums of unclaimed
25 distributions that belong to persons that are unknown,

1 and because Wall Street is in New York, and because
2 many corporations are incorporated in Delaware, and
3 because many trust companies are incorporated and
4 originated in Massachusetts, heretofore the money has
5 gone back to those three states instead of being
6 distributed nationally.

7 There is a bill in Congress, and that bill
8 would rectify that situation. I believe that the
9 number of the bill is HR 2447. I'm not sure. Jane,
10 could you tell me specifically? 2443. The sponsor is
11 Henry B. Gonzales. It will have a tough time passing,
12 but it is going to mean a lot of money to your states
13 if it passes.

14 Now, so you all can understand, and I'm going
15 to be as brief as I can here, how all of this has
16 transpired is that it went all the way -- this case
17 went all the way to the Supreme Court. Delaware sued
18 New York. Delaware said to New York, you can't get
19 all of the unclaimed property just because the
20 transactions are taking place in New York. We ought
21 to get a piece of that because of the fact that they
22 are incorporated in Delaware, and a lot of the states
23 joined Delaware in that suit.

24 The Supreme Court of the United States came
25 back and the result of that case was that they said,

1 look, this is something we don't want to mess with,
2 we're not going to fool with, we're going to leave
3 it alone. It is properly and appropriately directed
4 at the Congress to make the changes.

5 And so what I am suggesting to you, governors,
6 today, that it is very much in your interest
7 financially that you support Henry B. Gonzales bill
8 2443 so that these monies are equally distributed.

9 Now, what's going to happen is that a lot of
10 these brokerage firms and financial houses are going
11 to say oh, my lord, this is going to be a bookkeeping
12 nightmare. How many times have we heard that. But I
13 suggest to you that that's what we heard on all other
14 unclaimed property, regardless of the source of it,
15 and we were able to reconcile that for all of our
16 states working together in a clearinghouse association
17 to make sure that each of us were treated fairly and
18 appropriately.

19 So the purpose of this discourse is to bring
20 to your attention the existence of this bill, and to
21 tell you that it is in the interest of your states, in
22 these very difficult budgetary times, to support Henry
23 Gonzales; for you to write a letter saying that you
24 support 2443; is that right, Jane? And see if you
25 can, if you can get this bill passed.

1 The resolution that was distributed to you
2 has been passed by the National Treasurers'
3 Association, and that's why we thought we would try to
4 do it here, but logistically, it really doesn't make
5 sense. So I just want you to be aware that there's
6 money in the bank, my friends, if you could get this
7 legislation passed.

8 Thank you very much.

9 GOVERNOR ROMER: Thank you. Governor
10 Carlson.

11 GOVERNOR CARLSON: Thank you very much, Mr.
12 Chairman, colleagues. I don't want us to be confused.
13 This is a far more complicated, controversial and
14 I think potentially divisive issue than one would be
15 led to believe at this point in the conversation.

16 The Supreme Court, in Delaware versus New
17 York, and it's been remanded to a Master to actually
18 determine the settlement, but the decision in Delaware
19 versus New York is one that permits the states, all
20 the states that are here, to collect more than 90
21 percent of the abandoned properties that are to be
22 escheated, more than 90 percent.

23 The amount of money that states around this
24 table stand to gain is anywhere from, building off of
25 your revenue base, an increase of anywhere from one

1 one-hundredth of one percent of your revenues to as
2 much as six one-hundredth of one percent of your
3 revenues. That's the windfall that you stand to pick
4 up.

5 Let me just say under the Delaware versus
6 New York, the way the decision was decided, if there's
7 a piece of unclaimed property that was property of
8 Joan Finney, and they have her last known address in
9 Kansas, Kansas escheats that money. If there's a
10 piece of property, security that is for Jim Hunt in
11 North Carolina, North Carolina escheats that money.
12 That money goes to North Carolina.

13 The situation that we are addressing here is
14 if nobody where Joan Finney lives and nobody knows
15 where Jim Hunt lives, then the courts have said that
16 the least complicated, fairest way, in their
17 determination, is to let those monies go to the state
18 of incorporation.

19 I just want to briefly read two sentences
20 from a paraphrasing the amicus brief of the securities
21 industry and the financial services on the legislation
22 before, it's just very briefly. HR 2443 would require
23 every financial institution, no matter how small or
24 how locally concentrated its business may be, to have
25 expert knowledge of the substantive procedural law of

1 each of the 50 states to reconcile by itself
2 conflicting requirements of the states and to be
3 potentially liable to each state for penalties if
4 mistakes are made. To open itself to audit by each
5 state, separately over tens of thousands of items
6 every year, and to verify many times a year where
7 thousands, or perhaps tens of thousands of
8 corporations are headquartered.

9 This organization is one that exists to help
10 us to reach harmony and collegiality on issues that
11 are important to us. This particular piece of
12 legislation is one that invites pitting one group of
13 states against another. I don't believe that this is
14 the proper forum for that.

15 GOVERNOR ROMER: Can we move on? We have the
16 Vice President ready to go, and I'd like to keep this
17 down. Can we make it brief? Governor Carlson.

18 GOVERNOR CARLSON: Well, Mr. Chairman, any
19 time you distribute money, it's going to be divisive.
20 For those who gain, they would prefer the protection
21 of the status quo. For the rest of us who lose, we
22 would prefer change.

23 Minnesota is one of those states who happens
24 to be on the low end of receiving monies from the
25 federal government. We now rank 48th, and what you're

1 basically saying is because there may be some audit
2 inconvenience, we ought to leave it alone so that
3 three can win and 47, frankly, can lose.

4 Our estimates in Minnesota, and we're a state
5 with about four million people, is that were we to
6 pass the bill that the governor from Texas refers to,
7 we would pick up between 40 and \$100 million.

8 Now, there are ways in which you can make one
9 audit serve all, so those small technical problems can
10 easily be overcome as we pursue greater equity in the
11 distribution of money. But it's that kind of a
12 divisive issue which the governors frankly should
13 address, because the truth is is that we need more
14 equitable distributions of monies from the federal
15 government, and this is one area where we can make a
16 change that would be beneficial, frankly, to all of
17 those people who reside in America, regardless of the
18 special advantages the certain states now enjoy.

19 GOVERNOR ROMER: Now, let me say, I think
20 that we've had expressions of both sides. It is a
21 serious matter. I think all of us are going to ask
22 our staffs to look into it, and there are ways in
23 which we can express our views.

24 If there are further comments on this, after
25 the Vice President has addressed us and we've had our

1 question and answer period, we can take it back up,
2 okay?

3 Now, I would like to move to this issue. As
4 you well know, in our agenda for this year,
5 reinventing government was one of the very important
6 issues. We had great leadership from Governor Walters
7 and Governor Weld in this issue, as we saw yesterday.

8 One of the most important reasons that we
9 need to address this is that we need to reclaim the
10 faith of people and their governing institutions. In
11 order to reclaim their faith and confidence, we simply
12 have got to do everything we can to improve our
13 efficiency, reduce our costs, and improve the quality
14 of our service.

15 Now, at the national level, Vice President
16 Gore and the National Performance Review have made a
17 very major agenda of this administration, and
18 hopefully of this Congress, to address this problem of
19 reinventing, re-engineering government at the federal
20 level.

21 You will notice on our agenda on Tuesday, we
22 have invited in the representatives of the mayors, the
23 League of Cities, city managers and others who, at
24 the local governmental level, want to join with us as
25 a governors' association so that we can truly partner

1 with the federal government.

2 Now, here is an opportunity for us not just
3 to pass resolutions about unfunded mandates. Here is
4 an opportunity for us to really form a partnership
5 with an energetic movement at the federal level, led
6 by Vice President Gore, to reinvent the ways in which
7 we're doing business.

8 At this time, I would like to call upon
9 Governor McWherter to introduce Vice President Gore.

10 GOVERNOR MCWHERTER: Thank you. Governors,
11 ladies and gentlemen: It is my pleasure today to
12 introduce someone who has made us proud in Tennessee.
13 He's one of the most able and most hard working public
14 servants I have ever known. I am proud he is a
15 Tennessean. I am proud to call him my friend.

16 Ladies and gentlemen, the Vice President of
17 the United States, Al Gore.

18 VICE PRESIDENT GORE: Thank you. Thank you.
19 Thank you very much ladies and gentlemen, and it is a
20 great honor for me to be able to join you here. I
21 appreciate the invitation very much, and I know that
22 President Clinton is very much looking forward to his
23 visit here tomorrow.

24 I want to thank Governor McWherter for his
25 generous introduction. He does a fantastic job, as

1 all of you who have had a chance to work with Ned
2 know, and thank you for your generosity.

3 And Chairman Roy Romer, thank you very much.
4 We've had an opportunity to work together on this
5 project of reinventing government, and as I have had
6 an opportunity to work with several of you, and I want
7 to thank you, Governor Romer, and the NGA for the
8 wonderful advice and help that I have had.

9 I want to thank our host, Governor Walters.
10 Thank you very much for the hospitality. I want to
11 thank Vice Chair Carroll Campbell, and Ray Scheppach,
12 the executive director, and to each and every one of
13 you, thank you for the opportunity to be here.

14 It's also a pleasure to be with you in
15 Oklahoma, one of two states ever to have a senator
16 named Gore. Some of you from outside of Oklahoma and
17 Tennessee may not know about Senator Thomas P. Gore,
18 who was blind, and had the reputation of being so good
19 in debates on the Senate floor that his opponents
20 would often just be so frustrated they just didn't
21 know what to do. And in a story that is described as
22 a true story, he had just eviscerated one of his
23 opponents in a debate once, and the other senator was
24 so frustrated he was heard to audibly mutter, if it
25 were not for the senator's disability, I would

1 challenge him to a contest of a different kind,
2 whereupon Senator Thomas P. Gore, hearing that
3 comment, immediately shot back, blindfold that
4 blankety-blank and point him in my direction. They
5 say it's a true story.

6 When he was a senator, Tulsa was a rough
7 town, in the throes of the oil boom. I was reading
8 about it on the plane coming out yesterday, and the
9 descriptions of roughhousing and gambling and all
10 kinds of law breaking reminded me a little bit of what
11 Mark Twain said about Virginia City, Nevada, in his
12 autobiography. He said it was quite a place. It was
13 no place for a Presbyterian, and I did not long remain
14 one.

15 Anyway, it really is a great pleasure to be
16 here with you and to have this chance to share some
17 thoughts with so many old friends, and people with
18 whom President Clinton and I have been able to work
19 during the extraordinary first seven months of this
20 administration.

21 You know that Governor Clinton was very
22 active in this association, and President Clinton
23 still feels that he has a home here in this group, and
24 I mentioned earlier how much he's looking forward to
25 being here.

1 If government is to succeed in America, the
2 federal government and the states must be able to work
3 together very well and very smoothly. Nothing brought
4 that home as vividly as the last few months. As the
5 President and I went out to the midwest, to Missouri
6 and Illinois and Iowa, and other states, to
7 communities up and down the rampaging Mississippi and
8 its tributaries, if there was ever an incentive to see
9 that government worked well and cooperated well, it
10 was the people of Lemay, Missouri, or Grafton,
11 Illinois, hoping that we all can find a way to help
12 them put their lives back together. And I must say it
13 gave me hope to see the way we were able to work
14 together, setting in motion the relief effort that
15 will continue for years.

16 The budget battle was not quite as smooth as
17 that, but now it's over, and to me, there's no
18 question what that means. It means change for the
19 better. It helps each one of our 50 states to do what
20 you want and what your citizens need. It means jobs,
21 growth, tax fairness, and it's a victory over
22 gridlock. It's a victory over anyone who ever said
23 that the best way to drive a car was to keep your
24 hands off the steering wheel.

25 What does it really mean for people at the

1 grass roots level, people in Oklahoma, for example?
2 Well, it's a message of hope to the forgotten middle
3 income families, to the small business owners, to men
4 and women whose hard work is the heart and soul of
5 Oklahoma, and every one of our states. This bill says
6 that America is getting our economic house in order.
7 We're reclaiming control of our economic future. The
8 biggest deficit reduction package in the history of
9 our nation. We're asking those who can afford to pay
10 more to do so. Eighty percent of the burden falls on
11 the wealthiest one percent, those making over \$200,000
12 a year, and it means that hard working families
13 struggling to stay off welfare will get a tax break,
14 rewarding work and responsibility. Right here in
15 Oklahoma, for example, Governor Walters, less than one
16 percent will have an income tax increase, but 25
17 percent of Oklahoma families, those with incomes of
18 under \$27,000 a year, will get a tax cut, lifting them
19 above the poverty line in the cases where they're
20 below the poverty line.

21 We also made real spending cuts and a
22 retroactive tax cut for 96 percent of all small
23 businesses. There are those who say we didn't cut
24 spending enough. To them, I say we made more than 200
25 deep, specific cuts, and I also say we've just begun.

1 Part of what I want to talk to you here about today
2 involves further cuts in spending. The budget plan,
3 the economic plan, is the first step, not the last
4 word.

5 There are those, also, who criticize us for
6 our investments, as if all federal spending is the
7 same. It kind of reminds me of the story Ned Ray
8 McWherter tells about, you've probably heard it, about
9 the veterinarian and taxidermist, back in Tennessee
10 who opened an office together, and their slogan was on
11 the sign out front: Either way you get your dog back.
12 Well, all federal spending is not the same.

13 Yes, we spent some money to make sure that if
14 you worked 40 hours a week, you won't be in poverty,
15 because we want to end welfare as we know it; on
16 immunization, because no country in the world should
17 be able to immunize more babies against disease than
18 we do here in America. This is an administration that
19 believes in what's possible. It doesn't give up. We
20 know the difference between the baby and the bath
21 water. We know which to throw out and which to keep.

22 There was plenty of courage in that fight.
23 President Clinton said he was going to end gridlock,
24 and he did. He said he would be fair to middle income
25 families, and he was. He said we would cut spending

1 while rewarding work, and we did. So because of this
2 victory, now we can move forward on health care, about
3 which he is going to talk to you tomorrow, and on
4 trade, both NAFTA and GATT, and on what I've really
5 come to talk to you about today, the revolution in
6 governing that we call reinventing government, and
7 that your action agenda calls redesigning government.
8 You know what that means because governors have led
9 the way in trying to create a government that works
10 better and costs less.

11 An essential step to making our American
12 economy work is to put our own house in order. To
13 create a government that works better to deliver high
14 quality at low cost. It has become a cliché to
15 criticize the federal government. People call it
16 bloated, bureaucratic, wasteful. How could they get
17 that impression? It's just beyond me. Of course,
18 they get that impression because it is all too
19 accurate. Last year, during the campaign, the
20 President and I heard these criticisms all the time.
21 Why can't government be run more like a business? Why
22 can't you devise regulations that treat a company with
23 50 workers differently than one with 50,000 workers?
24 Why does it seem like one agency tells us to do one
25 thing and the other agency tells us to do something

1 else? These, too, are valid points.

2 They are no reflection on the men and women
3 in the federal work force. The fact is excellent
4 federal workers will tell you that these points are
5 valid. Government is writing with a quill pen in an
6 age of Word Perfect, and it's time for change.

7 Here's an example that drives me nuts. It's
8 an ashtray. Actually, it's an ash receiver tobacco
9 desk type to the federal government. Here are the
10 regulations. Let me get them here. Here are the
11 regulations that specify how this ash receiver tobacco
12 desk type has to be made, and it makes reference to
13 another stack of regulations that the manufacturer has
14 to conform to, and that stack is about that high.
15 (Indicating). It tells everything about this ashtray,
16 including -- it also includes specifications for how
17 you have to test it. Let me read this. "The test
18 shall be made by placing the specimen on its base on a
19 solid support 44.5 millimeter maple plank." The
20 support has to be made out of maple, understand,
21 "placing a steel center punch with the point ground to
22 a 60 degree included angle," that's very important,
23 "in contact with the center of the inside surface of
24 the bottom, and striking with a hammer in successive
25 blows of increasing severity until breakage occurs.

1 The specimen should break into a small number of
2 irregular shaped pieces, not greater in number than
3 35, and it must not dice. Any piece," now we get to
4 the specifications of the pieces into which it breaks.
5 "Any piece 6.4 millimeters or more on any three of its
6 adjacent sides, excluding the thickness dimension,
7 shall be included in the number counted," and it goes
8 on and on. Well, that's crazy, and I'm sure the
9 hammer cost \$600 that they use to conduct the test.
10 That's got to end.

11 Would Western civilization fall apart if it
12 broke into 36 pieces instead of 35 pieces? There are
13 thousands of similar stories, hundreds that I've
14 personally heard as we have reviewed every single
15 agency.

16 Here's another that is a big favorite of
17 people involved in state government with whom we've
18 consulted carefully, those who work in local
19 eligibility offices, the local offices where people
20 actually come for help. They're drowning in
21 paperwork. The example I refer to is cars. Welfare
22 rules state that a family cannot own a car worth more
23 than \$1,500 in equity value. To qualify for food
24 stamps, the family cannot own a car worth more than
25 \$4,500 in market value. For Medicaid, the value can

1 range from \$1,500 equity value to a total exemption,
2 depending upon which categorical group fits you.

3 In the food stamp program, the car can be
4 exempt if it's used for work or training, but in AFDC,
5 there is no exemption for the car under any
6 circumstance. Well, here's my question. Why can't we
7 free up our government workers to help people with
8 their problems instead of having them spend so much
9 time on cars and on contradictory regulations and
10 guidelines that don't fit together and don't make any
11 sense.

12 What do these kinds of stories show? Simply
13 this: That too much of government is, in David
14 Osborne's phrase, approaching paralysis. There's no
15 mystery about why. The framework of our federal
16 government was designed more than half a century ago.
17 Its model was the bureaucratic top down, centralized
18 and heavily regulated companies of the industrial age.
19 It used to be that people thought the best way to get
20 something done was to specify in great detail what
21 each individual did, and then have them to do the same
22 thing over and over and over again, and have all the
23 decisions made at the top of the organization and have
24 those decisions filter all the way down through layer
25 after layer of bureaucracy.

1 Well, American business used to operate that
2 way. The successful companies in our nation don't
3 work that way any more, but while American business
4 has spent much of the last 15 to 20 years reinventing
5 itself, decentralizing, giving both responsibility and
6 authority to employees, finding new ways to meet their
7 customers' needs, Washington has preserved its
8 outmoded ways. The quality revolution, to choose one
9 example, changed the way business worked, but for the
10 most part, it has completely bypassed the federal
11 government, and what is the result? Well, the federal
12 government can't keep up. It can't buy ashtrays. It
13 can't help poor people get back on their feet or serve
14 the millions of taxpayers who are its customers each
15 and every day. These people count on government to
16 do everything from fix a pothole to provide a college
17 scholarship. We, as Americans, have a right to insist
18 that the federal government learn and employ the
19 lessons that have been so useful in the rest of our
20 country.

21 Can we afford to do nothing about this?
22 Well, a little while back, at one of the Town Hall
23 meetings I've been having in every single agency and
24 department and all over the country on this, an IRS
25 worker got up and told me this. She said if you

1 always do what you always did, you'll always get
2 what you always got.

3 Well, I'm reminded of the story the late Jim
4 Valvano used to tell, Governor Hunt, about the time he
5 was basketball coach at North Carolina State. The
6 first two times he played their big rivals at Chapel
7 Hill, he lost both games, and an NC State alumnus
8 wrote him a note saying, Jim, we take these rivalries
9 seriously here. If you lose one more time, I'm liable
10 to come over and shoot your dog. Usually these notes
11 are anonymous, Valvano said, but this man signed his
12 name and address. So he sent a note back saying that
13 he was sorry to disappoint him, but he didn't have a
14 dog. The next day, a UPS truck pulled up and the
15 driver handed Valvano a box, and inside was a little
16 puppy with a note around its neck, and the note read,
17 don't get too attached.

18 Well, we can't get too attached to the old
19 ways. We can't get too attached to the hierarchical
20 decide everything at the top of the system, which used
21 to work, because what worked a long time ago won't
22 work today. President Clinton knows that, so do I,
23 and so do all of you. That is why you have taken
24 action at the state level, and that is why the
25 President has asked me to conduct the National

1 Performance Review, a thorough examination of how
2 government works and how it can work an awful lot
3 better.

4 We intend nothing less than to reinvent the
5 government to make it work for people. Our work has
6 a short-term deadline, but a long-term goal to create
7 government that works better and costs less.

8 Right now, Americans, the people who are our
9 customers, too often feel that the government puts
10 them last. Government costs too much or it's too slow
11 or too arrogant or too unresponsive or, too
12 frequently, all of the above. Like business people
13 who have learned to listen to their customers, we will
14 learn to listen to our customers.

15 And let me pause right here to say for those
16 who believe deep down that this sounds good but it's
17 just too difficult to accomplish, think back 10 years
18 ago and ask yourselves this question. If anyone had
19 said to us 10 years ago that in August of 1993, the
20 American automobile companies, Governor Engler, would
21 be making the highest quality automobiles in the
22 entire world at competitive costs, most of us would
23 have said that's impossible. We've bought too many
24 clunkers and it's just not going to work. But the
25 automobile industry has done it with the same

1 employees and the same unions, some new managers, to
2 be sure, and new ideas and new ways of doing things,
3 but they were able to bring about a complete change in
4 their whole approach to their mission. Well, if they
5 can do it, we can do it, also.

6 Our long-term goal is to change the very
7 culture of the federal government. A government that
8 puts people first is a government guided by four
9 principles. First, it works to serve its customers,
10 and in the federal government, we do have a lot of
11 customers, inside customers, as well as outside
12 customers. Every single one of them, from taxpayers
13 to Head Start parents to new Social Security
14 recipients to local and state governments deserve the
15 very best services. It makes sense. They are all
16 customers. And in the case of state governments,
17 you're not only customers of what the federal
18 government does, you are partners with us in serving
19 the people who depend on us.

20 The second principle, a government that puts
21 people first puts its employees first, too. It
22 empowers its employees. It frees them from mind
23 numbing rules and regulations. It delegates authority
24 and responsibility, and it provides for them a clear
25 sense of mission, a clear set of goals, a clearly

1 understood shared set of values that enable employees
2 to make decisions themselves, when they need to, so
3 that the organization can adapt to the new
4 circumstances that become manifested, first of all, to
5 the employee who works where the rubber meets the
6 road, so that that man or woman doesn't have to behave
7 like an automaton and not exercise any judgment and
8 send a request for new instructions all the way up the
9 chain to Washington D.C, and then wait until the
10 answer comes all the way back down. It just doesn't
11 work, and it's got to be changed.

12 Third, the federal government should help
13 communities solve their own problems. Our job should
14 be to provide direction, without taking the wheel; to
15 steer, not row.

16 Finally, a government that puts people first
17 is a government that fosters excellence. It replaces
18 regulations with incentives. It measures outcomes.
19 It measures what we produce, not what we put in. I
20 know a lot of this sounds familiar to you all because
21 I've looked at the four themes that your task force
22 has been working on, and they are very similar.

23 Government ought to care about customer
24 satisfaction, and that's one of our objectives, but
25 these are general principles. Is this anything more

1 than the boilerplate rhetoric of every new
2 administration? And if it is more, how do we
3 translate it into the everyday work of government?

4 Well, let me emphasize one point. I've
5 bragged on your efforts before, but you have really
6 done that at the state level, whether Arizona's
7 introduction of competition by publishing auto
8 insurance rates, or Michigan's pioneering investments
9 of public pension fund money and venture capital, or
10 Florida's use of impact fees, or so many others that
11 have been quoted by management experts as models for
12 those who have lagged behind, those like Washington.

13 So how can we in Washington catch up? How
14 can we move to create a true partnership to serve
15 America? Together, federal, state and local
16 governments have about 15 million public employees.
17 It isn't enough for us to reinvent one level of
18 government. If we are to restore public confidence,
19 we must have a united front. We have to move
20 together. We are, after all, partners, because let's
21 face the facts. We have a hodgepodge of bloc and
22 categorical grant programs. The mandates and
23 regulations that you have to obey are often just dumb,
24 cumbersome, costly, and uncoordinated.

25 The number of separate grant programs has

1 increased by 50 percent in the last decade. There's
2 been lots of debate about grant consolidation, but
3 today, there are more than 606 grant programs.
4 They'll spend more than \$226 billion in 1994.
5 Meanwhile, Washington has imposed thousands of
6 restrictions and conditions without funding the costs.
7 Are allowances made for the quality of service? No.
8 For effectiveness? No. For regional differences?
9 No. Across this country, state governments have led
10 the way to reinvention efforts, but the standards and
11 practices by which federal grants are monitored and
12 accounted for are anachronistic and ineffective. This
13 administration means to turn things around and change
14 that.

15 For one thing, we are led by a former
16 governor in Bill Clinton. He knows firsthand what
17 kinds of roadblocks Washington throws up for the
18 states. He and I have talked on many, many occasions
19 about how we can dismantle them, and the President is
20 backed up by a long line of other reinventors who know
21 what it means to make state government work; Bruce
22 Babbitt and Dick Riley and Madeline Kunen, for
23 example.

24 So how do we go about it? How do we end this
25 stovepipe mentality where funding and control come

1 straight down from the top? How do we transfer power
2 and authority to the grass roots? Well, first we have
3 to work together. The credibility of every level of
4 government is at stake because to the taxpayer, a tax
5 is a tax is a tax, and a service is a service,
6 regardless of which level of government is to blame or
7 applaud.

8 The basic needs are clear. The structure of
9 categorical grants must be dramatically simplified so
10 that the money can actually get to the people Congress
11 meant it to get to. Program rules and regulations
12 must be fundamentally rethought and their focus
13 changed from compliance to outcomes; from sanctions to
14 incentives. The federal government must also reduce
15 the degree to which we force you to do something and
16 let you scramble to find the money to pay for it. We
17 cannot cavalierly impose unfunded mandates on lower
18 levels of government. Agencies and different levels
19 of government simply have to do a better job of
20 working together.

21 I know this isn't easy, you know it isn't
22 easy, and we cannot achieve it all overnight. To do
23 this, we need your help. You know the system is
24 broken. You know why. You know that the customers
25 are rightfully grumpy and you know why. States and

1 localities are themselves some of the biggest
2 customers of the federal government. You know the
3 federal government often blocks the doorway instead of
4 opening doors, and you also know that no matter how
5 much the President wants to help, we have to have an
6 active, engaged Congress, and you can and do influence
7 Congress.

8 I ask you to help us change the way
9 government works. Help us develop a nationwide system
10 of benchmarks and performance measures that will help
11 all levels of government focus on results, what works
12 and what doesn't.

13 Number two, help us consolidate programs.
14 You already have suggested the consolidation of 50
15 programs. That's a good start, but let's do more, a
16 lot more.

17 Number three, help us develop a new model of
18 federalism that merges program funding streams and
19 offers consolidated service delivery on the ground,
20 with guarantees that the outcomes sought from each of
21 the separate grants will, in fact, be accomplished in
22 the consolidated effort.

23 Number four, as we focus more on results,
24 let's agree to cut the time and energy that we spend
25 on accounting and audits of how dollars are spent.

1 Number five, let's take a hard look at those
2 unfunded mandates. Let's make sure Washington
3 consults with state and local officials. We should
4 consult with you early, we should consult with you
5 often, and we intend to do that. Ambitious, but we're
6 already starting to move.

7 For example, we want your help in developing
8 an executive order on federalism that would send clear
9 signals to everyone about how strongly we feel about
10 partnership with state and local governments. We've
11 already begun thinking about what should be in that
12 executive order and we've already begun discussions
13 with several of you, and within the next month, we
14 will see a final draft.

15 We do have an executive order providing
16 regulatory relief just about done, and it's going to
17 include an innovative new feature that for the first
18 time puts state and local governments formally in the
19 process of reviewing new regulations before they are
20 implemented. It will involve frequent consultation
21 and an ongoing effort to not only review regulations,
22 but to dump the ones that are burdensome and
23 unnecessary, and to take the lessons that you can
24 teach us about what works and what just causes more
25 problems. A lot of times the best intentions end up

1 creating results that are just completely different
2 from what people thought would happen, but the
3 communication about that doesn't take place. We're
4 going to change that with your help.

5 We're also working on such initiatives as the
6 state federal technology partnership to implement
7 broad scale technology cooperation with the states.
8 Dick Celeste has been invaluable on this new way to
9 create a partnership with the states.

10 Two days from now, you're having an NGA
11 summit meeting of state and local elected officials,
12 and I hope you convey to them how urgent this issue is
13 for President Clinton and for me and our whole
14 administration. And Mr. Chairman, we had an
15 opportunity to talk at some length about that this
16 morning, and we want to translate the generalizations
17 about partnership into the concrete day-to-day work
18 that can reconnect us with our citizens.

19 Now, the National Performance Review is not
20 the first time people have tried to make government
21 efficient. It isn't even the first time people have
22 gotten results. Awhile back, somebody told me that in
23 the 1580's, the British created a continuously manned
24 station responsible for lighting a bonfire on the
25 cliffs of Dover whenever the Spanish armada was

1 sighted, but eventually they did a review and
2 abolished that job. Of course, they didn't abolish it
3 until 1946.

4 I think we can do better. Government can
5 turn itself around. I know that because so many state
6 governments have already turned themselves around.
7 Whether it's giving out driver's licenses or
8 humanizing family services or building roads, you have
9 demonstrated that it is possible to have responsible,
10 responsive government. With your help, we can turn
11 things around in Washington, too. We've already
12 started.

13 You know, six months ago, people were saying
14 that family and medical leave could never pass, but
15 now it's law. Six months ago, people were saying that
16 motor voter could never pass, but now it's law. Six
17 months ago, people were saying that we wouldn't be
18 able to increase the earned income tax credit, because
19 people working 40 hours a week should have a guarantee
20 that they can escape poverty. Now that's the law, and
21 we have new hope for those who want welfare to be a
22 hand up and not a hand out.

23 It's only the beginning, and with your
24 continued help, we can and will change the way
25 government works in Washington. We can and will bring

1 change to America, change to something as small as an
2 ashtray or as large as America's future.

3 Thank you very much.

4 GOVERNOR ROMER: The Vice President has
5 consented to take a few questions, and we have about
6 10 minutes for that. Are there any questions you wish
7 to pose? Governor McKernan.

8 GOVERNOR MCKERNAN: Mr. Chairman. Mr. Vice
9 President, let me, first of all, just commend you on a
10 wonderful speech and a wonderful initiative. I can
11 only imagine the enormity of the task since for the
12 last year we, in the state of Maine, have really begun
13 the most comprehensive quality management approach of
14 any state in this country, and needless to say, we're
15 one of the smaller states, and it has been an enormous
16 task.

17 I just wanted to tell you a couple of things
18 that we've learned, and hope that you'll be able to
19 apply them to your particular effort, and that is that
20 I think that your principles are absolutely what we
21 need in this country and the way all governments
22 should act. I should also tell you, though, that as
23 we have begun the process in Maine, we have found
24 incredible cynicism among our own work force, that
25 this is just another initiative and that it's going to

1 go by the waysides like so much else has.

2 As I have thought more and more about how we
3 really do reinvent and redesign government, it has
4 become clear to me that the problem is not the people
5 aren't well intended. The problem is we have no
6 process for following through.

7 So I would just, first of all, I guess tell
8 you that I think that the most important, long lasting
9 change that you can make is to establish a process for
10 allowing these good ideas among government employees
11 to bubble up to the policy-making level so they
12 actually get addressed and acted upon.

13 And then secondly, to just ask you whether
14 you have looked at an ongoing process that will
15 continue for the foreseeable future and the kind of
16 changes that you're looking for?

17 VICE PRESIDENT GORE: The short answer is
18 yes, but first, thank you for your advice. I think
19 that the one thing which all private sector and public
20 sector organizations that have gone through this
21 process have in common is that they discover that the
22 most valuable asset they have is the unused brain
23 power and creativity of the men and women who work in
24 the organization right where the rubber meets the
25 road. And rather than looking upon them as just

1 automatons who ought to be instructed to do the same
2 thing over and over again, if they find a way -- if
3 these organizations find a way to capture their ideas
4 and to ask them to be a part of rethinking how the
5 overall task is being performed, and then regularly
6 harvest the good ideas and ask them to help implement
7 those ideas, that's really a way to unleash a
8 tremendous amount of creative energy.

9 In having Town Hall meetings with federal
10 employees all over the government and all over the
11 country, I sometimes ask the question, how many of you
12 have had really good ideas, but you haven't pushed
13 them because you were afraid that you'd get your head
14 chopped off or you knew that the process by which you
15 could get communicated was just so unwieldy it would
16 never get done, and a huge percentage of the people
17 raised their hands. And that's a lost -- those are
18 all lost opportunities.

19 We are, in fact, putting in place, with the
20 release of this report in September, a process for
21 following through on every single recommendation, and
22 follow through will be -- will involve different
23 things with different kinds of recommendations. We've
24 had two cabinet meetings on it already. The President
25 has been deeply involved in reviewing the draft

1 recommendations, and we're going to follow through
2 very aggressively on these.

3 GOVERNOR ROMER: Other questions? Governor
4 Carlson.

5 GOVERNOR CARLSON: Mr. Vice President, I too
6 want to applaud your message. I think it's an
7 extraordinary one, and one that I think every governor
8 can feel very comfortable with.

9 I think we saw an example of a fine working
10 partnership between the President, local governments
11 and state governments during the recent crisis on the
12 flood and the necessity to provide quick relief in
13 both the infrastructure, as well as the agricultural
14 areas, and I really applaud the efforts of the
15 administration on this.

16 But I think the big fear that many of us, as
17 governors have, is that Congress simply does not
18 understand the validity of this new partnership,
19 particularly when it comes now to the issue of
20 national health care. It would be my hope that you
21 could take back to the President the message that one,
22 he has to convey to Congress how very, very serious he
23 is that this new partnership is going to work, even if
24 it means vetoing legislation that violates this new
25 partnership, because frankly, the last thing this

1 country can afford is gridlock that will no longer
2 involve just Congress and the President, but frankly,
3 it's going to involve Congress, the President and the
4 governors.

5 The governors, I think on a bipartisan basis,
6 are going to not only accept the thoughts behind this
7 new partnership, but they have some serious financial
8 concerns as well, and we do want them respected. If
9 the President can really back it up with a little bit
10 of muscle, I think we could build in this country a
11 new working partnership.

12 VICE PRESIDENT GORE: Well, we certainly do
13 intend to do just as you suggest. I would only add
14 this thought: That my experience in talking with the
15 members of the House and Senate about these ideas and
16 these proposals has convinced me that there is an
17 enormous amount of determination within the Congress
18 to move quickly in these directions, and a new
19 awareness all over our country reflected in the
20 opinions of those in the Congress that we've got to
21 move in this direction.

22 And thank you for your kind words about the
23 teamwork approach to the flood disaster. We're still
24 working very hard, as you know on that. I was on the
25 phone with James Lee Whitt just this morning and the

1 Corps of Engineers, and that is an ongoing daily
2 matter. The President has been giving daily attention
3 to making sure that the good start we got off to is
4 continued.

5 We're also, incidentally, going to follow
6 through with the governors, especially in the areas
7 affected by this recent flooding, but with others who
8 wish to join the process, to redesign some aspects of
9 how we respond to disasters so that we might learn the
10 lessons that come out of this recent tragic episode.
11 You and I and some of the other governors had a very
12 fruitful discussion about that a few weeks ago, and
13 one governor compared what's needed to the goal
14 setting process that worked so well under then
15 Governor Clinton's leadership on the education goals,
16 and I think that that was an excellent suggestion
17 we're going to follow through on.

18 GOVERNOR ROMER: We have a number of hands,
19 which I'm going to get to, but we have one
20 administrative matter that we'll just take up at our
21 Executive Committee meeting afterwards. I would like
22 now to call on -- if you'll cooperate by keeping it
23 brief, we'll get all of you in. Governor Dean,
24 Engler and then Wilson. Go ahead.

25 GOVERNOR DEAN: Mr. Vice President, some

1 of your remarks are very heartening to those of us who
2 labor in the trenches. Let me just ask you to comment
3 on education. The average special education teacher
4 in Vermont fills out 40 forms for each child, and
5 there are many districts in Vermont who no longer claim
6 the federal money, \$360, because it's cheaper to not
7 fill out the forms. Can you help us?

8 VICE PRESIDENT GORE: Absolutely. Former
9 Governor Riley has been deeply involved in helping our
10 National Performance Review develop the
11 recommendations where education is concerned, and it
12 is one of the areas where you will see the most
13 pronounced effect of this idea that I talked about in
14 my speech about collapsing grant programs and reducing
15 the number of different programs.

16 We have -- well, when it's released in early
17 September, you'll see that there are some dramatic
18 recommendations just on this question. And you're
19 right, it's ridiculous to have all of these different
20 little bitty programs with such a high transaction
21 cost for each one of them.

22 Before I go to the next one, you know, I
23 didn't brag on Governor Richards in my talk, and I
24 want to because one of her state government employees,
25 Billy Hamilton, has been one of our key people, and we

1 learned a great deal from what Governor Richards did
2 with the performance review in Texas, and I just
3 wanted to thank you publicly for it.

4 GOVERNOR RICHARDS: I wanted to reiterate
5 what was said by Governor McKernan. We've had
6 experience with performance review. We have done it
7 in Texas. We have saved literally billions of
8 dollars in every budget year, and the thing that will
9 defeat you is cynicism. It's the cynicism of the
10 staff, it will be the cynicism of members of Congress
11 that have been there a long time and are accustomed to
12 always doing it the same way. And if you will do just
13 what you did today, Mr. Vice President, and show the
14 ludicrousness of the way in which government performs,
15 with regulations for such things as ashtrays so that
16 you bring it down to the level of my momma who's
17 sitting there watching the television, you're going to
18 be able to do this thing and you're going to cut
19 billions of dollars out of the federal government
20 expenditure.

21 VICE PRESIDENT GORE: Let me comment briefly
22 on that before we go to the next one, because at one
23 of the other Town Hall meetings, one government
24 employee talked about what he described as a
25 government attitude, meaning that there was simply no

1 use in expending any energy to try to straighten it
2 out and do things better, you just kind of settle back
3 in and just coast along and don't worry about it. And
4 I asked the employees present -- this was actually
5 at the Veteran's Administration, as I remember, how
6 many of you understand what he's saying and how many
7 of you have that government attitude? And
8 practically, I guess 90 to 95 percent of them raised
9 their hands. And I said, now, of those who have
10 raised your hands, how many of you would personally
11 like to get rid of that attitude and be able to come
12 to work with a different approach, and every single
13 one of them raised their hands again. It can be done,
14 and it will be done.

15 GOVERNOR ROMER: Governor Engler.

16 GOVERNOR ENGLER: Thank you, Mr. Chairman.
17 Mr. Vice President, I do commend the comment and the
18 content of your remarks today. I think they're
19 excellent. I think for those who are listening,
20 probably the question is why, if this makes -- if this
21 is such common sense, why isn't it happening.

22 I've got a letter that we received in
23 Michigan on the 6th of August that is sort of what the
24 problem is maybe, and it's a way in which maybe we can
25 collaborate. This is from the Department of

1 Education, and they're commenting on the arrangement
2 we have for how we handle drug free schools funds. We
3 set up a program with a memorandum of understanding
4 from our state education department and our drug
5 control office and tried to coordinate the services in
6 order to increase the impact. They relate to us that
7 their concerns have been raised by the staff from
8 offices of a couple of Congressmen, as well as staff
9 from one of the committees of Congress, so they're
10 having to hold this up while they conduct an
11 investigation. And it strikes me that when we get
12 into a redesign of government or re-engineering, at
13 the state level, there are different ways that states
14 are putting agencies and programs together, and
15 oftentimes we run into somebody on the staff level in
16 the subcommittee of Congress who's kind of got their
17 idea about how it ought to work.

18 I think there's a tremendous amount of
19 support to join with the administration to give
20 Secretary Riley the flexibility he needs or Secretary
21 Rice or others so that we can pull these things
22 together.

23 We tried to put our work force programs
24 together. We found that the vocational education
25 committee at the education agency under federal law

1 doesn't have to cooperate. If they want to remain
2 independent, they are free to do so, and there's no
3 way to bring them together. We use executive orders
4 routinely at the state level, as you know, and I'd
5 sure support something like that for the
6 administration to be able to break down statutory
7 barriers that prevent us from succeeding.

8 VICE PRESIDENT GORE: Let me say two things
9 by way of responding to you. First, you say if it
10 makes such good sense, why isn't it happening? To
11 return to my example of the automobile industry, 10,
12 15 years ago, you could have asked the same question
13 there. Already, we were beginning to see foreign made
14 cars that certainly seemed to be simultaneously higher
15 quality and lower cost, and it was a real shock. And
16 yet still, a lot of the same old techniques were used
17 in American companies. And finally, the sense of
18 urgency built to the point where they broke through
19 the inertia and started making the changes.

20 You can help us do that in Washington.
21 There's tremendous support for these new ideas in the
22 Congress, but there is inertia in any system, and we
23 need your help on a bipartisan basis to help push this
24 change forward.

25 The second point I wanted to make was about

1 grant consolidation. There are really two ways to go
2 about it. We have seen in the past efforts to
3 accomplish what I would call top down grant
4 consolidation, where all of the programs are just
5 shoved together, and then 25 to 30 percent is taken
6 out in one big whack, and there are no guarantees that
7 the results are going to be accomplished. And if
8 you'll forgive me, I don't want it to sound partisan,
9 but I always felt like that was kind of a sham, in
10 many respects, and I know that many governors,
11 republicans, as well as democrats, felt the same way.

12 What about bottom up consolidation, where the
13 people who are actually doing the money and delivering
14 the service propose a plan to consolidate the funding
15 streams and spell out exactly how the objectives of
16 each of the separate programs will be met. Shift the
17 burden of proof onto those who want to prove that it's
18 not going to work better that way, and then at the end
19 of the year, if it hasn't worked, then you have the
20 chance to cancel them if they're not working. But
21 what we'll find, if we go this route, is that it's
22 going to work an awful lot better and it's going to
23 work much more smoothly.

24 GOVERNOR ROMER: Mr. Vice President, we
25 really have struck a nerve here. I have nine

1 governors that wish to speak. We have other
2 matters. I'm going to recognize you all, but
3 cooperate on brevity, if we can. The Chair recognizes
4 Governor Wilson.

5 GOVERNOR WILSON: Thank you, Mr. Chairman.
6 Mr. Vice President, let me add to the swelling chorus
7 that congratulated you on your speech. It's music to
8 our ears.

9 You have rightly solicited our help in
10 lobbying Congress to help you make a change, and
11 you're right to do so because any executive order is
12 is necessarily circumscribed by statutory impediments.

13 I think you'd find that we are eager to help
14 you do that, but you will also find that we want to
15 solicit your help with the Congress, because, in fact,
16 it is Congress, with its special constituencies in the
17 federal bureaucracy and in the special interests who
18 have lobbied for the regulations that have made it so
19 difficult for any President, republican or democrat,
20 to do exactly what it is that you are clearly trying
21 to do. And it seems to me that this administration of
22 the same party, with the leadership in both Houses,
23 has an opportunity that few have had, so I think you
24 will find that republicans, as well as democrats, are
25 eager to give you all the assistance possible in that

1 respect.

2 We also think that perhaps you've got an
3 opportunity that has not been enjoyed before, the size
4 of government, to use one example that you've used
5 correctly, it seems to me, in making an analogy to the
6 private sector and talking about these customer
7 oriented companies that have successfully downsized
8 and become competitive. Part of the problem, as you
9 and I both know, as mostly proud alumnae of the
10 Congress, is that the staffs have grown. If you give
11 an hour, those staffs will come up with a hundred
12 amendments to a tax bill, and it is simply magnified
13 time after time and in one instance after another.

14 You're talking about regulatory reform, and,
15 my God, it is so necessary because it costs so much
16 money to the private sector, to everyone who is trying
17 to be competitive, as well as to government itself,
18 and the examples about people who don't want to use
19 federal grants because it simply costs too much.

20 What I'm saying, sir, is that we should both
21 work, but I think that if you and the President make
22 it clear to committee chairmen on the Hill that change
23 must occur, then we will go a very long way towards
24 achieving the kind of change of which you spoke so
25 eloquently this morning.

1 VICE PRESIDENT GORE: Thank you, Governor.
2 Let me reiterate that I've found tremendous support in
3 the Congress, on a bipartisan basis, for these
4 changes.

5 Let me also say that Congress reflects the
6 desires of the American people, and a lot of the
7 efforts that are made to protect this or that are made
8 because there are a whole lot of people out there who
9 want their member of Congress to do exactly that.

10 You take the wool and mohair program, for
11 example. You will have members of the House and
12 Senate who are fiscally conservative who will fight to
13 the death for that program, even though it serves no
14 useful purpose whatsoever, costs the taxpayers \$190
15 million per year.

16 My point is that in some respects, Congress
17 is us, the American people, but where you can most
18 help is by pushing forward the ideas embodied here so
19 that the American people will support those within the
20 Congress in both parties who are urging that these
21 changes be made.

22 GOVERNOR ROMER: Chair recognizes Governor
23 Voinovich, Ohio.

24 GOVERNOR VOINOVICH: Three points. Number
25 one, I'm delighted to hear that you want to do

1 something about mandates without money, because we
2 want to work with you, and I know the other local
3 government groups out there do.

4 Number two, for two years I worked with Lamar
5 Alexander on these regulations in education. There's
6 170 regulations forms, reports that our
7 superintendents have to fill out in Ohio for six
8 percent of the money that they spend. The bill that
9 they sent to Congress was called Ed-Flex, and if
10 Secretary Riley would just pick that up, there's some
11 real good information there that I think would help
12 you and you could move very quickly to do something
13 about some of the things that Governor Dean is
14 complaining about.

15 Third, you're talking about total quality,
16 and I think it's real important that everybody
17 understand we've been at it for a year-and-a-half,
18 that we have 58,000 people in Ohio, employees, and
19 it's going to take us four-and-a-half years to cascade
20 the process down. So it's not going to happen
21 overnight.

22 Second of all, we made a mistake when we got
23 started. We did not involve our labor unions, and I
24 think it's really important that if you do this, that
25 the labor unions are involved because they'll be there

1 after all of us have left and will provide the
2 continuity.

3 VICE PRESIDENT GORE: Thank you for that
4 suggestion. We have learned from other governors
5 about how important that is, and consequently, from
6 the very beginning, we asked the federal employee
7 unions to be deeply involved in this whole effort, and
8 we have consulted with them regularly, and I think
9 you're going to find them quite supportive.

10 Ann Richards talked about the effort in
11 Texas. The day after that was introduced, the
12 AFL-CIO in Texas endorsed it, and business groups did,
13 also. We're taking steps to improve the odds that
14 that will, in fact, take place.

15 You mentioned quality management. I want to
16 make clear one thing. Quality management is only a
17 tiny part of what we're doing, but it is an important
18 part and we are pursuing that, as many of you have,
19 productively.

20 GOVERNOR ROMER: Governor Walters of
21 Oklahoma.

22 GOVERNOR WALTERS: Mr. Vice President,
23 welcome to Oklahoma.

24 VICE PRESIDENT GORE: Thank you for your
25 hospitality.

1 GOVERNOR WALTERS: Thank you. I want to also
2 thank you for bringing focus to this important topic.
3 What it really does for us is as you spend time
4 talking about it nationally, it gives us a little bit
5 more clearance at the state level to advance reforms
6 on our own, and many of these reforms are not
7 universally accepted; changes in purchasing systems,
8 changes in personnel systems, changes in compensation
9 systems. There's a very natural tension that exists,
10 as you well know, between legislative bodies and
11 executive branches, particularly at a state level, in
12 which oftentimes is translated as a lack of trust, so
13 there's a sense that when we ask for more
14 management flexibility, there's opposition to that
15 because it's interpreted as an opportunity for abuse.

16 VICE PRESIDENT GORE: That's right.

17 GOVERNOR WALTERS: Concentration on that
18 point, because without support from the public or
19 support from the legislative bodies, we don't have to
20 have both, we just have to have one. As we get that
21 kind of support for the idea, that maybe you can
22 overprotect against the last one-half of one percent
23 of the abuse and kill off the other 99 and a half
24 percent of the performance, but it's a very tough
25 topic because people -- that's a natural tendency when

1 you start changing those management systems.

2 So I make that point to you, and I guess in
3 terms of specifics, I hope the National Conference of
4 State Legislators is on the speaking schedule for
5 presentations, because there's several thousand men
6 and women out there that really will influence our
7 ability to make changes.

8 VICE PRESIDENT GORE: Well, thank you,
9 Governor. You put your finger on one of the most
10 important points of all, very insightful comments, and
11 I appreciate it.

12 I would add this thought. Over the last 12
13 years, the distrust between Congress and the executive
14 branch has grown to unnatural proportions because of a
15 fundamental difference in governing philosophies, and
16 this is not intended in a partisan way at all. The
17 difference itself led to the distrust, and now, as
18 Governor Wilson said, the same party is at least
19 technically in control of the Congress, as well as the
20 executive branch, we have an opportunity to try and
21 dissipate that level of distrust.

22 But the issue of trust is central to all of
23 this because it's at the heart of why individual
24 employees or individual managers are not allowed to
25 make intelligent decisions. Managers in offices of

1 the federal government here in Tulsa are not allowed
2 to shift resources from one category of spending to
3 another. They're not allowed to shift personnel from
4 one area, where they have a surplus, to another area
5 where they have a severe shortage. The individual
6 manager in the Tulsa office is obviously in the best
7 position to make an intelligent judgment about how
8 best to utilize the resources to pursue the mission,
9 but that person is not allowed to because they are not
10 trusted. High performing organizations in the private
11 sector look upon mistakes as opportunities to learn.

12 I went down to visit Southwest Airlines, for
13 example, and I went to visit Saturn a couple of times,
14 Ned, and there, when a mistake is made, they will kid
15 the person who made the mistake and they will sort of
16 hold it up in a real good-natured way as an
17 opportunity to learn how to do things better.

18 The federal government, by contrast, seems to
19 be organized in a way that it is designed to make a
20 vain effort to stamp out every last mistake, and it's
21 crazy, and it gets to this question of trust. And
22 when a mistake is made, it reverberates, and the news
23 media plays a role, also, because there's a kind of --
24 within the centralized systems of the government, like
25 the -- you know, the OMB and GAO and OPM and GSA and

1 so forth, there's this effort to seize upon a mistake
2 as a reason to rigidify the control, and then the
3 mistake is magnified in public exposures. Sometimes it
4 deserves to be, but sometimes in the process it gets
5 so out of proportion that the response is then to
6 clamp down even further and remove the last shread of
7 flexibility or creativity, and the whole system
8 just seizes up.

9 You know, to use one quick example, if a
10 labor union is really mad at a big company and doesn't
11 want to call a strike, sometimes they will issue an
12 order to work to the rule, you know, to tell everybody
13 to do exactly what you're supposed to do exactly the
14 way you're supposed to do it, and, of course,
15 everything comes to a screeching halt because no
16 organization can operate that way. The federal
17 government has all of these pressures to do that all
18 the time, and it's really got to stop. But thank you
19 for focusing on that.

20 GOVERNOR ROMER: The Chair recognizes
21 Governor Miller of Nevada.

22 GOVERNOR MILLER: Thank you. Mr. Vice
23 President, I'd like to congratulate you on this effort
24 and support in what way I can. I, just last month,
25 signed the largest bill in Nevada history; my efforts

1 at reorganization that eliminated 12 percent of our
2 state work force and reduced departments from 45 to
3 13. One area of difficulty I had was in consolidating
4 auditors because of opposition of a regional manager
5 of the Department of Labor, so I would like to help
6 you by helping eliminate unnecessary positions like
7 his. And also to find --

8 VICE PRESIDENT GORE: Nothing personal.

9 GOVERNOR MILLER: -- other ways that the
10 federal government can help us at the state level to
11 reorganize because that, in a less facetious manner,
12 that red tape does restrict some of our options.

13 VICE PRESIDENT GORE: We'd like to follow up
14 on that particular idea. Since you mentioned
15 auditors, you know, in the federal government, we have
16 120,000 people working full-time just on budgeting and
17 the financial accounting around the budget. It's
18 absolutely crazy, and -- anyway.

19 GOVERNOR ROMER: Governor Carper, Delaware.

20 GOVERNOR CARPER: Thank you, Mr. Chairman.
21 Mr. Vice President, welcome. Others have commended
22 you for your speech. I would, as well. I want
23 to also commend you for those great stories. I know
24 you told the stories about the taxidermist and the
25 veterinarian, and a lot of people were writing notes,

1 and I don't think --

2 VICE PRESIDENT GORE: That's a pretty old
3 story. You may want to check before you use it too
4 much. Go ahead.

5 GOVERNOR CARPER: I especially like the story
6 about the ashtray and the sharing with us the
7 regulations and the specifications.

8 You might want to keep in mind we're adopting
9 more and more bans on smoking in public buildings, and
10 I suspect by the end of your term as Vice President,
11 that we will have totally banned smoking, then we're
12 going to have to figure out how to write the regs and
13 specs for recycling all of those ashtrays, and I think
14 that your administration will be judged, at least in
15 part, on making sure they are less voluminous than
16 those which you shared with us today.

17 We've kicked off, in the last five months, a
18 restructuring and reorganization effort in the state
19 of Delaware, led by our lieutenant governor. One of
20 the things that we've been focusing on, as you and
21 others have touched on, is empowering people at the
22 bottom of the power chain, the lowest level employees.
23 What we've discovered is that their -- people have
24 come into state government at entry level positions
25 and over time, they've worked themselves into mid

1 level management. They've not gotten very good
2 training along the way as they've moved into those
3 supervisory positions. We have entirely too many mid
4 level managers who are not well trained, and we've got
5 a lot of people, well meaning people at the bottom end
6 of the chain who would like to be able to do more and
7 they are stifled by people at the top.

8 VICE PRESIDENT GORE: That's right.

9 GOVERNOR CARPER: I don't know if that's the
10 situation that you're finding, but we are, and it's a
11 tough one to try to resolve.

12 VICE PRESIDENT GORE: We are finding it.
13 There are 450 separate job classifications in the
14 federal government, and the opportunities for
15 advancement in the lowest grades are pretty slim, and
16 as a result, there's tremendous pressure for people to
17 get reclassified into middle management type
18 classifications where there's a surplus of people, so
19 we end up with a shortage of people actually doing the
20 work and a surplus of middle managers, and the
21 advancement opportunities are not enough.

22 Ned Ray and I have a friend named Frances
23 Preston, who is the chief executive officer of
24 Broadcast Music Incorporated, one of the largest, most
25 creative companies in the music industry. She started

1 as a receptionist at a radio station in Nashville and
2 she became a mail clerk, and then she was a secretary
3 for one of the executives there, and every job she
4 got, she demonstrated superior capability and she kept
5 on moving up, and now she's the CEO of an awful lot
6 larger corporation than the one that owned that radio
7 station she started at. She had the opportunity to
8 advance. Federal employees do not have that kind of
9 opportunity, and lots of them could move right on up,
10 you know, and they ought to be encouraged to think
11 that way and unleash their creative talents, but in
12 order to do that, we've really got to make these
13 changes that we're recommending.

14 GOVERNOR ROMER: Chair recognizes Governor
15 Nelson of Nebraska.

16 GOVERNOR NELSON: Mr. Vice President, I, too,
17 want to commend you for taking on the very important
18 task of reinventing government. As you do that, and
19 as part of the budget, really, there are two things
20 that are important; one is what you focused on in
21 terms of savings. Money that is saved can be used for
22 other important priorities. The second area that you
23 mentioned, I think, and is very encouraging to
24 everyone is that the budget that's been adopted is the
25 first step and not the last word, and that the process

1 of cutting has begun and can continue.

2 In Nebraska, a year ago, we had a special
3 session of the legislature, a cutting session in which
4 that's all the legislature did was cut. There were a
5 thousand reasons from a thousand different people why
6 it wouldn't work, but it did.

7 I hope that as you continue, and as you and I
8 have discussed in the past, that we can continue the
9 process of cutting, together with savings, to pare
10 down the size of government, the impact of government,
11 and return much more of the responsibility and the
12 authority to govern back to the local levels of
13 government, the state and local subdivisions, and I
14 commend you for your effort on this. I think your
15 administration truly has been elected to change the
16 way things have been done in Washington. And I think
17 you're on the right track, clearly, and making great
18 strides in that endeavor, and I hope that you'll
19 pursue further cuts with Congress on a bipartisan
20 basis so what we can do is we can turn away from
21 special interests to the public interest. That's what
22 we all want.

23 VICE PRESIDENT GORE: Governor Nelson, thank
24 you for your advice on this, not only here, but in
25 numerous conversations that we've shared in the last

1 several weeks and months. As I've told you privately,
2 and as I'll say right here, come September when this
3 report is released, you will see that it makes
4 possible significant new savings, and we are going to
5 have an opportunity to vote on additional spending
6 cuts and significant savings that are embodied in this
7 report.

8 GOVERNOR ROMER: Mr. Vice President, I'm
9 getting pressure from your staff to cut this off, but
10 I have more governors that I need to recognize if we
11 can do it briefly.

12 Governor Chiles of Florida.

13 GOVERNOR CHILES: Mr. Vice President, we're
14 delighted with this initiative. You certainly have
15 natural allies here. We look forward to working with
16 you and helping you in every way we can.

17 Just two quick points. One is a lot of the
18 resistance is going to come from middle management,
19 those people that are used to doing things in one
20 particular way. I think one way we try to do these
21 things, as an executive, again, is from the top down.
22 The more you can find ways that you empower people,
23 part of the force has got to come from the bottom up
24 or it will get cut off somewhere along the way.

25 Secondly, there is -- we talked about the

1 cynicism among the workers. There is a greater
2 cynicism among the business people, among, you know,
3 just our citizens. They don't trust us. And even as
4 you are making successes, if you're experiencing
5 something like ours, they don't qualify them, they
6 don't exactly understand them, they're so used to -- I
7 have people every day that say to me, when the hell
8 are you going to do something about this or that, and
9 that's something we did something about two years ago.
10 And so some kind of an accountability commission, some
11 kind of a score keeper who can be trusted, so that's
12 got to be a group outside of any of us that run for
13 office, I think is a very essential thing. You all
14 have a bigger pulpit and it will certainly help from
15 that pulpit, but I think you'll find it will take a
16 long time for the perception to be there that you're
17 making some meaningful change.

18 VICE PRESIDENT GORE: Thank you, Governor.
19 We are making great efforts to empower employees
20 within each department to participate actively in
21 this. We not only have the National Performance
22 Review Team that I described, but we started up a
23 counterpart team in each agency and department with
24 employees at the bottom rungs of the ladder heavily
25 represented in those teams, with instructions from

1 each cabinet member to tell them to go at it, and we
2 have had a very, very useful dialogue with them.

3 You know there have been 500 previous efforts
4 to change the way the federal government operates. I
5 have not been -- we reviewed all 500 of them. We
6 haven't found a single one that relied primarily on
7 the federal employees themselves as the source of the
8 ideas for the changes. I think that's making a huge
9 difference, and in the follow up, as I mentioned
10 earlier, we're going to have an elaborate and
11 extensive follow-up procedure.

12 GOVERNOR ROMER: Governor Jim Hunt, North
13 Carolina.

14 GOVERNOR HUNT: Mr. Vice President, you're
15 doing good, but I want to make a suggestion. I know
16 that you and the President understand this and feel
17 strongly about it, and some members of Congress do,
18 but how many members of Congress and how many of their
19 staff have ever heard a discussion like this one, and
20 most of us have been in a lot of discussions like this
21 and will continue to be.

22 I would suggest, Mr. Vice President, that as
23 a part of your leadership that you work with the
24 leaders of the Congress to have a conference, in
25 Washington would be fine or somewhere else. Get the

1 speaker to be a co-sponsor and the majority and
2 minority leaders to be co-sponsors, and you and the
3 President be one part of it and the Congress be
4 another part, and cities and counties, state
5 government and cities and counties be the other two
6 parts, four parts, and have people come together and
7 talk about this, how important it is to do it, and sit
8 and listen, not just make speeches and leave, break up
9 into groups. Congressperson sitting there talking
10 with governors in county commission chairs, and you
11 can talk about education and environment. You can
12 sort of focus that way so you really get specific.
13 But I don't believe the leaders of the Congress and
14 their staff understand this stuff. And you and the
15 President are committed. I don't think most of them
16 are. And we need to do some real educating, and I'd
17 urge you to take the leadership on it.

18 GOVERNOR CARPER: That's an excellent
19 idea. I'm sure Al recalls and Jock and others who
20 served in the Congress recall that each year the House
21 democrats would go on an annual retreat. Each year
22 the House republicans would go on an annual retreat,
23 and we'd have a program not all that different from
24 what we're doing here, small sessions, workshops, and
25 they provide an excellent forum for just doing that

1 kind of thing, and I think there would be a welcoming
2 of that --

3 GOVERNOR HUNT: Maybe you'd better not have
4 it in Washington.

5 GOVERNOR CARPER: We can go to North Carolina.

6 VICE PRESIDENT GORE: We don't do better than
7 Tulsa. But I want to thank you for the suggestion.
8 I look around the room and as Tom said, he and Jock
9 McKernan were in the Congress, and Lawton Chiles and I
10 were in the Senate, and Lowry and Pete Wilson, Jim
11 Florio and Carroll Campbell, I'm sure all have had the
12 experience that I have had in shifting perspectives
13 and seeing part of what you're saying, Jim, and I
14 think your idea is a good one.

15 GOVERNOR ROMER: Governor Leavitt, Utah.

16 GOVERNOR LEAVITT: Mr. Vice President, thank
17 you. May I, just in passing, note that in our
18 efforts, I think all of us, to restructure and
19 reinvent our own, one of the major impediments we
20 find is the Fair Labor Standards Act. It imposes upon
21 me, as a governor, restrictions in my capacity to deal
22 with the employees of my state by the federal
23 government that they have chosen not to impose even on
24 themselves. It is a substantial impediment to our
25 capacity to realign and reinvent ourselves, and it

1 would be a major benefit to us and, I think, every
2 state if that could be a matter of some priority.

3 VICE PRESIDENT GORE: Thank you. I've made a
4 note of that. Thank you. I know it's a big concern.

5 GOVERNOR ROMER: Governor Campbell.

6 GOVERNOR CAMPBELL: Thank you very much, Mr.
7 Chairman.

8 Mr. Vice President, first I want to
9 compliment you on your grasp of this overall issue and
10 what you're doing. I think it's an outstanding step
11 that all of us can join with.

12 Each individual state, as you've heard, is
13 undertaking different initiatives. many of us
14 consolidating agencies, in our state, 79 into 17.
15 Many of us are using the incentive method for
16 employees, and I just -- people were talking, and I
17 wanted to throw it out.

18 In our state, in particular, we allow the
19 employees that come up with a method of savings to
20 have a percentage of the savings, and we make a big
21 public award of it, we have a ceremony. This last
22 year, I gave some people 10,000 and \$5,000 checks.
23 It's created a lot of interest down in the bureaucracy
24 because actually there's a payoff on it, and I'm sure
25 you have something similar. But just in closing, I

1 want to just say that you are dealing in an area that
2 too often is kind of shunted aside because everybody
3 says, well, you know, that's just mechanics, but
4 mechanics count in a shrinking government and
5 shrinking resources, and I want to just say to you
6 right on.

7 VICE PRESIDENT GORE: Thank you very much,
8 Governor Campbell. On this question of incentive for
9 savings, in every one -- just about every one, I've
10 asked the questions, how many of you have gotten
11 within a few weeks of the end of the fiscal year, and
12 that's all I can say before the crowd erupts into
13 laughter because they know what the rest of it is.
14 There is a requirement that funds can't be carried
15 over so that they'll be turned back into the
16 treasurer. Well, none of them are, never. Well,
17 sometimes, but rarely, because there's this year end
18 rush to spend it all. Incentives to change that are
19 important, also.

20 What we're finding, from most of the people
21 who have studied this and done well at it, is that the
22 financial incentives are important, but simple
23 recognition is surprisingly important as the largest
24 motivating factor for employees who you want to
25 encourage to do this kind of thing.

1 So I appreciate your kind words, also.

2 GOVERNOR ROMER: Mr. Vice President, just in
3 conclusion, I think you notice that you have touched a
4 vein of interest among these governors that absolutely
5 we need to explore further. We will have that
6 opportunity on Tuesday when we have representatives of
7 local government here. This is a chance for us, I
8 think, truly to close the gap of credibility between
9 government and citizens, and those who serve it, and I
10 just want to thank you on behalf of all of us. I'm
11 sure you will find out of our session Tuesday a way in
12 which we will continue this dialogue and this
13 partnership.

14 And I want to particularly underscore one of
15 your comments about the bottom up grant consolidation
16 and flexibility. I think that's a particularly
17 creative suggestion, and I think you'll find us taking
18 advantage of that.

19 In terms of administrative detail, the health
20 care task force has been delayed. It will meet now
21 immediately after this adjournment in Room D. We'll
22 have lunches in there for the members of that task
23 force, and we're going to extend that task force time
24 and delay the governors only session until four p.m,
25 because the health care task force has some very

1 important items.

2 Mr. Vice President, let me join with all us
3 in the room to thank you for your time this morning.

4 We stand adjourned.

5 (Proceedings Concluded.)

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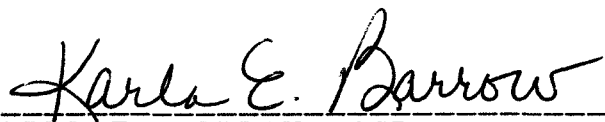
C E R T I F I C A T E

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

I, Karla E. Barrow, Certified Shorthand Reporter in and for the State of Oklahoma, do hereby certify that on the 15th day of August, 1993, Tulsa Convention Center, Tulsa, Oklahoma, the foregoing proceedings were reduced to writing by me by means of stenograph, and afterwards transcribed by computer-aided transcription, and is fully and accurately set forth in the preceding pages.

I do further certify that I am not related to nor attorney for any of the said parties nor otherwise interested in the event of said action.

WITNESS MY HAND this 27th day of August, 1993.



KARLA E. BARROW, CSR
CSR No. 113

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THE NATIONAL GOVERNORS' ASSOCIATION

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1993 ANNUAL MEETING

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TRANSCRIPT OF THE PLENARY SESSION, held

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in the Tulsa Convention Center, Tulsa, Oklahoma, on

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Monday, August 16, 1993, and reported by Linda J.

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Martin, Certified Shorthand Reporter in and for the

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State of Oklahoma.

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HICKERSON & ASSOCIATES

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1 GOVERNOR ROMER: I want to welcome all the
2 Governors and their guests and all the others who are
3 here this morning. We have a very busy morning
4 because, as you know, the President will join us
5 later.

6 I first would like to introduce Governor
7 Walter Dale Miller, the new Governor of South Dakota.
8 Governor Miller, where are you, are you here yet?
9 Governor Miller, welcome, thank you.

10 I would also like to introduce Governor
11 Singel, the acting Governor Mark Singel of
12 Pennsylvania. Governor Singel.

13 This is just a new technique we have of
14 getting attendance, we are going to introduce all of
15 you.

16 I would like to make a few remarks about the
17 late Governor George Mickelson. As you know, we were
18 extremely saddened by the unexpected death on April
19 19th of South Dakota Governor George F. Mickelson.
20 Our thoughts and our condolences go out to his wife
21 Linda, to his family, and to all the citizens of South
22 Dakota.

23 In honoring our friend George Mickelson, I
24 think we are all reminded of how fragile life is.
25 We're all reminded about the value of our friendships

1 as governors. The work we do is important but equally
2 maybe even more important are the friendships we form
3 and that we form regarding our relationship whether or
4 not we are of one party or the other.

5 The challenges to this country are great.
6 Governors perhaps more than any other group of elected
7 officials, have an opportunity and a responsibility to
8 meet these challenges in a bipartisan way. And I
9 think there is no greater tribute that we could give
10 to George Mickelson than to carry out our work not as
11 Democrats, not as Republicans, but as friends and as
12 citizens of this country.

13 Many of you were privileged to be at his
14 funeral, as I was, and on that occasion, speaking on
15 behalf of all of you, I said that life is sometimes
16 like planting an acorn, that you don't always have
17 time to watch the full growth of the tree or to enjoy
18 the shade of the oak. George Mickelson was very, very
19 involved in our health care reform in this country and
20 he helped us plant some acorns and he is not going to
21 be here to enjoy the shade of that oak, but I think in
22 his memory I would like to ask you to stand for one
23 moment of silent meditation.

24 Thank you very much. I would like also to
25 recognize a delegation of Venezuelan Governors.

1 Governor Silaz Romer, would you please stand, as
2 Chairman of the Venezuelan Governors' Association.
3 And with him is Governor Amaldo Arochan. Governor
4 Arochan. I want you to notice the significance of
5 that name Romer, you know, Colorado, Venezuela, next
6 the world. Thank you, Governor.

7 This morning we obviously are going to
8 concentrate on health care. When I assumed the
9 chairmanship of this organization, I set four priority
10 goals for the year. One of these goals was health
11 care reform. This reform is a critical issue for many
12 reasons, but one of the reasons is that without it
13 we'll never be able to bring the national deficit
14 under control, and we know that. As governors we'll
15 never be able to make the other investments that we
16 need to make in own state unless we stop the erosion
17 of our budgets by health care cost increases.

18 Now we've brought together a broad coalition
19 including government officials from all levels and
20 business areas and we crafted a policy statement in
21 support of managed competition approach to health care
22 reform. We identified many areas of agreement and,
23 yes, we noted a few areas where agreement was not
24 possible. In February we adopted this statement as
25 formal NGA policy.

1 At our winter meeting the newly sworn in
2 President Clinton sat down with us and had a very
3 frank discussion about this critical issue. He told
4 us of his commitment to a national framework for
5 reform that permitted states a significant degree of
6 flexibility. He asked us to help him build his
7 proposal for comprehensive health care reform. During
8 the first six months of this year a bipartisan team of
9 governors and their staffs worked with the White House
10 in developing that health care proposal. We made a
11 difference, I believe. We brought a real world
12 perspective to the process and I'm convinced that that
13 final proposal, when it is announced, will show the
14 effect of those efforts.

15 We know that not every governor, just like
16 not every American, will agree with all pieces of that
17 proposal. But the call that the American people have
18 made is that they want us to learn the art of
19 compromise. They are tired of excuses, they want
20 solutions, and because of the complexity of this
21 issue, if we do not compromise, we will never see
22 health care reform. The unwillingness to compromise
23 doesn't serve the interests of this country, and I
24 think all of us as governors come to the table with
25 that spirit.

1 I'm proud, quite frankly, of the bipartisan
2 approach that we have taken on this issue. It is a
3 bipartisan effort that I think will be necessary to
4 pass health care legislation through Congress. And I
5 think the bipartisan support and input of the
6 governors is essential. I do understand we have
7 differences and those differences need to be
8 reconciled as we go to the final solution. But
9 I'm pleased that the President will join us later this
10 morning to share his views on this matter.

11 I would like now to call for a motion and a
12 second to adopt the Rules of Procedure for the 1992
13 meeting.

14 UNIDENTIFIED GOVERNOR: So move.

15 GOVERNOR ROMER: Second. All in favor of the
16 adoption of that motion, please say aye.

17 GOVERNORS: Aye.

18 GOVERNOR ROMER: Opposed no.

19 No response.

20 GOVERNOR ROMER: Thank you.

21 At this point I need to inform the governors
22 that the NGA Rules of Procedure require that the
23 individual governors of committees who intend to offer
24 proposed policies, not already included in the
25 required 15 day advance mailing, must give notice and

1 provide a copy of their proposal by the close of the
2 business day before the vote is taken. A copy of any
3 proposal to suspend the rules must be given to Jim
4 Martin of the NGA staff no later than five p.m. today.

5 I would like to announce the nominating
6 committee for the 1993-94 Executive Committee. It's
7 Governor John R. McKernan, Jr., Governor Michael
8 Sullivan, Governor Evan Bayh, Governor Arne Carlson,
9 and Governor Jim Edgar.

10 Now I would like to call on Governor Campbell
11 for comments and also to introduce John Motley, the
12 Vice President for Federal Government Relations, the
13 National Federation of Independent Businesses for
14 remarks on small business perspectives on health care
15 reform.

16 GOVERNOR CAMPBELL: Thank you very much,
17 Governor Romer. I want to echo Roy's words about
18 George Mickelson. He was indeed a pillar of support
19 all the way through this health care debate and he is
20 sorely missed. He was very insightful and very
21 caring, and I think it's very appropriate that he be
22 recognized for his role in health care reform.

23 We as governors are working to ensure that
24 health care reform maintains strong state flexibility.
25 We want to work with the Administration and Congress

1 to ensure that states are continually encouraged and
2 assisted in this state-based reform efforts. We want
3 to work for the enactment of national health care
4 reform as a high priority of ours, but we want to
5 recognize that states have been leaders, states have
6 been experimenting, and they must continue to
7 experiment with a wide range of reform options while
8 Federal action is pending. Governors believe that
9 health care reform must include a clear national
10 framework and great flexibility for implementation at
11 the state level. The governors will continue their
12 work to ensure a strong state role in national health
13 care reform.

14 Health care reform is not a Democrat or
15 Republican issue. Any differences cannot be dismissed
16 as partisan differences. There will be philosophical
17 and practical differences because of population basis,
18 size of states, methods of payment. That is the
19 debate that we go through as a bipartisan
20 organization. But in the end, we will find, as we
21 always have the common ground to move forward, and we
22 look forward to working with the Administration in
23 that regard.

24 We have heard again and again at this
25 conference about the importance that governors attach

1 to health care reform. We want to hold down costs, we
2 want to improve access and enhance public health.
3 Fundamentally, this is a quality of life issue for our
4 people. We have also talked about the importance to
5 our state budgets and to the federal budget of health
6 care reform but we have not talked as much so far
7 about the potential impacts on jobs and jobs creation
8 that might come from health care reform, particularly
9 in the small business sector. That's where the
10 additional mandated cost envisioned by some could
11 really chill our already lukewarm economy.

12 Job losses and jobs placed at risk, mainly in
13 the small business sector, range as high as 18 million
14 under some proposals. Let's not forget it's small
15 business owners who want to change the status quo.
16 They are being priced out of the health insurance
17 market and their employees are often unable to get
18 affordable coverage or even get coverage at any cost
19 if they are not healthy.

20 Today we have with us the head of the largest
21 small business association in the country, the
22 National Federation of Independent Business. The NFIB
23 represents more than 600,000 small businesses. John
24 Motley is the Vice President for the NFIB's Federal
25 Government Relations Operation. He is a 22 year

1 veteran of the organization. Mr. Motley is
2 responsible for translating the opinions of the
3 membership of the NFIB as expressed through frequent
4 polls and surveys into legislative policy. He sees
5 his job largely as being that of an information
6 broker, educating legislators about small business
7 owners' concerns and keeping Federation members
8 abreast of legislative proposals and their likely
9 effect on small businesses. It is in this capacity
10 that we invited Mr. Motley to speak to us today.

11 As policymakers, we need to be sensitive to
12 any unintended consequences of any program that we
13 support. As governors, we know that the quality of
14 life is linked directly to the quantity of jobs.
15 While the potential impact on jobs may only be one
16 important issue relevant to the health care debate,
17 the fact is that it is a critical element. Along with
18 providing the reforms that will bring health care
19 within the reach of all that could help small
20 business, we have to understand what an undue burden
21 might cost small businesses.

22 John Motley holds a B.A. and a M.A. from
23 Providence College and has completed additional
24 postgraduate studies at both Georgetown and Johns
25 Hopkins Universities. He's married and has two

1 children. John worked with the National Governors'
2 Association earlier this year on our bipartisan health
3 care policy. And, John, we are delighted to welcome
4 you here today and we look forward to hearing from
5 you. Welcome John Motley, please.

6 MR. MOTLEY: Good morning. Governor Romer,
7 Governor Campbell, thank you, thank you on behalf of
8 NFIB's 600,000 plus members across the country and on
9 behalf of the entire small business community of the
10 United States, for the opportunity to appear here
11 today to discuss something which is extremely
12 important to the small business owners of your states.

13 On a more personal note, as Governor Campbell
14 said, I was privileged to participate earlier in the
15 process late last year in the development of the
16 policy statement that you adopted and presented to
17 President Clinton in February and I am honored, truly
18 honored to be with you here today to discuss the
19 impact, potential impact of health care reform on the
20 American small business community.

21 Small business owners are huge stakeholders
22 in the health care reform effort. Either you're going
23 to solve our number one problem or you are going to
24 create other problems that will put many small
25 business owners out of business across the country.

1 In fact, I think the outcome of this debate
2 will determine whether small business continues to
3 maintain its role as the job generators and creators
4 in the American economy in the decades ahead.

5 I would like to commend President Clinton,
6 the First Lady, and many of you for the tremendous
7 focus that has been placed on the need for health care
8 reform. It is something that we are in agreement on.
9 The small business community of this country has been
10 crying out for health care reform for at least a
11 decade now.

12 There are many areas upon which we agree. In
13 fact, our participation in, our support of your policy
14 statement indicates that we are in agreement on many
15 of the major components that we need for health care
16 reform in this country.

17 Unfortunately, it appears that the small
18 business community will have at least one major
19 disagreement with what we believe is going to be the
20 proposal coming out of the Administration in the not
21 too distant future. That is an employer mandate to be
22 the major financing mechanism for health care reform
23 in this country.

24 Make no mistake about it, the proposed
25 mandate is going to have immense consequences for

1 employers, especially for smaller employers in the
2 United States. It actually makes them responsible for
3 the funding of 80 percent of an untried, unproven,
4 untested health care system that will cover all
5 present and future employees and their families. That
6 is a tremendous shift of responsibility from
7 government to the employer community. If you stop and
8 think about it for a second as a lot of small
9 employers have done, it's frightening because they
10 don't know where it's going to go. An analogy that I
11 have used in the past is one of tying someone to a
12 sled at the top of a mountain in the snow and pushing
13 them off and hoping that they are going to be upright
14 when they get to the bottom of that mountain. We
15 simply do not know whether this is going to work.

16 In addition, there is no doubt that a mandate
17 is going to increase payroll costs, and not just for
18 nonproviders of health insurance. Businesses will
19 close, especially smaller ones, the very smallest
20 ones. Employees will lose their jobs and many of them
21 are going to have the terms of their compensation
22 changed to pay for this additional cost. And I think
23 most frightening is that fewer new businesses are
24 going to start and that's one of the things that
25 differentiates us from the countries of Western Europe

1 and around the world, is we have this tremendous new
2 business creation in the United States from which 30
3 percent of our jobs come. And I think that should be
4 a concern for all of us from a public policy
5 standpoint.

6 Now unfortunately, as the debate over health
7 care reform has grown, there have been a growing
8 number of misconceptions about small business and its
9 role in health care reform, and I would like to take
10 just a few minutes today to dispel or to correct five
11 of these.

12 First, it is being popularly said,
13 particularly in the press, that two-thirds of American
14 businesses provide health care or health insurance for
15 their employees. Not true. Not even close to being
16 true. Two weeks ago I testified before the House
17 Small Business Committee and I estimated the number
18 using government data, and I say estimated because all
19 of it didn't exactly fit together, that about 45
20 percent, not two-thirds, of the American business
21 community actually provides health insurance for their
22 employees. The HIAA, the Health Insurance Association
23 of America, estimated in 1991 using 1989 government
24 data, that 42 percent of American employers provided
25 health insurance. If anything, these numbers have

1 declined in the last couple of years as costs have
2 risen. Now, this figure is being driven by the very
3 smallest firms in the economy, the very smallest firms
4 in your states, the ones that are located on Main
5 Street in every single small town that you have.

6 It may surprise you to know that 60 percent
7 of all the employers in this country have four or
8 fewer employees. That's census data. That's some
9 three million of the five million employers in the
10 United States have four or fewer employees. And only
11 one in four of these, according to the HIAA, with five
12 or fewer employees provides health insurance for its
13 employees. So what is driving that 42 or that 45
14 percent figure are the very smallest firms in the
15 American economy.

16 Again, in that testimony before the House
17 Small Business Committee, Congressman John Conyers of
18 Michigan asked me if I saw any differing impact upon
19 minority small businesses. I gave him a gut response
20 at the time, which I have since confirmed, and that is
21 that since minority small businesses tend to be our
22 smallest, they are going to be the hardest hit because
23 they don't provide health insurance today.

24 The report of the Small Business
25 Administration to the President in 1992 called the

1 state of small business a requirement, every year of
2 SBA to report to the President proves this by
3 indicating that while minority firms represent 8.9
4 percent of all businesses in this country, they only
5 represent 3.9 percent of the total receipts. Of those
6 with employees, and almost half of them don't have
7 employees, the average is 3.1 per firm. They are --
8 most of us believe that they are located in many of
9 our depressed areas and they tend to employ poorer
10 workers.

11 Now, of the uninsured, almost 50 percent are
12 within 150 percent of the poverty line. We at NFIB
13 believe that the mixture of poor or marginal workers
14 working for the smallest most marginal firms in the
15 economy is social dynamite. The uninsured working
16 poor are going to be the first, in almost every study
17 that I've seen, to lose their jobs if employers begin
18 to adjust for the added cost of an employer mandate.
19 Now what does the mandate solve? Now they not only
20 don't have health insurance, they don't have a job.
21 And furthermore, they're going to be eligible for a
22 whole series of public assistance programs that are
23 going to have to be funded by you and by the federal
24 government.

25 The second misconception that's out there, a

1 popular one, is that only those small firms that do
2 not provide health insurance will have an additional
3 cost in this reform. Wrong. There are at least five
4 instances that I can identify where there will be new
5 employer costs. The first one, of course, is the
6 person who doesn't provide insurance. But the second
7 one, there are industries that rely upon part-time
8 employees, resort industries, restaurants, and it is
9 traditional in this country that you do not provide
10 fringe benefits to part-time employees. The third
11 area are those businesses that do not offer programs
12 with the comprehensive scope that this package is
13 going to have. Therefore, the package will be cost
14 out more. The fourth area is those firms which do not
15 pay 80 percent for their employees, like the one I
16 happen to work for. And the last area is those firms
17 which have much larger deductibles than this package
18 is going to have. Each of those is an incidence of
19 increased cost for the employer. So we are not just
20 talking here about small firms that do not provide
21 health insurance. We are talking about a much bigger
22 universe in the business community.

23 The third misconception is that a payroll tax
24 or a premium based tax is the fairest and best way to
25 fund this. Not for small business it isn't. To the

1 contrary, it's probably the worse possible solution.
2 Small business is labor intensive, that's why we
3 create the jobs, and a disproportional impact of a
4 payroll tax is going to fall on small firms. Payroll
5 taxes are regressive, they are not based upon
6 profitability, the ability to pay. If you are going
7 to -- having a tough year, you're still going to have
8 to pay it. One of the biggest problems small firms
9 has is cash flow. Those of you who have been involved
10 in businesses realize that. Payroll taxes are
11 definitely a tremendous drain on cash flow. It's a
12 tax on jobs. It raises that hurdle a little bit more,
13 that decision that the employer has to make when he
14 wants to hire that first person and then every
15 additional person. We have, what, a 15 percent
16 payroll tax now for Social Security. Lou in VHI
17 estimated taking a look at some of the
18 Administration's earlier proposals, that a 13 percent
19 tax would be needed on an average across the country
20 to fund this program. That's 28 percent before we get
21 into unemployment compensation and workers'
22 compensation. How high are we going to raise that
23 hurdle before it has a tremendous impact on job
24 creation. And my last point is that I think that a
25 payroll tax is going to retard new business startups,

1 and, therefore, n w business job creation.

2 Fourth, we are beginning to hear the phrase
3 that there's going to be no net job loss. Now what
4 that means is that we are going to have to insure the
5 small business sector but we're going to try to make
6 it up somewhere else. I doubt it. It flies in the
7 face of every public study that I have seen done by
8 EBRE, by the Urban Institute, by the Joint Economic
9 Committee on the Impacts of Pay or Play. Our own
10 study done by Consad on a state by state analysis. By
11 the way, I have supplied those to the National
12 Governors' Association for you, for the impact on
13 small business. We took five of the more popular
14 plans, from the Gary Mandy plan in California all the
15 way up to Jim Coopers and the Heritage Foundation's
16 plans and we ran the job destruction impacts of them.
17 And from a low of 400,000, it went to 1.5 million in
18 the first year.

19 But let's concede the argument of no net job
20 loss for a second. I think two other things are
21 absolutely sure. One, that the job destruction will
22 come first before we create any new jobs. And second,
23 that small business owners and small employers on
24 every Main Street across this country will be the
25 hardest hit by the change.

1 And the last misconception, I think because
2 of the pivotal role that small business is playing in
3 this debate, because of the concerns which are
4 evidenced by my appearance here today, your concerns
5 about the impact on your small firms, some have begun
6 to campaign to label small business as opposed to
7 reform. They try to paint us as enemies of change,
8 that great phrase in Washington today, champions of
9 gridlock, noncaring shirkers of responsibility. And
10 we are none of these. NFIB in just speaking for NFIB
11 has been involved in this debate since 1987. The last
12 three years, I've traveled the country saying that the
13 status quo is unacceptable, we want change, we want
14 reform. Our foundation has done many of the major
15 studies that the government is using on the impacts of
16 small business. We co-founded the largest business
17 coalition in support of reform, HEAL. We worked with
18 the present Secretary of the Treasury, Senator
19 Bentsen, when he put together his proposal. We worked
20 with President Bush, Congressman Cooper, Congressman
21 Andrews, the House GOP and the latest Senator Chafee,
22 on their proposals, and, of course, we worked with you
23 last year on your policy statement. And we have
24 worked with individual governors to help them pass
25 reforms. One, Governor Chiles in the State of Florida

1 is a blueprint or proposal that we liked very much,
2 and we worked very hard to help it him successful
3 there.

4 Yes, we are opposed to an employer mandate,
5 vigorously and with some fair degree of success in
6 some states. But overall I think you would have to
7 say that the American small business community is an
8 agent of change in health care reform. Many of the
9 reasons that you're addressing this today is that
10 because your employers communities back home are
11 crying for help, they are crying for change so that
12 they can continue to purchase health insurance for
13 their employees and their employees families.

14 Many of us here agree where we want to end
15 up. I think the important question that we all have
16 to take a look at is how do you get there without
17 destroying American jobs and American job creators.
18 Many of you have or you will take very soon meaningful
19 steps toward reform, and I want to thank you on behalf
20 of the small business community.

21 But let's see what your efforts bring, let's
22 see what works before we adopt an untested, nationwide
23 system that can endanger both jobs and job creators.

24 In closing, let me state once again that NFIB
25 and I personally am honored to be with you today to

1 share some of our thoughts on the impact of health
2 care reform on small business. And let me leave you
3 with this one thought, that we must work together to
4 find a way to reach our mutual goals because they are
5 indeed mutual, without the tradeoff, and I think what
6 we are talking about here is a series of tradeoffs in
7 health care reform, without the tradeoff being the
8 loss of hundreds of thousands of American jobs across
9 this country. Thank you very much.

10 GOVERNOR ROMER: We have a few minutes for
11 questions and I would like to just start that off.
12 John, I served with you on the panel and I really
13 appreciated your approach. I understand you're not
14 for a payroll tax, you're not for employers mandate.
15 We do have about 27 million uninsured, many of whom
16 are employed. What would be your suggestion as to how
17 we cover that cost if you do not want a payroll tax or
18 if you do not want an employers mandate; what is left
19 then in your judgment to solve the problem of
20 coverage?

21 MR. MOTLEY: Governor, I think that there
22 are some elements, of course, in the National
23 Governors' Association Policy Statement, which NFIB
24 has supported that our members have supported in
25 polling. One of them certainly is to cap the employer

1 deduction, to tie it to the cost of whatever the
2 standard benefit package is. And if you do that, I
3 think that you certainly have to cap the tax free
4 transfer on the employee side. The figures that I
5 have seen come out of the Administration is that those
6 two things are worth between 30 and 35 billion dollars
7 a year. I think more importantly, in a exchange that
8 I had with Governor Weicker during the last meeting
9 that we were discussing the policy statement in, I
10 think the essential reason for doing that is to change
11 the attitudes and behaviors of the employer community.

12 I think we all agree that one of problems
13 that we have is that there is very little
14 responsibility in the purchasing of health care. That
15 also goes for the fact that there is very little
16 responsibility in the purchasing of health insurance
17 policies by the employer community. So those are two
18 reasons I think we would do that.

19 Certainly excise taxes, sin taxes are on the
20 table and there are going to be probably some funding
21 mechanisms that none of us particularly care for.

22 GOVERNOR ROMER: I want to turn to others,
23 but I want to follow up. I'm a small business person
24 in three states, and if you take on the responsibility
25 of covering my employees from some generalized support

1 from governm nt, it's a very great inducement for me
2 not to cover my own employees. How do you answer
3 that, if an employer doesn't have some responsibility
4 to write coverage for his own employees, John?

5 MR. MOTLEY: Well, the word responsibility is
6 an interesting one from our perspective. I think it
7 certainly implies some sort of, at least in the way
8 it's being used, a legal responsibility in which there
9 really is none in the current system except in the
10 State of Hawaii and a few other states. There is no
11 doubt from the polling that we have done that most
12 small employers feel a moral responsibility in
13 providing health insurance for their employees. But
14 of those that do not, about two-thirds of them would
15 like to purchase it if the cost and availability of it
16 were there. So I think the first thing we should do
17 is to try some of the things that Governor Chiles has
18 done in Florida. And that is to take significant
19 steps to make insurance available at a reasonable cost
20 and increase that margin of coverage that we have had
21 over the last couple of decades.

22 MR. ROMER: Governor Waihee.

23 GOVERNOR WAIHEE: Thank you, Mr. Chairman.
24 As John mentioned Hawaii is the only state that has an
25 employer mandate. And while I listened very carefully

1 to the remarks that you made, we really haven't seen
2 any of those kinds of things happen in our state. In
3 fact, our unemployment rate was higher than the
4 Nation's when we passed the mandate. Now it is lower.
5 For the last 20 years our business growth has been
6 steady and business failure rate has been well below
7 that of the Nation for the last 15. And our state is
8 a small business state with a dominance of the same
9 type of service industry employees which NFIB says
10 will be the most negatively affected by the mandate.
11 In fact, your own NFIB representative in Hawaii
12 acknowledged that Hawaii's employer mandate has
13 actually kept health care costs lower than the rest of
14 the Nation.

15 See, I have a hard time reconciling some of
16 the predictions with our own experience. So, my
17 question would be: how can you say -- make those
18 predictions with such conviction or more importantly,
19 have there been any other studies done that show some
20 of things that have happened in Hawaii when they
21 passed the mandate. Like lower insurance costs for
22 small businesses that were struggling that have bought
23 insurance and actually became more competitive as a
24 result of lower insurance costs.

25 MR. MOTLEY: Governor, why did I know this

1 question was coming. I have thr initial thoughts.
2 Number one, I think that Hawaii -- and we would all
3 have to admit that Hawaii is somewhat different than
4 the 48 contiguous states. It is somewhat isolated
5 with different demographics in the population than
6 some of the other states have. So there is one
7 difference there.

8 Second, there probably is no doubt that over
9 the long term that costs have been held down in Hawaii
10 because of the system that you had in place. One of
11 the things that is very different is the benefits
12 package that you have. At least from what I know is
13 being considered now, yours is a much more, let's say,
14 reasonable benefits package than the one which is
15 being considered, and one which attempts to control
16 costs.

17 But the other point I would make is I think
18 the former administrator and the previous
19 administration of SBA is from the State of Hawaii, and
20 she appointed the chairman of her National Advisory
21 Committee, who's a guy named John Clark from Hilo who
22 has a restaurant of about 60 people. When he first
23 came in to his term he really preached how good the
24 system was. Two years later he was writing letters to
25 every single member of Congress saying that you cannot

1 tie American employers to the same system we have in
2 Hawaii, because you were beginning to experience the
3 same problems that everybody else had with
4 uncontrollable increased costs. And if you're tied to
5 that sled you don't have many other options. I think
6 what employers want to have are the options to try
7 things which would help them control costs in the
8 future rather than being locked into and responsible
9 for a system.

10 GOVERNOR ROMER: Governor Wilson of
11 California.

12 GOVERNOR WILSON: Thank you, Mr. Chairman.
13 Mr. Motley in California on July 1st we began to
14 accept the enrollment of a number of small businesses
15 who have expressed exactly what you've described, and
16 that is a desire for affordable health care for their
17 employees. Heretofore they have simply been unable to
18 get it. We have offered through the mechanism of
19 pooling their purchasing power so that they can obtain
20 the same market clout as a major employer. We have
21 been able to attract participants, 18 major carriers,
22 18 major providers. The rates that they are offering
23 are not just competitive, they are six to 20 percent
24 lower than the very best that had been available even
25 through our major public employees' retirement system.

1 The system is voluntary. The costs of administration
2 are not paid by taxes but they are paid by
3 participants. This is a voluntary system, we don't
4 profess that it is a universal coverage mechanism, but
5 in my state we think that it holds the promise of
6 probably offering coverage to at least two-thirds of
7 the people who are presently not covered. There are
8 eight million employees of small businesses in
9 California, we think that this has the potential for
10 reaching half of them, who currently, by the way, are
11 not covered. And with the option of affordable health
12 care available to them, we are being deluged with
13 inquiries. We've been getting 5,000 inquiries a week,
14 which I think confirms your judgment and the polls
15 that you cited as to the desire on the part of small
16 business owners to have
17 available affordable coverage which many of them are
18 going to purchase voluntarily. We have coverage for
19 companies with five to 50 employees and we find that
20 there seems to be a ready market for that.

21 That's not a question, it's simply a comment
22 in response to your observations.

23 MR. MOTLEY: I would hope, Governor, that you
24 might find some way to extent that even lower, down to
25 firms with one or two employees which need the

1 coverage even more than the large employers. It's a
2 great program. I think that we were involved in
3 developing that also.

4 GOVERNOR ROMER: Governor Walters of
5 Oklahoma.

6 GOVERNOR WALTERS: John, first of all,
7 welcome to Oklahoma.

8 MR. MOTLEY: Thank you.

9 GOVERNOR WALTERS: We are pleased to have you
10 here. We are also very proud of the fact that we are,
11 as most of these Governors would claim, a very high
12 percentage of our business is small business, and so
13 we are extremely sensitive to the needs of small
14 businesses and want to be sensitive about this health
15 care reform as it's developed and make sure that we
16 don't do anything to harm small business.

17 What I hear -- I came out of the small
18 business community and I'll go back to the small
19 business community after my public service. What I
20 hear out of our small business community is that the
21 current health care system is hitting the little guy
22 worse than anyone else. They pay higher premiums,
23 their costs are skyrocketing, they are bearing a
24 bigger burden. The nightmare of red tape in small
25 businesses is absolutely killing them, filling out the

1 forms. I know that from personal xperience. And
2 it's simply draining the resources of small business,
3 which I'm sure you can appreciate. You said in your
4 closing remarks that small businesses cry out for
5 change, and I would certainly agree with that.

6 But the other aspect that's killing small
7 business and that we've tried to concentrate on here
8 is workers' compensation. And my hope is that if that
9 is folded into the health care reform, that that's
10 going to have a dramatic impact on the cost of doing
11 business for our small companies in Oklahoma and
12 around the Nation.

13 I guess my point, we're all going to make
14 comments and try to mold it into a question, but
15 frankly my sense is that --

16 GOVERNOR ROMER: Comments are in order, you
17 don't need to make a question.

18 GOVERNOR WALTERS: All right. My sense is
19 that the President's plan, and many of these governors
20 have been involved in trying to help craft it in some
21 form or another, it's going to do something about
22 runaway cost increases with market competition, it's
23 going to do something about this out of control series
24 of forms, it's going to do something about insurance
25 companies gouging small businesses and dropping

1 coverage without notice, it's going to have a
2 graduated phase in, targeted subsidies. I think this
3 plan may be pretty sensitive to small business, and I
4 have got the same concern as many of my other
5 colleagues, and just as you've said, we don't know, I
6 think you never really know the impact of change
7 upcoming, but I do know what happens if we don't
8 change and I know the small businesses are going to
9 bear the burden and suffer greatly. I think they
10 suffer more if we don't adopt a plan and do one
11 quickly.

12 GOVERNOR ROMER: I have time for one more
13 comment or question, and then we need to move on to
14 the President. Carroll Campbell.

15 GOVERNOR CAMPBELL: I want to thank John
16 Motley for being here, and I'll give you time to
17 respond to both of those. Two questions that came to
18 mind out of the questions that came here, one is, and
19 I'll pose this as a question: The people that are
20 starting small businesses are generally self-employed
21 people. Today they are treated unfairly under the tax
22 system on their deductibility as far as purchasing
23 their own health insurance policy. That then makes
24 the question: Are we going to have tax fairness in
25 this system that encourages them to move into it?

1 Second, the concern of workers' compensation.
2 If we fold the health part of it in, are we going to
3 address the relief from liability that employers now
4 enjoy because of workers' comp or are we going to make
5 them then open to lawsuits by not relieving that
6 liability, that's a question that has to be folded in
7 also. And, John, I just wondered if you've looked at
8 either one of those?

9 MR. MOTLEY: Governor, first of all, in
10 responding to Governor Walters, one of the things that
11 we promised the First Lady and the Task Force was that
12 we were going to take a look at the final proposal and
13 all of their runs and all of their suggestions.
14 Unfortunately it seems that a lot of the incentives
15 and the assistance that you're talking about are very
16 similar to what was in the Pepper Commission which was
17 very temporary in nature.

18 But we have promised to keep the dialogue
19 open and to critique what they are doing in terms of
20 small businesses. You can do most of the things that
21 you suggested, both of which we'd love to have relief
22 from, without going to an employer mandate. In fact,
23 an employer mandate in this case is a way to cover the
24 insured in this country, and we very frankly think
25 that that's a societal problem rather than an employer

1 problem.

2 In term of workers' comp, workers' comp
3 represents about three percent or slightly less of
4 payroll, the health part of that represents less than
5 50 percent of workers' comp. We think to trade that
6 for somewhere between eight and 12 percent is not a
7 particularly good trade. There is no doubt that it's
8 a major problem and we would like to deal with it but
9 the numbers don't mix.

10 If I could conclude with one thing, a
11 question was asked a little bit before on this
12 subject, and that is, in the Governors' Statement we
13 agree that we want to eventually get universal
14 coverage. We are concerned very much how you get
15 there. We at NFIB and many of the other business
16 groups in Washington are intrigued by an attempt by
17 Senator Chafee to blend a few different approaches
18 which provides some individual responsibility yet
19 leaving and encouraging employers to continue to do
20 the same types of things that they are doing today,
21 and I think it does not have the drastic job
22 destruction consequences that you would see. So we
23 are actively pursuing ways to get from point A to
24 point B and we are going to continue to do that.

25 GOVERNOR ROMER: Howard Dean, would you

1 please come take the podium. Howard Dean is the Chair
2 of our Health Care Task Force and if you would bring
3 us up to date on a few comments on that. I would like
4 to ask Governor Campbell to go with me and we'll
5 escort the President into the hall.

6 GOVERNOR DEAN: John Motley, thank very much
7 for being with us. We appreciate your information.

8 It's always a pleasure to be the filler
9 awaiting the President. We had a very, very good
10 session of the Health Care Task Force yesterday
11 talking about some of the state-based approaches. I
12 think it's fair to say that all of the governors
13 regardless of party affiliation are committed to
14 change. That, although there are some differences
15 among us, some by party and some not by party, that if
16 there are 20 pieces of this health care legislation,
17 we are probably agreed on 15 of them. Most important
18 of all of which is that it's a state-based system.
19 Now, I've argued for some time that this is the best
20 deal we're ever going to see anybody in Washington
21 ever propose for the states because it is a
22 state-based system.

23 What I would like to do is just to very
24 briefly talk about the bipartisan nature of this and
25 then I'm going to call on a couple of governors who

1 spoke yesterday to see if we can get them to give us
2 some of their insights on what they have done in their
3 states.

4 This was a different process than has gone on
5 in the Nation's Capitol. Shortly before the President
6 took office, we began on a bipartisan basis with
7 George Mickelson, Carroll Campbell, Roy Romer and
8 myself to meet with Administration officials, the
9 First Lady and the President very frequently and
10 sometimes as often as twice a month, and with Ira
11 Magaziner, of course, who is leading up the support
12 staff, and developed this proposal and shared with the
13 President what our concerns were as this was going
14 along. And many of the concerns that are being raised
15 today about this plan were concerns that we had then.
16 And they have moved a lot as a result of our
17 discussions with them. We then broadened the Task
18 Force to bring in more governors and had subsequent
19 meetings this summer with the President and with Ira
20 Magaziner and the First Lady. And we think that they
21 have been extraordinarily responsive to our concerns.

22 There is a continuing need that they continue
23 to be extraordinarily responsive, not just to
24 Democratic concerns but to Republican concerns as
25 well. We believe that the governors, both Republican

1 and Democrat are going to play a critical role in
2 getting this thing through the Congress. And it's
3 going to be very, very important for us to maintain
4 the kind of communications that we have been very
5 fortunate to have with the President so far.

6 As we were doing that, many of us were moving
7 our own reforms forward at our own state level, with
8 great difficulty in some cases I might add. These are
9 very difficult problems. We clearly need a national
10 framework. But the acuteness of this problem means
11 that we cannot delay it and we cannot risk a lengthy
12 debate in Congress, so we are continuing to make
13 tremendous progress.

14 I would like to ask if Governor Chiles would
15 talk a little bit about some of the things that he has
16 done, he gave us a summary yesterday, but I'm
17 particularly interested in what's already happening in
18 his private health care delivery sector as a result of
19 the legislation he has passed even though the
20 universal access piece is not yet in place because I
21 think this is indicative of the tremendous change this
22 debate has already caused in the system without any
23 Federal legislation. Governor Chiles.

24 GOVERNOR CHILES: Thank you. Governor Dean,
25 I first want to comment on the meeting that we had

1 with our Task Force yesterday. I found the meeting
2 amazing in the different things that I think we are
3 all interested in, and I guess that's to be know as
4 Governors that we have this broad framework, that we
5 be able to fit within the framework, again, seemed to
6 be bipartisan consent that we wanted to be able to
7 have those states that could move ahead as fast as
8 they could be able to move ahead, continue trying to
9 seek the waivers and all of those things.

10 I think the other thing that was clear from
11 that meeting was that there will be some points that
12 we can agree to disagree on. But the more we can kind
13 of hold those to the side and get agreement on many,
14 many other areas that we are and can participate in
15 together, would make sense.

16 I came away from that meeting feeling that we
17 were not seeing something that was going to shatter
18 into a bipartisan fight from the standpoint of the
19 governors and I think that's very valuable. There
20 will be a lot of people that can participate in the
21 partisanship of this plan as it goes forward. I would
22 hope that we would try to continue to look at those
23 things that we can do together.

24 The interesting observation that we are
25 seeing in Florida is before our plan goes into effect

1 and it will -- as of January we will be starting to
2 have our cooperative purchasing agents' agreements
3 purchasing or participating in the purchase of
4 insurance. Our's is one to 50 employees so we are
5 trying to drop the base of those that can participate
6 in it. But while we are trying to put that structure
7 together and appoint the members of our purchasing
8 agencies, the private sector is already -- or the
9 market sector is already going to work. So I think
10 once we had a plan on the books and once it was clear
11 that we were going to have a plan, I have been amazed
12 to see what the health care providers, in effect, are
13 starting to do already.

14 Miami, which has eight major hospitals which
15 have always competed with each other, have now joined
16 together. They are asking to delicense beds, they are
17 starting to determine who will use the MRI, who will
18 use the CAT scanner. They are not talking about all
19 of us having to do heart transplants or liver
20 transplants. So you are seeing that which we know is
21 tremendous expense to the system and tremendous costs.

22 Broward County, which is Fort Lauderdale and
23 has tremendous competition, the two major hospital
24 networks have now joined together. When they did that
25 a number of the for-profit hospitals said, all right,

1 we have got to get together, that left one other group
2 and they decided to get together. So we have got
3 three major groups of hospitals that are
4 participating.

5 Doctors in West Palm Beach said, you know,
6 we're not going to sit back and allow the plan to take
7 our jobs so they formed their own health plan. They
8 are contracting with the hospitals and they are out --
9 before we get in the field, they say, you know, they
10 are going to get the business. That's great.

11 We are seeing in Fort Myers a group of
12 doctors getting together with the hospitals there, bid
13 on the city employees and county employees I believe.
14 They came in 40 percent below what the existing
15 policies were covering. Our state insurance looks
16 like it's coming in at zero increase this year; it's
17 been going up the 15, 20 percent that we have been
18 seeing in the others.

19 So, everywhere I look in my state, the
20 Orlando Chamber of Commerce has said they are going to
21 create their own cooperative purchasing; they are not
22 going to let the State do something. And that's,
23 again, the free market. I think that's -- the more
24 the merrier. What we are seeing all across this is
25 these market forces taking place, and I think it is

1 validating, you know, what we said. We buy everything
2 else trying to get the best value for the lowest
3 price; we have not done that with health; we have not
4 done that with our hospitalization. I think when you
5 turn those forces loose, you see those things
6 happening. That's the amazing thing I have seen, and
7 a lot of this, of course, is also because they know a
8 federal plan is coming.

9 GOVERNOR DEAN: Thank you. I also would like
10 to ask another governor whose state that has moved
11 along very, very far in this area, to talk a little
12 bit about his system, which is also moving towards the
13 direction of the President's plan, looks very
14 compatible with it, and that is Governor Carlson of
15 Minnesota. If I cut you off, Governor, it is because
16 the President has arrived.

17 GOVERNOR CARLSON: It looks like we are all
18 going to put in a little bit of filler time aren't we.
19 First of all, I want to commend you, Mr. Chairman, if
20 I may, for your leadership on the whole health care
21 debate. The truth of the matter is we have a
22 remarkable opportunity to set the stage for governors
23 to work with the President, with the Administration
24 and prayerfully, and I say that prayerfully with all
25 due emphasis, with Congress, and if we can do that we

1 can end up with a system that allows states to do what
2 they do best, which is to experiment, to have
3 flexible standards, to have waivers, if you will, from
4 Congress, and let's, on a state by state basis,
5 recognize that there are a lot of differences that
6 only states can resolve. You can't provide health
7 care in the rural parts of South Dakota the say same
8 way that you provide health care in Boston or Miami or
9 Los Angeles. And those differences are really, ought
10 to be dealt with by the states rather than have the
11 national government come in and impose its wisdom on
12 all, and history clearly dictates that that kind of
13 flexibility is essential if we're going to have
14 success.

15 In Minnesota we recognized very early,
16 because the national debate is going to go through the
17 same kind of process that we in Minnesota had to go
18 through. You've got three fundamental things to focus
19 on. One is people want quality of health care, they
20 don't want to compromise that. The second thing is
21 they want it to be affordable. They are petrified by
22 the double digit increases that are currently going
23 on. And the third thing is, they want access. They
24 are very sensitive to the numbers of people that are
25 left out of the system. We in Minnesota had close to

1 300,000 people left out but some 75,000 of those were
2 children, and you can't be a humane, compassionate,
3 caring society and say to your children, I'm sorry,
4 but we are not going to give you access to health
5 care. So you have to take care of people.

6 The bulk of those people, by the way, that
7 are left out are the working poor, and that's the
8 group that, in a lot of respects, we should be the
9 most sensitive to because as they are trying to get on
10 their feet that's a real legitimate role for
11 government to play and that is to help them.

12 Now, let me just briefly outline what we did,
13 and I frankly hope it's not too confusing. We wanted
14 to focus first on cost containment. We sincerely
15 believe and still do that if you can sell the public
16 on cost containment, then the rest will fall into
17 place. The truth of the matter is, you can do any of
18 the two of the three elements that I outlined easily,
19 but you can't do all three unless you're willing to
20 make a radical change in the system.

21 So we decided first of all, we have to
22 restructure the delivery system. Bear in mind,
23 competition in health care has never failed; it simply
24 has not been tried. So if you're going to have
25 competition you're going to have to restructure. So

1 first we wanted to restructure the delivery system.
2 There we focused on creating regional networks,
3 allowing these networks to be formed so they can have,
4 if you will, the efficiency of coming together, the
5 efficiency of collaboration and cooperation. So that
6 was the first part, the delivery system.

7 The second part focused on reorganizing the
8 buyer. Governor Wilson mentioned that in terms of
9 California, and many, many other states are doing the
10 same thing. The pooled approach; why the pooled
11 approach? Because frankly, you get a big bang for
12 your dollar. You get the benefit of large scale
13 purchasing and, therefore, you can get it at a reduced
14 rate. Obviously very sensitive to small businesses,
15 and to those, by the way, who are self-employed, in
16 our case, particularly the farmer.

17 The third part, and it's a sensitive one
18 because much of it depends on our capacity to get
19 waivers from the federal government, and Congress so
20 far has been unwilling. But the truth is, we need to
21 have data. Without data you simply can't create a
22 market. And since you have so many companies that
23 operate outside of ERISA, we don't have access to that
24 data so we petitioned Congress for a waiver and we
25 failed. But we were told -- and that really has

1 soured our optimism. What we were told by Congress
2 was that we don't want states to have waivers while we
3 are continuing to debate the problem. The truth is
4 they have been debating health care since you and I
5 have been in diapers. The time has come for the
6 federal government to really begin to understand that
7 either they start to form a collaborative partnership
8 of the Governors or they ought to understand that
9 we're going to tell them that the train is leaving
10 without them.

11 The other thing that we tried to do, and this
12 is perhaps in a lot of respects the most sensitive
13 area, is who is going to pay for those people that
14 there are currently outside the system. And in our
15 case, we decided that -- I've been told the President
16 is here. What we decided to do to the tax thing was
17 to keep the tax within the health care system itself.
18 We have imposed a two percent provider tax. The
19 reason being that there is enough money in the system,
20 the question is can you contain costs in order to be
21 able to reduce the overall cost and still pay the tax?
22 And our answer is yes. We now estimate by bringing
23 the providers together that on cost containment, we
24 can have a cost savings in Minnesota of \$7 billion
25 over the next five years.

1 On that optimistic note, Mr. Chairman, I'll
2 end and welcome the President.

3 GOVERNOR DEAN: Thank you, Governor Carlson.
4 I have also been told the President is here.

5 Ladies and Gentlemen, the President of the
6 United States accompanied by Governor Romer and
7 Governor Campbell.

8 GOVERNOR ROMER: Mr. President, of course,
9 you're well known to this Association, having served
10 as its Chairman. Our shared experience as governors
11 gives us a special bond with you. A bond that
12 transcends party affiliation and politics.

13 I believe this President is the most gifted
14 public servant that I have known in 40 years of public
15 life. He has the right values, he is focused on the
16 right issues. And I sincerely hope that the Nation's
17 governors will continue to give him the advice,
18 counsel and support any Chief Executive needs and
19 deserves.

20 Our country is facing some very tough
21 problems. Governors know this better because we face
22 them every day. In order to help this President
23 tackle these problems, in order to serve our country,
24 I believe we must continue to push the boundaries of
25 bipartisanship, and this association is in a unique

1 position to do this because of our personal experience
2 and bond to this President.

3 It gives me great pleasure to introduce my
4 friend, our former colleague, the President of the
5 United States.

6 PRESIDENT CLINTON: Thank you very much.
7 Thank you. Thank you very much. Thank you very much.
8 Thank you. Thank you very much. Thank you very much
9 Governor Romer, Governor Campbell, our host Governor,
10 Governor Walters. I am really glad to be here today.
11 The last time the governors met in Oklahoma was in
12 1981 right after I had just become the youngest former
13 governor in American history. I'd never been to an
14 NGA meeting in Oklahoma so I would have shown up here
15 even if you hadn't invited me to speak. I want to say
16 that Hillary and I are very glad to be here to be with
17 you again. We are looking forward to our meeting
18 after this where we can talk about the health care
19 issue and other issues in greater detail. I treasure
20 the partnership that I have had with so many of you,
21 and which we are trying to develop and literally embed
22 in federal policy today. I know that you have already
23 received an update on the progress that we have made
24 together working on more rapid processing of the
25 governors waiver request in many different areas and a

1 number of other issues which I hope we will be able to
2 talk more about later.

3 I know too that the Vice President has
4 already been here and taken all my easy lines away.
5 He even told you the ashtray story. I know yesterday,
6 which I understand Governor Richards said was one of
7 those issues that her mother in Waco could understand.

8 Today I come to talk to you about the issue
9 of health care. I would like to put it into some
10 context. When I became President, it was obvious to
11 me based on just the announcements and evidence which
12 had come into play since the November election that
13 the federal deficit was an even bigger problem than I
14 had previously thought, and unless we did something
15 about it we would not have the capacity to deal with
16 the whole range of other issues. That forever, at
17 least during the term of my service, we would be
18 nibbled away at the edges in trying to deal with
19 health care reform or defense conversion or welfare
20 reform or any other issue, by the fact that we simply
21 were not in control of our own economic destiny. And
22 so, we devoted the first several months of this
23 Administration trying to pass an economic plan that
24 would reduce the deficit by a record amount, that
25 would have at least as many spending cuts as new tax

1 increases, in fact, we wound up with more spending
2 cuts, and that would give some incentives where they
3 were needed, particularly in the small business and
4 high tech and new business area to try to grow more
5 jobs for the American economy. That has, I believe,
6 laid a very good foundation for the future.

7 Now, this morning I was reading in the
8 morning newspapers that long-term interest rates are
9 now at a 20 year low, the lowest they have been since
10 1973, and we have the basis now to proceed on a whole
11 range of other issues.

12 When the Congress comes back next month, I
13 believe that the Senate will rapidly pass the National
14 Service Legislation which many of you are very
15 familiar with and which many of you have supported.
16 It will pass on a bipartisan basis and will enable
17 tens of thousands of our young people to earn credit
18 for their college education by serving their
19 communities at home and solving problems that no
20 government can solve alone.

21 We are working on defense conversion
22 initiatives from northern California to South Carolina
23 and all points in between. I hope we can do more on
24 that.

25 We will have a major welfare reform

1 initiative coming up at the first of the year which I
2 hope all of you will not only strongly support but
3 will be active participants in and meanwhile keep
4 doing what you're doing, asking for the waivers that
5 you think you will need.

6 There is now before the Congress a crime bill
7 which can have a big impact in every state here, that
8 will add 50,000 more police officers on the street,
9 support innovations like boot camps for first
10 offenders, help us to pass the Brady Bill and deal
11 with a number of other issues facing us there.

12 There will be initiatives to expand the
13 economic range of Americans. As I know that you all
14 know now, and I wish he could be here with us today,
15 our Trade Ambassador Micky Cantor, successfully
16 concluded the NAFTA negotiations just a few days ago
17 with some historic, some historic provisions never
18 before found in a trade agreement anywhere, including
19 the agreement by the Government of Mexico, to tie
20 their minimum wages to productivity and economic
21 growth and then to make their compliance with that the
22 subject of a trade agreement, which means that it can
23 be reviewed and if there is a violation, they can be
24 subject to a fine and ultimately the trade sanctions
25 can be imposed. Nothing like this has ever been found

1 in a trade agreement before. It insures that workers
2 on both sides of our border can benefit. And I
3 appreciate the support of the governors for the whole
4 issue of expanding trade. We are now in the interim
5 trying to get the GAT negotiations back on track
6 and I hope we can on that.

7 Finally, let me say there will be a whole
8 push toward the end of year on a whole range of
9 political reform issues. One or the other, House or
10 Congress, have already passed a campaign finance
11 reform bill, a lobby limitation bill, and the modified
12 line item veto, which I know that -- I think a hundred
13 percent of you think that the President ought to have.
14 In addition to that, the Vice President will issue a
15 report to me very shortly on the Reinventing
16 Government Project, which he discussed with you in
17 great detail yesterday. The only thing I can tell you
18 is that everything I ever suspicioned about the way
19 the federal government operates turned out to be true
20 plus some. The ashtray story is only illustrative.
21 But the fundamental problem is not that there are bad
22 people in the federal government or that the payrolls
23 have been swollen by people who just want to pad them.
24 That's not true, in fact, many of the federal agencies
25 didn't grow at all in the 1980's. What has happened

1 is that for the last 60 years one thing has been added
2 on to another and people with the best of intentions
3 have just piled one more requirement onto the federal
4 government and the fundamental systems that operate
5 this government have gone unexamined for too long,
6 whether it's personnel or budgeting, or procurement.
7 And we are trying to do that in ways that I think will
8 free up a lot of money and improve the efficiency and
9 service that the American people are entitled to
10 expect from all of us.

11 Having said all that, I want to make two
12 comments. I don't think that any of it will take
13 America where we need to go unless we also reform the
14 health care system, which is the biggest outstanding
15 culprit in the federal deficit and in promoting
16 economic dislocations in this economy.

17 And secondly, I don't think we can do it
18 unless we do it on a bipartisan basis. I never want
19 to go through another six months where we have to get
20 all our votes within one party and where the other
21 party has people that want to vote with us and they
22 feel like they have to stay, and the whole issue
23 revolves around process instead of product, political
24 rhetoric instead of personal concern for what's going
25 to happen to this country. There is plenty of blame

1 to go around. As far as I'm concerned, there will be
2 plenty of credit to go around. I don't much care who
3 gets the credit for this health care reform as long as
4 we do it.

5 But I am convinced that what this nation
6 really needs is a vital center. One committed to
7 fundamental and profound and relentless and continuing
8 change in ways that are consistent with the basic
9 values of most Americans, and that move all of us
10 along a path. And I don't think you can do it unless
11 we can sit down together and talk and work.

12 Many of the skills which are highly prized
13 among you, both in your own states where you serve and
14 work with people who think differently than you do on
15 some issues, who belong to different parties than you
16 do, and the way you work around this table. Those
17 skills are not only not very prized, sometimes they
18 are absolutely demeaned in the Nation's Capitol. When
19 we come here and we try to work on something like we
20 worked on the Welfare Reform Bill in 1988, we talked
21 about, how does this really work, how are people
22 really going to be affected by this, how can we deal
23 with our differences of opinion and reach real
24 consensus that represents principle compromise. And
25 how can we be judged, not just on what we say, but on

1 what we do. Back east where I work consensus is often
2 turned into cave in. People who try to work together
3 and listen to one another instead of beat each other
4 up, are accused of being weak not strong. And the
5 process is a hundred times more important than the
6 product. Beats anything I ever saw. And the people
7 that really score are the people that lay one good
8 lick on you in the newspaper every day, instead of the
9 people that get up and go to work and never care if
10 they are on the evening news, never care if they're in
11 the paper, they just want to make a difference.

12 And so, I say to you, anything that you can
13 do to help me and the Congress to try to recreate the
14 mechanisms by which you have to function in order to
15 do anything at the State level, and by which we have
16 worked together here to move forward on a whole range
17 of issues, I will be grateful for. This country has
18 too many words and too few deeds on too many issues
19 and we can do better than that.

20 Now let's talk about the health care issue.
21 We all know what's right with our health care system.
22 For those who have access to it it is the finest in
23 the world. Not only in terms of the incredible
24 technological advances but in terms of having a choice
25 of our physicians or ready access to health care and

1 overall high quality that lasts throughout a lifetime.
2 We can all be grateful for that. My Secretary of
3 Housing and Urban Development, Henry Cysneros, and I
4 were talking the other day. His son just had a
5 profoundly important and difficult operation. Just a
6 few years ago he was told that about all he could hope
7 for for his boy was a comfortable life and eventually
8 his time would run out, probably sooner rather than
9 later. And because of the relentless progress in
10 medical technology, his son now has a whole new lease
11 on life. Nobody wants to mess up what is good in
12 American health care. We must preserve it and
13 preserve it with a vengeance.

14 But we also know what is not so good. We
15 know that in a world in which we must competent for
16 every job and all the incomes we can, we are spending
17 over 14 percent of our income on health care and only
18 one other nation in the world, Canada, is over nine.
19 They are at about 9.4. Our major competitors on the
20 highway chase for the future, Japan and Germany are
21 down around eight percent. So they are at eight and
22 we're at 14. More troubling, if we don't do anything
23 to reverse the basic trends that are now rifling
24 through our system, by the end of this decade we'll be
25 at 19 perc nt GDP on health care. No one else will be

1 over ten, and we'll be basically spotting our
2 competitors nine cents on the dollar in every avenue
3 of economic endeavor. I don't think that is something
4 that's right. We know that this places enormous
5 pressure on businesses. I'll come back to some of the
6 comments made by Mr. Motley along toward the end of my
7 remarks, but the truth is that about a hundred
8 thousand Americans a month are losing their health
9 insurance because their employers can no longer afford
10 to carry them under the present system we have. And
11 others, holding on for dear life, are never giving
12 their employees pay raises, and it is estimated unless
13 we do something about this system that the increased
14 costs of health care between now and the end of the
15 decade will literally absorb all the money that might
16 otherwise be available in this economy to raise the
17 salaries of our working people.

18 We see employers unequally treated by the
19 cruel hand of the system that we have. We know now we
20 are spending far more money, about a dime on the
21 dollar probably, administratively just on paperwork,
22 pushing paper around, than any of our competitors are.
23 A decade ago, the average doctor took home about 75
24 cents on the dollar that came into the clinic. Today
25 that's down to 52 cents on the dollar, in only ten

1 years. Because we are awash in paperwork imposed, A,
2 by the government, and, B, by the fact that only the
3 United States has 1,500 separate health insurance
4 companies writing thousands and thousands of different
5 policies. I have a doctor friend in Washington that
6 recently hired somebody, not even to do paperwork, but
7 just to stay on the phone to call insurance companies
8 everyday to beef them up to pay what has already been
9 covered. Money right out of the pockets of the nurses
10 that work in this clinic. And there is a story like
11 that in every health care establishment in America
12 today.

13 We know we still have almost 40 million
14 people uninsured and more every month not fewer. We
15 know that State governments are literally being
16 bankrupt by the rising costs of Medicaid. Money that
17 used to go to education, money that used to go to
18 economic development, money that could have gone to
19 law enforcement, going every year, just shoveling out
20 the door, not for new health care, more money for the
21 same health care. And even when we control the price
22 of certain things, that extra utilization or more
23 people coming into the system because the rest of it
24 is broken down, are driving the costs up.

25 We know that there are still serious access

1 problems, and we know, as I said, that the Federal
2 deficit is in terrible shape because of health care.
3 If you look at this budget that Congress just adopted,
4 defense goes down, discretionary spending is flat,
5 that means we spend more money on defense conversion,
6 on Headstart, on pregnant women, on a few other
7 things. Every dollar that we spend more on that,
8 something else is cut. The only thing that's going up
9 are the retirement programs and Social Security taxes
10 produces \$60 billion surplus for us, even with the
11 cost of living allowances, and health care.
12 Everything else is either flat or down. And under all
13 scenarios proposed by all people who presented any
14 budgets last year, the deficit went down for four
15 years and then started going up again because of
16 health care. So the only way we can keep our
17 commitments, you and I, to the American people, to
18 restore real control over this budget, is to do
19 something about health care.

20 I would argue that if you know you've got a
21 list of what's right and you know you've got a list of
22 what's wrong, and what's wrong is going to eventually
23 consume what's right, you cannot continue to do
24 nothing. And I don't think most people want to
25 continue to do nothing. I want to thank the NGA and

1 especially the governors who have done work with us
2 throughout this process. Many of you have met with
3 the First Lady and Ira Magaziner and the people, there
4 are literally hundreds and hundreds of people that
5 have worked with them on a bipartisan basis to try to
6 craft a health care reform package that will ensure
7 that the states are real partners in our efforts to
8 preserve quality cover everyone, control costs, and
9 enable the states and the federal government to gain
10 some control over their financial futures.

11 No one embodied that spirit of bipartisanship
12 on this issue more than our late friend George
13 Mickelson. And I just want to take a word here to say
14 how very much I appreciated him as a friend, as a
15 governor, and as someone who had the sort of spirit
16 that if it could embrace this country on issue, we
17 could solve this problem in good faith.

18 The national government has a lot to learn
19 from the states and the tough decision that some of
20 you have made already. I can honestly say that along
21 toward the end of my tenure as governor the most
22 frustrating part of the job was simply writing bigger
23 checks every year for the same Medicaid program when
24 I didn't have the money that all of us wanted to spend
25 on education and economic development and the other

1 important issues before us. There have been
2 phenomenally important contributions made to this
3 debate already by the governors of many states in both
4 parties. I won't mention one, five, or ten for fear
5 I'll leave out someone I should have mentioned. But
6 let me say that I'm very grateful to all of you for
7 the work that you have already done.

8 I also want to say a special word of regret
9 about the absence here of the Governor from my home
10 state, Jim Guy Tucker, who himself has been getting
11 some world class medical care. When I talked to him
12 last night, he was feeling quite well and he promises
13 to be at the next meeting.

14 But all of you have a role to play in what we
15 are about to do. Over the last eight months, I've met
16 with many of you personally in Washington. Many of
17 you have lent your staffs to the efforts that we are
18 making on health care reform, and we have learned
19 clearly that what works in North Dakota may not work
20 in New York. Just yesterday your Executive Committee
21 placed the support health care reform within a
22 comprehensive Federal framework that guarantees
23 universal coverage and controls costs.

24 We will work with the states to phase in
25 reform and we'll help you to work out problems as they

1 arise. And we have to have an honest discussion about
2 what that framework ought to look like. I want today
3 to tell you what I think we should do.

4 Next month I will outline a plan to Congress
5 that will offer real hope for all Americans who want
6 to work and take responsibility and create
7 opportunities for themselves and their children. I
8 think the elements of that plan ought to be as
9 follows: One, we have got to provide health care
10 security to people who don't have it. That means not
11 just those who don't have health insurance coverage
12 now, but those who are at risk of losing it. I don't
13 know how many people I met last year, all over this
14 country, all kinds of people, who knew they would
15 never be able to change jobs again because someone in
16 their family had been sick. I don't know how many
17 other people I met who couldn't afford their health
18 insurance package because there was someone in their
19 job unit that they needed to get rid of in order to be
20 able to afford it. We have got to have a system of
21 universal coverage that provides security to
22 Americans.

23 Second, I think we have to have a system of
24 managed care that maintains the private sector.
25 Organizes Americans in health alliances operated within

1 each state, contains significance new incentives for
2 prevention, for wellness, and against
3 over-utilization, and that has a budget so that the
4 competition forces should keep things within the
5 budget but ultimately, especially in the early years,
6 there must be some limit. I will say again, if we
7 don't change this, we are going to go from 14 to 19
8 percent of our income going to health care by the end
9 of the decade. It is going to be very difficult for
10 us to compete and win in the global economy with that
11 sort of differential.

12 Third, there must be insurance reform. There
13 has to be a basic package of benefits, there needs to
14 be community rating, there has to be some opportunity,
15 I heard Governor Wilson talking about this before I
16 came out, for pooling for small employers. We cannot
17 permit price differentials that exist today to get
18 worse instead of better simply because of the size of
19 the work units.

20 Finally, in this connection, if we do these
21 things, there will be massive cuts in paperwork
22 because you won't have to have every health unit in
23 this country trying to keep up with thousands of
24 different options and all the myriad complexities that
25 flow from that. We won't have another decade when

1 clerical employment in the health care area grows four
2 times faster than health care providers. No one
3 believes that that is a very sound investment in our
4 Nation's future.

5 Next, we have to have significant,
6 significant increases, not decreases, in investment
7 and research and technology.

8 Next, in my judgment, we should attempt to
9 take the health care costs of the workers' comp system
10 and the auto insurance system into this reform; that
11 might be the biggest thing we can do for small
12 businesses. It would also, perhaps, be the biggest
13 thing we could do to reduce some of the inequalities,
14 some of you might not like this and others will love
15 it, but the inequalities in economic incentives that
16 various states can offer because of the dramatic
17 differences in workers' comp costs from state to
18 state, occasioned more than anything else by the
19 health care burden of workers' comp.

20 Next, I think that we should have a hundred
21 percent tax deductibility, not 25 percent tax
22 deductibility for self-employed people. And that will
23 be part of the plan we will offer to Congress,
24 something that will increase the capacity for people
25 who are self-employed to maintain health insurance,

1 whether they are farmers or independent business
2 people.

3 Finally, I think the states must have a
4 strong role and essentially be charged with the
5 responsibility and given the opportunity to organize
6 and establish the health groups of people who will be
7 able to purchase health care under the managed care
8 system.

9 I think we should expand options for people
10 with low incomes on Medicare but not low enough to be
11 on Medicaid, to get a prescription drug benefit phased
12 in over a period of years. Similarly, I think we must
13 do the same thing with long-term care. But as we
14 provide more long-term care opportunities for the
15 elderly and for persons with disabilities, we must
16 also expand the options so that they can get the least
17 costs, most appropriate care. We must remove the
18 institutionalized biases that are in the system now
19 which keep a lot of people from having access to home
20 care, for example.

21 And finally, I think there has to be some
22 responsibility in this system for everyone. There are
23 a lot of people today that get a free ride out of the
24 present system who can afford to pay something. I
25 think there should be individual responsibility. I

1 think every American should know that health care is
2 not something paid for by the tooth fairy. That there
3 is no free ride. That people should understand that
4 this system cost a lot of money. It should cost a lot
5 of money, it ought to be the world's best, but we
6 should all be acutely aware of the cost each of us
7 impose on it. But I also believe that in order to
8 make individual responsibility meaningful and in order
9 to control the cost of this system, there has to be
10 some means of achieving universal coverage. If you
11 don't achieve universal coverage, in my judgment, you
12 will not be able to control the costs adequately.
13 Why? Well, for one thing, you will continue to have
14 costs shifting. If you have uncompensated care, the
15 people who give it will shift the cost to the private
16 sector or to the government. And that will create
17 some significant economic dislocations.

18 Now, it seems to me we have four options, if
19 you believe -- you have to decide if you believe
20 everybody should be covered, you have only four
21 options. And I would argue that three of them are
22 not, at least based on what I have seen and heard,
23 very good options in practice as opposed to in theory.
24 Option number one is to go to a single payer system,
25 like the Canadians do because it has the least

1 administrative costs. That would require to us
2 replace over \$500 billion in private insurance
3 premiums with nearly that much in new taxes. I don't
4 think that's a practical option. I don't think that's
5 going to happen. And you talk about -- that would be
6 significantly dislocating in the sense that over night
7 in a nation this size you would have all the people
8 who are in the insurance business out of it, unless
9 they were in the business of managing the health care
10 plans themselves as more and more are doing.

11 Option number two would be to have an
12 individual mandate rather than a mandate that applies
13 to employers and employees saying that every
14 individual has got to buy health insurance, here's
15 some insurance reforms to make sure you can get it.
16 This approach has found some favor in the United
17 States Congress, primarily among Republicans but not
18 exclusively, because it has the appeal of not imposing
19 a business mandate which has a bad sound to it.
20 Here's the problem with that, it, seems to me. If you
21 have an individual mandate, on whom is it imposed, and
22 don't you have to give some subsidy to low income
23 workers, just the way you'll have give some subsidy to
24 low income businesses if there is an employer mandate?
25 Who gets it and who doesn't? And if you impose an

1 individual mandate what is to stop every other
2 employer in America from just dumping his employees or
3 her employees, to have a sweeping and extremely
4 dislocating set of chain of events start? So it seems
5 to me that there are a lot of questions that have to
6 be asked and answered before we can embrace the
7 concept of an individual mandate.

8 Third thing you can do is just not worry
9 about it. You can just say, well, we will have all
10 these other reforms and just hope that everybody -- if
11 you can lower the costs of insurance, simplify the
12 premiums and have big pools, that sooner or later,
13 somehow everybody will be covered. The problem is
14 that there is a lot of evidence that some people will
15 still seek a free ride. And make no mistake about it,
16 people that never see themselves as free riders, still
17 ride the system. Because everybody in this country
18 who needs health care eventually gets it; it may be
19 too late, it may be too expensive. But if someone who
20 works in a workplace where there is no insurance has a
21 child that gets hit in a car wreck or just gets sick
22 or has an acute appendix or something happens, they
23 will get health care, and that will be paid for by
24 someone else. And, indeed, even for the employers and
25 employees that may go a whole year and never use the

1 health care system, it's there waiting for them. It's
2 an infrastructure just as much as the interstate
3 highway system is; every medical clinic, every
4 hospital, every nursing home, all these things are the
5 health care infrastructure of the country, all being
6 paid for by someone else but still available to be
7 used for those folks. So I don't think we can
8 rationally expect to stop cost shifting or to have a
9 fair system if we say we are going to organize all
10 this and just hope everybody will get into it.

11 That leaves the fourth alternative which is
12 to build on the system we now have. The system we now
13 have works for most Americans. Most Americans are
14 insured under a system in which employers pay for part
15 of the health insurance and employees pay for part of
16 the health insurance and it's worked pretty well for
17 them except for the laundry list of problems that we
18 talked about. But most Americans are covered under
19 it. What are the problems with doing this? Well,
20 first of all, if you just pass an employer mandate and
21 did nothing else there would be a ton of problems in
22 doing it, because the most vulnerable businesses would
23 have the highest premiums, and a bunch of them would
24 really be in deep trouble. No one proposes to do
25 that. In other words, an employer mandate itself

1 would not be responsible unless you also had
2 significant insurance reforms, a long period of phase
3 in, and a limitation on how much the premium could be
4 for very small businesses or businesses with very low
5 wage workers that obviously are operating on narrow
6 profit margins.

7 But I would argue to you that based on my
8 analysis of this, and I've been thinking about this
9 seriously now for more than three years, ever since
10 the Governors' Association ask me and the then
11 Governor of Delaware, now a Congressman from Delaware,
12 to look at the health issue. And I have thought about
13 it and thought about it; there may be some other issue
14 but I see only those four options for dealing with
15 this. And it seems to me the shared responsibility is
16 a fair way of employer and employee building on the
17 system we have now, which works, taking proper account
18 of the need to phase it in and to maintain limits on
19 lower income and lower wage employment units is the
20 fairest way to go.

21 Now it seems to me that, all this will be
22 discussed and debated in the Congress and the
23 governors will be a part of it, the first decision we
24 have to make is whether we can fool around with this
25 for another ten or 20 years or if the time has come to

1 act. Just consider this one fact, if health care
2 costs had been held in check, that is to inflation
3 plus growth since 1980, state and local governments
4 would have on average 75 percent more funding for
5 public school budgets. In fiscal year 1993, states
6 spent more on Medicaid than on higher education for
7 the first time. State spending on Medicaid is
8 expected to jump from 31 billion in 1990 to 81 billion
9 in 1995, if we don't change this system.

10 I believe that health care reform will boost
11 job creation in the private sector if it is done
12 right. I believe it will offer a level playing field
13 to all those small employers who are covering their
14 employees right now and paying too much for it. I
15 believe it will be a critical first step in rewarding
16 work over welfare. When we did the Family Support Act
17 of 1988, those of you who were here then will all
18 remember what all of us concluded, and the Governor of
19 South Carolina, since he had once been the ranking
20 member of the appropriate subcommittee on the House
21 Ways, and Means Committee, played as big a role in
22 understanding this as anybody else, that a lot of
23 people stayed on welfare not because of the benefits,
24 because the benefits had not kept up with inflation,
25 they did it because they couldn't afford child care

1 for their kids, and because they w re going to lose
2 health insurance for their children.

3 We have gone a long way, I think, toward
4 reducing incentives to stay on welfare with this new
5 economic plan because the earned income tax credit has
6 increased so much that now people that work 40 hours a
7 week and have children in the home will be lifted
8 above the poverty level. That was the most amazing
9 piece of economic social reform in the lost 20 years.
10 But we still have to deal with the health care issue.

11 I recently had a very sad conversation with a
12 woman who became a friend of mine in the campaign, who
13 was a divorced mother of seven children and her
14 youngest child had a horrible, horrible and very
15 expensive health care condition. The only way she
16 could get any health care for this kid was to quit her
17 job where she was making \$50,000 a year, proudly
18 supporting these children, to go on public assistance
19 so she could get Medicaid to take care of her child.
20 And the young child just recently passed away, so I
21 called to talk to the woman. I was thinking about the
22 incredible travail that she had gone through and
23 wondering now if she would ever be able to get another
24 job making that kind of money to support her remaining
25 children and to restore her sense of dignity and

1 empowerment.

2 Let me say one last think about this. I
3 think if we do this right it will restore our sense of
4 individual and common responsibility. I will say
5 again, I do not believe anybody should get a free ride
6 on this deal. I think we have all, at least I've been
7 part of it, have made a mistake in trying to say that
8 people should pay absolutely nothing for their health
9 care if they can afford to pay something. People
10 ought to pay in proportion to what they can afford to.
11 But I think that the system we have is so riddled with
12 those who don't have any responsibility at all that it
13 is chocked full of loopholes. Let me say again,
14 everybody who says, well, this is just too
15 complicated, this is too much trouble, and it's too
16 hard to think about, ought to consider the
17 consequences of doing nothing. Doing nothing means
18 more people lose their coverage and those who don't
19 will pay too much for their coverage. Doing nothing
20 means that all those uninsured or underinsured
21 Americans will be covered by vast outlays by state and
22 local and federal governments. The rest of us will
23 pay more at the doctor's office, the hospital, and our
24 own businesses. Doing nothing means insurers will
25 continue to be able to charge prices that are too high

1 to those who don't have the good fortune of being a
2 very large buying cooperatives. And that the
3 paperwork burden of this system, I will say again,
4 will continue to be a dime on a dollar more than any
5 other country in the world. We cannot sustain that
6 sort of waste and inefficiency. More than 60 cents of
7 every new dollar going into the Federal treasury over
8 the next five years, under our reduced budget, will go
9 to health care. After we had a \$54 billion reduction
10 in Medicare and Medicaid expenses over the estimated
11 cost under the previous budget. Twelve to 15 percent
12 added costs very year for large businesses, 20 to 30
13 for small businesses, no wage increases for millions,
14 indeed tens of millions of workers and continued fear
15 and insecurity. Policing this system against
16 incompetence will be left to a flawed system of
17 bureaucrats, of insurance oversight and malpractice
18 that rewards things that don't deserve to be rewarded
19 and ignores legitimate problems.

20 Now, let me talk about this jobs issue one
21 more time. If you just impose a mandate and did
22 nothing else, would it cost jobs? Yes, it would. Any
23 study can show that. That is not what we propose. If
24 you reform the insurance system and all these big
25 employers that are paying way too much now, and all

1 these small employers that are paying way too much
2 now, wind up with reductions or no increases in the
3 years ahead, that is more money they are going to have
4 to invest in creating new jobs in the private sector.

5 If you reform the insurance system, you phase
6 in the requirements and you limit the amount of
7 payroll that someone can be required to put out in an
8 insurance premium, you are going to limit the job loss
9 on the downside while you're increasing it
10 dramatically on the upside. If you reduce the
11 paperwork burdens, yes, you won't have this huge
12 growth in people doing clerical works in doctors'
13 offices and hospitals and in insurance offices, but
14 you will have more people going into old folks' homes
15 and giving them good personal health care, trying to
16 keep them alive in ways that are more labor intensive
17 but less expensive. So there will be shifts here.
18 But who can say if you trust, if you trust the private
19 sector to allocate capital in places that will make
20 America most competitive, and to take advantage of
21 lower health care costs by reinvesting it in this
22 economy. Who can possibly say that if we move closer
23 to the international average in the percentage of our
24 income going to health care, it wouldn't lead to more
25 productive investment and more jobs in American. I

1 think that is clearly what would happen.

2 We have focused this debate only on the
3 minority of people who don't have health insurance and
4 don't cover their employees and assume that we would
5 lay some mandate on them and make no other structural
6 changes. I wouldn't be for that. You couldn't be for
7 that. Although at least that would stop the cost
8 shifting; it wouldn't be enough. That is not what we
9 propose. But if you do this right and we phase it in
10 so that as we deal with problems we find that we can
11 correct them. If the states are dealing with the
12 management side of this through these health
13 alliances, we can make this work.

14 It just defies common sense to say that we
15 can't maintain the world's finest health care system,
16 stop all this cost shifting, bring our costs back to
17 some competitive level, cover everybody, and create
18 jobs. We'll still -- no matter what happens we'll be
19 spending a lot more than any other country on health
20 care at the end of decade. But we will be protecting
21 people and we'll be working with them.

22 I'm convinced that the biggest problem we
23 have got right now is the fear of the unknown and the
24 exaggeration into the unknown of what, in fact, is
25 already known. To say that we are talking about some

1 untried, untested thing ignores the experience of
2 Hawaii, and ignores the experience of every other
3 country that we are competing with. Ignores what we
4 know about how our private sector could actually
5 manage the problem better in some ways than Germany
6 and Japan have managed it, and basically is rooted in
7 our -- somehow our lack of belief that we can overcome
8 all the etiological divides and the rhetorical barbs
9 and the fears that are gripping us.

10 So I will say again, I don't pretend to have
11 all the answers but I am absolutely sure this is the
12 problem that American cannot let go, that we cannot
13 walk away from. And I am absolutely convinced that we
14 can solve it if we can meet around the table without
15 regard to party and listen to the facts and work
16 through it. I am convinced of that.

17 I want to close by telling you a story. When
18 the Pope came to Denver and I was given the
19 opportunity to go out there and meet him and have a
20 private audience that I will remember and cherish for
21 the rest of my life, we arranged for a young girl to
22 come there and just stand in the audience. All she
23 did was have the Pope put his hand on her head and say
24 a word of blessing. This child is 13 years old, she
25 is from Wisconsin and her father, we met in the course

1 of the campaign. She was born with a rare bone
2 disease which caused the bones in her body to break
3 continuously, so that by the time she actually came
4 out of her mother's womb she already had about more
5 than a dozen bones break in her body. Just a few
6 years ago, anybody like that could never have grown up
7 and had anything like a normal life. They just would
8 have been helpless, just continually crumbling. Now,
9 this girl has gone to the National Institute of Health
10 Care every three months for her entire life, and even
11 though she is just 13 years old, if she were here
12 talking to you, she would speak with the presence and
13 the maturity and the command of someone twice her age.
14 And she looks a little different because the bones in
15 her skull have broken, the bones in her legs have
16 broken, the bones in her back have broken, but she can
17 walk and she can function and she can go to school,
18 and even though she's only four feet tall and weighs
19 only 60 pounds, she can function. And she asked her
20 father to take her to Iowa so she could help people in
21 Iowa to fight the flood. And she went to Iowa and
22 loaded sand in the sandbags knowing that any one of
23 those bags could have broken her leg above the knee,
24 could have put her away for a year. She said, I
25 cannot live in a closet. This is something that's

1 there, I want to live, I want to do my life, I want to
2 do what other people do. And I was so overcome by it
3 I brought the girl to see me and then we just quietly
4 arranged for her to be there when the Pope was there.
5 I say that to make this point: I asked her why in the
6 world she would have done that, why she would have
7 risk literally breaking her body apart to be there
8 with all these big, husky college kids fighting this
9 flood? And she said, because I want to live and it's
10 there and I have to go on; I have to do things. If a
11 child like that can do something like that, surely to
12 goodness we can stop wringing our hands and roll up
13 our sleeves and solve this problem. And surely we can
14 do it without the kind of rhetoric and hair pulling
15 bull that we hear so often in the Nation's Capitol.
16 We can do it.

17 I miss you, I miss this, I miss the way we
18 make decisions, I miss the sort of heart and soul and
19 fabric of life that was a part of every day when I got
20 up and went to work in the State Capitol. Somehow
21 we've got to bring that back to Washington. Think
22 about that little girl, help us solve this health care
23 problem. Thank you.

24 GOVERNOR ROMER: Thank you very much, Mr.
25 President. We will adjourn immediately. We will have

1 a governors only session with the President to
2 continue this discussion. That will be at the second
3 level of the assembly hall. The meeting is now
4 adjourned.

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C E R T I F I C A T E

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

I, Linda J. Martin, Certified Shorthand Reporter, in and for the State of Oklahoma, do hereby certify that on the 16th day of August, 1993, at the Tulsa Convention Center, Tulsa, Oklahoma, the aforesaid proceedings were reduced to writing by me by means of stenograph, and afterwards transcribed by computer-aided transcription, that is fully and accurately set forth in the preceding pages.

I do further certify that I am not related to, nor attorney for either of said parties, nor otherwise interested in the event of said action.

WITNESS MY HAND AND SEAL this 27th day of August, 1993.


LINDA J. MARTIN, CSR

Linda J. Martin
Oklahoma Certified Shorthand Reporter
Certificate Number 00295
Exp. Date: December 31, 1994

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THE NATIONAL GOVERNORS' ASSOCIATION

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1993 ANNUAL MEETING

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TRANSCRIPT OF THE PLENARY SESSION, held

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in the Tulsa Convention Center, Tulsa, Oklahoma, on

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Tuesday, August 17, 1993, and reported by Karla E.

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Barrow, Certified Shorthand Reporter in and for the

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State of Oklahoma.

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**HICKERSON & ASSOCIATES
CERTIFIED SHORTHAND REPORTERS
616 SOUTH MAIN, SUITE 204
TULSA, OKLAHOMA 74119**

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1 GOVERNOR ROMER: I would like to call this
2 session to order. The first thing I'd like to do, I'd
3 like to, at this time, depart from our agenda for the
4 purpose of recognizing someone who is well known to
5 everyone in this room. He's not aware that I'm doing
6 this, and since I rarely get the opportunity to
7 surprise him, it's a special pleasure for me to ask
8 that you join me in applauding Ray Scheppach, the
9 Executive Director of the NGA, on the occasion of his
10 tenth anniversary with this organization. Ray, come
11 up here.

12 Ray, I want to thank you, on behalf of all of
13 us, for your service to the nation's governors, and
14 for your guidance, your counsel and your friendship
15 throughout my term as this chairman. And the staff
16 has asked that I -- I would like to have them help
17 me commemorate your tenth anniversary by presenting you
18 with some bookends. Staff, will you hand me my
19 bookends? Ray Scheppach, here are two bookends, and
20 we have on them the tenth anniversary of your service
21 with us, and we want to thank you for that and
22 congratulate you.

23 RAY SCHEPPACH: Thank you.

24 GOVERNOR ROMER: For those -- I'm sure
25 everyone knows the great skills you need to have in

1 order to accommodate all the various points of view in
2 this association.

3 Let us begin with our first major item this
4 morning, and that is the, again, picking up the issue
5 of reinventing government. We have with us a very,
6 very interesting panel, and this is a group of
7 officials, and let me just read them off. We're going
8 to have them make a comment individually, but it is
9 Representative Arthur Hamilton, who is the President
10 of the National Conference of State Legislators;
11 Senator Robert Connor, President-elect of the
12 Conference of State Legislators; Commissioner Barbara
13 Sheen Todd, who is the President of the National
14 Association of Counties; Commissioner John Stroger,
15 Jr., the Immediate Past President of the National
16 Association of Counties; Mayor Don Fraser, the
17 President of the National League of Cities; Mayor
18 Susan Savage, the U.S. Conference of Mayors; Governor
19 Jim Edgar, of Illinois, the President of the Council
20 of State Governors; City Manager Daniel Kleman,
21 President-elect of the International City/County
22 Management Association.

23 Let me say that that coalition worked with us
24 very, very effectively in the last year in the
25 development of our policies on deficit reduction and

1 on health care reform, and it was a very interesting
2 process to see us go through an accommodation of each
3 others' views and a position which we were able to
4 maintain on health care and deficit reduction through
5 many months.

6 Today, we have this group back to help us
7 look again at the issue of reinventing government. I
8 want each of them to share with us a perspective from
9 their organization for two to three minutes each, and
10 then we're going to have a dialogue between the
11 governors and this panel, with the limited time
12 allowed.

13 But let me set the stage for this. The Vice
14 President obviously presented this very, very clearly,
15 but in this country, we face not just the obligation
16 of delivering a better product at lesser cost, we also
17 face the challenge of closing the credibility gap
18 between government and our citizens.

19 And as this country has become more
20 urbanized, as we have become more complex in the way
21 in which we govern, we have a very interesting but
22 understandable reaction on the citizens, and that is
23 government has become too big, too distant, too
24 costly, too bureaucratic, and we need to reach out and
25 find ways that we reinvent government not only to do a

1 better job, but to re-engage our citizens in a
2 meaningful way, where they feel this government, at
3 the local, the state and the national level, is their
4 government.

5 Now, what the particular challenge we face is
6 the following: Vice President Gore, and at the
7 national level, are beginning a serious movement to
8 communicate at the federal level of how you can do
9 things differently, but I believe there is a unique
10 opportunity for us, at the state and local levels of
11 government, to assist them in that process. Rather
12 than wait for them to come down and ask us what it is
13 that ought to change, we have a unique opportunity to
14 be pro active, and from the bottom up, go to the
15 federal government and say, this is what we think
16 ought to change and here is an institutional
17 relationship that we can have to you.

18 Governor Hunt, I think raised a very
19 interesting possibility yesterday, and there may be
20 variations of that. And for those of you who might
21 not have been here, he was suggesting that there ought
22 to be a structured way that we could have that
23 conversation with Congress, between the
24 administration, between the state levels of
25 government and the local levels of government.

1 So in introducing this subject this morning,
2 I honestly believe we can never get to our other
3 agendas, which are deficit reduction, health care
4 reform, education reform, unless and until we get
5 people believing that government can work for them,
6 until we get the credibility gap closed to some
7 degree.

8 Therefore, I would like to call upon this
9 panel to share with us the perspective of their
10 organization in a two to three minute period, and let
11 me say to all of those of us, we have a very tough
12 schedule, and I may -- don't feel like I'm picking on
13 you if I intervene and say help wrap it up.

14 But let me start then with the first, and
15 that is Representative Arthur Hamilton, the President
16 of the National Conference of State Legislators.
17 Representative Hamilton.

18 REPRESENTATIVE HAMILTON: Governor, thank you
19 very much, and distinguished governors.

20 GOVERNOR ROMER: Pull the mike close, Arthur.

21 REPRESENTATIVE HAMILTON: Distinguished
22 Governors and guests: It is a privilege to be here.
23 We are pleased to be a part of this discussion about
24 reinventing government. The state legislatures have
25 been involved in changes like teleconferencing,

1 getting our meetings outside of our state capitols,
2 printing up text books so that young people will
3 understand what their government is all about. We
4 believe that we share a mutual responsibility in
5 demonstrating that government is capable of solving
6 the problems that our citizens face.

7 We did good work with NGA, all the
8 organizations, on federalism, deficit reduction,
9 entitlement reform and health care costs containment,
10 and we believe that is merely the beginning. What we
11 believe is more important than any particular issue is
12 a demonstration that all the levels of government can
13 get together and work together based on a relationship
14 borne out of mutual respect and the need to
15 demonstrate to our people that our highest commitment
16 continues to be solving the problems that face them.

17 The National Conference of State Legislatures
18 pledges itself to continue to work with NGA and all
19 the other local organizations to demonstrate that we,
20 in fact, can reinvent government in a way that takes
21 us into the next century, and demonstrates our
22 capacity to do what is best for the people that we
23 mutually serve.

24 Thank you, Governor.

25 GOVERNOR ROMER: Thank you very much. I'd

1 next like to ask Commissioner Todd, of the National
2 Association of Counties, to share her views with us.

3 COMMISSIONER TODD: You will hear a lot --
4 over the past few weeks and in future months, you will
5 hear many discussions on unfunded mandates from the
6 local governments. Unfunded mandates is only a
7 symptom of a much deeper problem, because we are
8 seeing a preemption of the authority of citizens in
9 their state and local communities to govern their own
10 affairs, and the impairment of the ability of citizens
11 to hold those state and federal officials accountable
12 for the costs of these decisions.

13 I think that that is really the issue of
14 governments is the problem. In the National
15 Association of Counties, we are currently carrying out
16 many projects where we are reaching out into the
17 community and eliciting the participation of our
18 citizens, from our health care project to an
19 initiative that we have started in cooperation with
20 the national school boards, the cities, the counties
21 and the states relating to governments and also to
22 children's issues.

23 Some of the solutions that we perceive
24 include the following: First of all, recognition that
25 David Osborne's book on reinventing government was

1 written about the laboratories, the communities, the
2 cities and counties, and the ways that they are
3 handling the unique challenges of governments in their
4 communities.

5 Secondly, we would advocate the real and full
6 funding and support of the federal ACIR, with real
7 participation from all the elected officials. As you
8 know, that agency was almost eliminated.

9 We would redefine the concept of
10 intergovernmental relations to include the people that
11 we govern. We would reiterate what you just stated
12 earlier, Governor, that the local governments must be
13 involved in the beginning of any major project, and,
14 in fact, that we, as governmental entities, must
15 develop a mutual respect for the fact that we have a
16 common constituency, and that ultimately, every level
17 of government must recognize that our citizens are our
18 bosses and our customers; that the future direction of
19 this country is going to depend on collaboration, on
20 cooperation, and on communication.

21 I would also add that we appreciate the fact
22 that you, Governor, over the past several months have
23 extended the hand of friendship and cooperation to our
24 organization. We appreciate it, and I want you to
25 know that you have an open invitation, as does

1 Governor Campbell, to attend our conferences, and we
2 will be extending some invitations to you to
3 participate in our discussions on governance, because
4 we are working now informally with the cities, the
5 counties, the school boards, and our other local
6 governments to discuss the governance issue, but we
7 also will want to ensure that the states, the
8 governors, and the federal, in the long run, are
9 working together towards the mutual satisfaction of us
10 all.

11 GOVERNOR ROMER: Thank you very much.

12 Next, Mayor Don Fraser, the President of the
13 National League of Cities. Mayor Fraser.

14 MAYOR FRASER: Thank you very much, Governor,
15 and thank you for including the National League of
16 Cities in this panel. We've welcomed very much the
17 collaborative approach that has been taken by the
18 National Governors' Association, and we hope that this
19 can continue.

20 At the local level of government, we've been
21 kind of reinventing things, particularly under the
22 stress of a withdrawal of federal support over the
23 last decade. We've been moving toward privatization
24 of services, public private partnerships, reaching out
25 to the citizens, community oriented policing being one

1 example, but adapting computerized systems to make
2 information more available to citizens. So in a
3 variety of ways, we've been attempting to adapt to our
4 changed environment, among which are reduced revenues.

5 I just want to comment, Governor, on your
6 first observation about the growing credibility gap
7 between citizens and government. My own view is that
8 that is growing because of increasing concern by
9 citizens across this country about what's happening to
10 themselves and their families. The average industrial
11 wage has not made any headway for the last 25 years.
12 Minimum wage is well below, on a per capita income
13 basis, what it was 30 years ago. More parents are in
14 the workplace, and child care is hard to come by and
15 difficult to finance. Positive school outcomes are
16 harder to achieve, and I worry a little bit that as we
17 look at pieces of that problem, we're not getting kind
18 of an overview of the deteriorating prospects for
19 families.

20 If we do move in a collaborative way to
21 reinventing government, since that's likely to work
22 best if we have a specific area of concern to work at,
23 it may be that a broader perspective on the
24 difficulties facing families might put in front of us
25 a priority that I think would be recognized by most of

1 the public.

2 We went to the President, President Bush,
3 about two years ago and suggested that the problem
4 of the family, particularly in urban environments,
5 deserved a closer scrutiny. He appointed a
6 commission, but the work of the commission didn't
7 provide us with an adequate blueprint for action. And
8 I thought that maybe a collaboration between at the
9 state and local level, perhaps with the participation
10 of federal people, might produce a more productive set
11 of outcomes that we could use to show that we are able
12 to make government serve what is the number one
13 concern of people, which is what's happening in their
14 family. Thank you.

15 GOVERNOR ROMER: Thank you very much.

16 Mayor Susan Savage of the U.S. Conference of
17 Mayors. Mayor Savage.

18 MAYOR SAVAGE: Good morning, Governor. Let
19 me first of all say how very proud Tulsa has been to
20 be the host city for this very distinguished meeting.
21 It has been our honor for Governor Walters to have
22 brought the Governors Association here, and we have
23 welcomed you and we hope you will return to our city.

24 Reinventing government, for the City of
25 Tulsa, and I'm going to speak really from two

1 perspectives; one from the City of Tulsa's
2 perspective, and also for the U.S. Conference of
3 Mayors, really means, essentially, that we're talking
4 about making government more efficient, more
5 responsive, and more accountable.

6 Specifically to Tulsa, we changed our form of
7 government in 1990 from a commission form to a strong
8 mayor form, with the impact of that being the
9 strengthening of the role of the mayor as the chief
10 executive officer, and the consolidation of many, many
11 functions throughout the administrative branch of
12 government. Our council became our legislative body.
13 That has enabled us to cut positions, to consolidate
14 procedures, to take a look from the very top,
15 uppermost level of the organization all the way
16 throughout. We've undertaken utilization studies
17 in our police and fire departments, which have been
18 enabled us to, in effect, increase the numbers of
19 officers on the streets, closed some fire stations,
20 redeploy those individuals, and to ensure that we
21 don't reduce the amount of dollars that go into our
22 public safety budgets. But to make these kind of
23 expenditures and to continue with these kinds of
24 changes, we must have the ability to be released from
25 some of the federal mandates.

1 Last week, the U.S. Conference of Mayors,
2 joined by the National Association of Counties, the
3 League of Cities, the International City/County
4 Management Association, formally launched a nationwide
5 effort to bring an end to unfunded mandates. The U.S.
6 Conference of Mayors has hired Price, Waterhouse to
7 determine the cost nationally of unfunded mandates as
8 part of a nationwide effort to educate the public.

9 I want to share one or two specific examples
10 from Tulsa's experience with you. Since 1990, the
11 City of Tulsa has spent \$1 million to simply apply to
12 process the paperwork for a mandated national
13 pollution discharge elimination system permit for
14 storm water runoff. Our permit has not yet been
15 approved, it's in its draft form, but we've already
16 spent \$1 million, and we have not improved our storm
17 water discharge quality one bit.

18 An educational program will peak on October
19 27th, which we are calling National Unfunded Mandates
20 Day. We are calling on individual mayors and other
21 local officials to use this day to draw national
22 attention to the impact unfunded mandates have on
23 local services.

24 We find that as a possible solution to this
25 situation, that local and state governments need to be

1 at the table together, which we are today, and we're
2 very, very pleased to be here, but we need to be there
3 with the federal government when new regulations are
4 being drafted, and we need to be included in the
5 debate before they are passed by Congress.

6 Tulsa has a very proud and progressive record
7 of concern for the environment, but increasingly,
8 federal mandates carry no funding. We have found
9 since 1988 that 75 new federal environmental mandates
10 have been put into place, none of which have any
11 federal funding.

12 Currently, as one example of how we've
13 responded to some of the federal mandates, the City of
14 Tulsa was on the non-attainment list for air quality
15 for several years. In 1990, we went back on the
16 attainment list. You may have seen in the paper today
17 an ozone alert called for the City of Tulsa. We have
18 undertaken a voluntary, a very aggressive program to
19 include industry, to include government, and to
20 include the private sector in lowering the revapor
21 pressure of gasoline in car pooling and ensuring free
22 bus rides on ozone alert days, because just to exceed
23 the emissions by three one-thousandths of a point, as
24 we did last Friday, if we do that again, we
25 potentially will be on the non-attainment list, and

1 that, for us, is a very, very significant -- has a
2 very, very significant impact.

3 We do have some very important partnerships,
4 and I would be remiss if I did not identify a couple
5 of those that work well for Tulsa. Through the
6 efforts that Governor Walters has made at the state
7 level with the Department of Transportation, Tulsa,
8 the State Department, and the Federal Department of
9 Transportation are working in a very coordinated way
10 to enhance the potential for the Iced Tea Road Funds.
11 The Tulsa -- the City of Tulsa works with the Corps of
12 Engineers to solve, and has done so, community flood
13 problems, but more opportunities exist. We work
14 smarter when we work together. In partnership with
15 the federal government, states and cities, we can do
16 more for less for all of our citizens today and for
17 coming generations.

18 Thank you for the opportunity to meet with
19 you today.

20 GOVERNOR ROMER: Thank you, Mayor Savage.
21 Next is Governor Jim Edgar of Illinois, the President
22 of the Council of State Governments. Governor Edgar.

23 GOVERNOR EDGAR: Thank you, Governor Romer.
24 And let me say, on behalf of the Council, we
25 appreciated very much being included when you convened

1 this further historical gathering in Colorado Springs
2 right after the election.

3 Council of State Government, as most of you
4 know, is unique, and it's an umbrella organization of
5 all parts of state government. All three branches are
6 represented, both elected and appointed state
7 officials, and the theme of reinventing the government
8 has been a major interest of the Council. And because
9 of its somewhat unique status of straddling all parts
10 of state government, we've been in a position where
11 we've been able to serve as a clearinghouse, which we
12 think has been important. We've just recently
13 completed a 50 state survey of downsizing of state
14 governments since 1990, and that has been distributed,
15 or if you have not received a copy, I'd be more than
16 happy to get you a copy. We also have provided the
17 expertise that exists in state government to help
18 other states in forming kind of a consulting service
19 of some of the best and brightest to go into states
20 and work in such areas as personnel and
21 telecommunication.

22 We also, as an organization that's very
23 strong at the multistate level, the regional level, we
24 think very often, particularly in today's problems,
25 many of the solutions are more multistate than just

1 being solved by one state. We've tried to emphasize
2 that because of our regional strengths.

3 Let me just offer this observation from
4 sitting through the meetings earlier this year and
5 working in a variety of organizations. I think we
6 all are very concerned about working together.
7 Cooperation is a very popular word. I think what we
8 need to do is take that a step further and make sure
9 that we try to avoid duplication, we try to minimize
10 competition, and we try to see if we can't supplement
11 each others' efforts as we, as a group, not only at
12 the state level, but at the state and local level,
13 work on a lot of common problems in trying to find new
14 ways to solve old problems, and also to deal with new
15 problems.

16 The Council of State Government looks forward
17 to working with all of the organizations represented
18 here in the months and the years ahead as we do
19 reinvent government and try to reestablish faith on
20 the part of the public in what their elected officials
21 are all about. And I think working together and
22 following the format, Mr. Chairman, that you
23 established in Colorado Springs would be the best way
24 to accomplish that goal.

25 GOVERNOR ROMER: Before I call on the next

1 one, just to review what we did in Colorado Springs at
2 the New Governors' Conference, we set up a
3 conversation with this coalition on the issue of
4 deficit reduction and health care reform, and that
5 coalition worked over a period of months in a very
6 effective fashion, and I appreciate you identifying
7 that.

8 Next, City Manager Daniel Kleman, President-
9 elect International City/County Management
10 Association. Mr. Kleman.

11 MR. KLEMAN: Thank you, Governor. On behalf
12 of ICMA, the association of over 7,000 city managers,
13 county administrators and other local government,
14 appointed officials throughout the country, we
15 appreciate the opportunity to participate in this
16 dialogue.

17 I'd like to direct my remarks to two issues.
18 First, the relationship with states, and then secondly
19 the question of mandates that's been spoken about. I
20 think that whenever one speaks about the question of
21 reinventing government, one always goes back to the
22 work of David Osborne or some of the work that was
23 started with Demming and others in the total quality
24 management movement, and one of the central points of
25 all of that work is the need to empower those who are

1 closest to a problem or concern to solve that problem.

2 We believe it's important that local
3 governments be empowered by removing bureaucratic
4 controls or procedural constraints which are essential
5 to freeing creativity in organizations to solve
6 problems. Local governments, as our state
7 governments, are laboratories of democracy, and as
8 such, we think this country has created the strongest
9 system of local government in the history of the
10 world. We encourage even further strengthening by
11 further strengthening of the principles of home rule,
12 and the opportunities for strong professional
13 management in local governments so that we can, in
14 fact, unleash that creativity in local government.

15 Secondly, on the question of mandates, as a
16 city manager that comes from a state which has
17 successfully passed a constitutional amendment on
18 unfunded mandates, I think I know firsthand how
19 difficult it is to achieve public understanding, let
20 alone public concern about the esoteric issues of
21 intergovernmental public finance, such as mandates.
22 Monday night football is simply more appealing to the
23 average citizen. We'll need many more images as
24 simple and as direct as those the Vice President
25 brought about the ashtray in order to successfully

1 convey our message to the citizenry and to Congress
2 about mandate issues.

3 I support the initiative to educate about
4 unfunded mandates. We think that's an important
5 collaborative activity that we're all involved in. I
6 would, however, also offer an additional perspective.
7 I think there are many central governments, whether
8 they be state governments or the federal government,
9 which believes that it is appropriate to mandate
10 certain policies or procedures, particularly on local
11 governments. This conference has been replete with
12 discussions about education at the local level, but
13 discussed at the state from a statewide perspective,
14 as well as federal initiatives about health care
15 reform.

16 The additional perspective I would offer to
17 our cause is that we also argue for better policy
18 making and simple fairness in this entire business of
19 federal regulation, and to that end, I would offer
20 five very simple points regarding mandates.

21 Number one, where policies are designed to
22 improve the physical quality of life for people, they
23 should be based on valid, scientific evidence.
24 Unfortunately, we believe that many mandates have no
25 such scientific testing or analysis.

1 Point two, even if a science suggests that
2 the policy change would benefit citizens, the second
3 question is at what cost. We would argue for a
4 significantly greater cost benefit analysis to make a
5 determination about implementing some regulation or
6 mandate. Is it really necessary that every public
7 water supply in every community in this country be
8 tested for a pesticide that's only sold in the state
9 of Hawaii?

10 Third, we would argue for flexibility and
11 consultation with those who are involved in mandating
12 any issue. We think that's incredibly important to
13 this discussion and what we would hope would come out
14 of this collaborative effort.

15 Point four, not all local governments are
16 created equal in their capacity to deal with mandates.
17 There are small towns, like the one I grew up in, as
18 well as very large cities, there are central cities
19 and there are suburbs, and their needs and their
20 capacities are greatly different.

21 Point five, there is some mandates which we
22 believe uniquely or disproportionately affect local
23 governments. The Americans for Disabilities Act may
24 in fact be a good example. Local governments are
25 clearly not opposed to equal access for disabled

1 Americans, but public facilities, swimming pools,
2 recreation centers, airports, bus systems, so totally
3 dominate what local governments do that we believe
4 local government would be disproportionately affected.

5 In closing, I want to thank NGA for the
6 opportunity to participate in this dialogue on our
7 common interests, and to offer our continued
8 participation in recognition of those common
9 interests. Thank you.

10 GOVERNOR ROMER: Thank you very much. I want
11 to come back to Senator Connor and Commissioner
12 Stroger in the dialogue period in a moment, but I'd
13 like now to call on our two lead governors in the
14 area, Governor Walters and Governor Weld, for brief
15 comments from your perspective as the NGA lead
16 governors on this dialogue which we're having with the
17 local governmental units. Governor Walters first.

18 GOVERNOR WALTERS: Thank you, Mr. Chairman.
19 As you know, we ran a task force that dealt with a
20 number of areas. I'm going to comment on two of those
21 areas, and then ask or have Governor Weld comment on
22 the other two.

23 We've produced a document, frankly, I'd call
24 your attention to it, that is 96 pages long. It is, I
25 think, an excellent document, and reviews all four of

1 the priority areas and represents the inventory and
2 survey that we made of the nation's governors on
3 excellent programs that are under way.

4 Let me comment on just a few examples.
5 Under performance based government systems, we cite a
6 number of them in this report, but we mention
7 specifically the Oregon Bench Mark System. Barbara
8 Roberts has done an excellent job of assessing bench
9 marks in all areas of government, made a fine
10 presentation on that. Arne Carlson here in Minnesota,
11 the Minnesota Milestone is an equally good example
12 of involving thousands of citizens in assessing the
13 vision in the future for that state. Ann Richards'
14 work on the Texas Performance Budget I think is of
15 note and is commented on in this report, in which it
16 seems to be one of the more comprehensive approaches
17 to finally move away from budgeting for -- as an input
18 and developing a budget that's much more mission
19 driven, just as we see in all the literature.

20 Management systems reform would be the second
21 area that I would touch on. We, of course, talk a lot
22 about quality management systems, and we cite those in
23 Arizona, Arkansas and New York. Human resource
24 management reform in Florida and Iowa are important
25 examples, particularly some of the pilot programs of

1 Lawton Chiles is advanced. We talk about some of the
2 innovations in Oklahoma. We've advanced some
3 personnel and purchasing reforms unsuccessfully. We
4 did advance a compensation plan called the Oklahoma
5 Pay Plan, which has received some note and has been
6 very successful for us.

7 Purchasing, budgeting, accounting reforms in
8 Florida, Michigan and New Jersey are talked about, and
9 communication reforms, Mr. Chairman, in your own state
10 of Colorado, taking government out to the people,
11 putting those kiosks in those shopping centers, I
12 think is really using technology to its fullest to
13 assess the views of your own constituents. And then,
14 of course, conversations with Oregon, which is a well
15 known program that Barbara Roberts has, again,
16 employed to the advantage of planning that state.

17 I would close by saying if we draw any
18 conclusions from our work, that we were impressed by a
19 few things that are obvious, and maybe some things
20 less obvious. We were certainly impressed by the fact
21 that it takes a strong commitment from the governor
22 and from the executive branch. And when we say strong
23 commitment, we talk about including it in your
24 language, including it in your goals for your cabinet,
25 including it in your talks with your agency heads,

1 talking about it constantly. I do in my state, and I
2 think it takes that to make any progress at all.

3 A clear understanding of the organizational
4 culture is very important, and we had some war stories
5 that were shared around the table about pitfalls when
6 many of us would launch into efforts and not fully
7 understand some of the cultural aspects that would
8 stop this kind of effort.

9 A clear understanding of and good
10 communication with the major customers is critically
11 important. I think Governor Weld talked about one
12 such innovation which needed more communication with
13 the public employees. We've each had similar
14 problems. Capacity for change, a process for change,
15 I would -- the process for change requiring continuous
16 improvement.

17 The last thing I would mention is that it
18 strikes me, as I listen to these presentations, that
19 one of the most important elements, and we talked with
20 the Vice President about this a bit when he visited
21 with us, is to confront and talk frankly about the
22 natural tension between the executive and the
23 legislative branches, and the fact that as we ask for
24 flexibility in order to try to do things more
25 efficiently, oftentimes, that is interpreted by

1 legislative bodies as opportunities for abuse. And I
2 think rather than let that tension lie under the
3 surface, we ought to elevate it, talk about it, and
4 hopefully come to terms with our other public policy
5 making bodies so that we can, in fact, reinvent
6 government.

7 Thank you, Mr. Chairman.

8 GOVERNOR ROMER: Thank you, Governor Walters.
9 I want to compliment all the panel for the discipline
10 that you used in your presentation, and it's going to
11 give us more time to dialogue. I really thank you for
12 that. Governor Weld.

13 GOVERNOR WELD: Thank you, Mr. Chairman.
14 You're right about the importance of this reinventing
15 government initiative. I believe President Clinton,
16 last week, was talking about setting up the budget
17 deficit reduction summit for the month of October. He
18 talked about the possibility of having it at the same
19 time a reinventing government summit, to be chaired by
20 the Vice President, so at the highest levels of our
21 government, these objectives are viewed as going
22 hand-in-hand.

23 I'll say a word about privatization and human
24 services reorganization. In the state of Michigan,
25 under Governor Engler, in the area of privatization,

1 developed an innovative idea called the Perm System,
2 whereby every manager has to rate every program under
3 his or her jurisdiction each year and recommend that
4 one of four things been done with it. Either that it
5 be privatized, that's the "P", eliminated, that's the
6 "E", retained in current form, that's the "R", or
7 modified in specified way, that's the "M". I think
8 it's a very healthy exercise to go through because if
9 the manager has 110 programs and they come back and
10 say they should all be retained in their current form,
11 it might lead you to suppose they're not scraping very
12 deep.

13 We had a little bit of a more disorganized
14 approach in Massachusetts. We told everybody to
15 privatize everything unless they could justify it in
16 its current form. We have privatized quite a lot. We
17 got a better price, in some instances, and better
18 services in some instances. We privatized prison
19 health care, and we got accredited by a national body
20 which is going to help us on insurance premiums. We
21 closed seven or eight state hospitals and put the
22 patients in the community based settings. Most
23 patients' families think that's superior care. It's a
24 less intrusive form of care, and the patients are not
25 warehoused in these antiquated, red brick buildings

1 that we previously had been paying to heat all winter
2 long, even though the occupancy rate was only 18
3 percent, so that was a reform crying out to be done.

4 We privatized highway maintenance, and there,
5 it's about the same money. We've saved a couple of
6 million dollars, but we've gotten much better
7 services, and you can write that into the contract.
8 Say you've got to sand the roads five times a year
9 instead of one, you've got to wash the bridges, which
10 we weren't doing before, you've got to clean the catch
11 basins twice a year instead of never, so you can
12 assure yourself in advance, if you draft the contract
13 tightly, that you're going to get more for your same
14 dollar or that you're going to save X-dollars, and
15 it's important to write in penalties for
16 non-performance.

17 We privatized health care in our prisons, and
18 there was a liquidated damages penalty of a hundred
19 thousand dollars per institution if they failed to get
20 a accreditation by January of '94.

21 We drew up a manual with a checklist for all
22 the things you've got to worry about in your request
23 for proposals. I'll just mention one touched on
24 briefly by Governor Walters. I made a mistake in not
25 getting the public employee unions on board early

1 before this process started, and this is something
2 that David Osborne and Ted Gabler told me was a big
3 mistake when we testified before the Joint Economic
4 Committee on this topic.

5 You can go to the public employees and say
6 we're going to reorganize things, but we'll tell you
7 none of your people are going to lose a job because of
8 this. They may be working somewhere else in state
9 government if we succeed in shrinking the size of this
10 operation, and they may be backfilling someone else
11 who is leaving by attrition, so you still shrink
12 the size of your work force, but you can avoid making
13 them a big enemy.

14 The other area -- the fourth area that we got
15 into was human services consolidation and
16 coordination, and many governors have made progress
17 there in avoiding the so-called picket fence system
18 where you've got 50 different funding streams bringing
19 these human services to the beneficiary, and it's
20 hopelessly duplicative and wasteful.

21 There are a number of models in Florida.
22 Governor Chiles is turning his state's \$8 billion
23 system right side up by empowering the communities
24 at the local level to own and manage their own
25 delivery system. They're getting away from the top

1 down hierarchical structure, which was happening
2 throughout government, and as it's happening
3 throughout industry these days.

4 In Michigan, again, Governor Engler's program
5 to strengthen Michigan families promotes community
6 self-sufficiency, family preservation, coordinated
7 services for children, early intervention for at risk
8 infants and for toddlers. And they say there's almost
9 total congruence of view on the right approach here
10 despite a wide difference of view on the so-called
11 social issues. It doesn't seem to make any difference
12 in approaching these human services questions.

13 In your state again, Governor, we know that
14 you have restructured government agencies to create a
15 system that is much more efficient, and emphasizes
16 prevention and reduces duplication, and is driven by
17 needs at the family and community level rather than by
18 categorical funding which is decided by some
19 bureaucrat someplace.

20 Other programs I just mentioned are in Ohio,
21 the Family and Children First Cabinet Council. In New
22 Mexico, under Governor King, the creation of New
23 Mexico's Children, Youth and Families Department, and
24 lastly, the massive restructuring under Governor
25 Campbell of the entire state government in South

1 Carolina. Thank you, Mr. Chairman.

2 GOVERNOR ROMER: I'm going to call upon
3 Senator Connor and Commissioner Stroger for first
4 comments here, but in the brief time that we have to
5 discuss, we obviously can talk about what we can do
6 within our own governmental level in terms of
7 reinventing, and that is important, but we have a
8 unique opportunity here today not to talk about that,
9 but the interrelationship between local government,
10 state government and the national government, and I
11 think we should focus upon that, if we can.

12 One last comment before we turn to
13 discussion. Too often an effort like that which the
14 Vice President leads ends up in a very good report,
15 but it lays on the shelf, and I think we need to
16 really focus upon what ways that we can honestly make
17 government different, and I would just give you a for
18 instance.

19 In my own state, I know the federal
20 government operates day in and day out. I manage a
21 state government that operates day in and day out, and
22 yet quite often, we never really talk to each other
23 except upon problems, as they arise. And yet the
24 state government then extends itself down into the
25 local area, and I have thought, for example, of an

1 institutional method of forcing governments to deal
2 with each other, such as take one day every six months
3 and order every state employee in a certain area of
4 the state to sit down on that day with every other
5 governmental official with whom they deal, and the
6 leadership of the private sector with whom they deal
7 for an accountability session. I'm trying to think
8 about ways in which structurally we can force this
9 intercommunication.

10 Let's turn the dialogue now to the
11 governors and the panel, and I'd like to begin with
12 Senator Connor. Senator Connor.

13 SENATOR CONNOR: Thank you, Governor. I
14 appreciate the opportunity of being here.

15 Let me first say that certainly all of us are
16 looking at reinventing government as being certainly
17 an enormous task, but one that can be brought about.
18 It needs much time, however, and even more so than
19 time, cooperation. I think that the initiative today
20 started by bringing us together to dialogue is
21 extremely important. That cooperation is necessary.
22 You're absolutely right in your statement that a
23 report laid on the table someplace does not do the
24 ultimate good, and that is for us to all stick
25 together if we're going to enter this phase, work

1 together and dialogue together in coming to some
2 resolve.

3 I believe that if this initiative is to
4 succeed, and we listen to the mandates given to us by
5 our constituents, we need to start today, just as we
6 are here, in dialoguing in two areas we need to start.

7 Number one, in Delaware, let me just say,
8 since John Engler has received so much publicity on
9 programs he's had in this state, I have to give
10 Governor Carper his just due, also. But in Delaware,
11 we've started a commission looking at the way the
12 government structures, looking at ways of cutting back
13 that government, and looking for ways to make
14 improvements in our state operation. Our study that
15 we need to become involved in, I think, collectively,
16 is studying the purpose for the existence of
17 government bureaucracies in many areas. The working
18 group must be put together, including all of us, to
19 look at the issues that need to be resolved
20 long-range, but we also have to take a second step,
21 and that is to immediately start as a group working
22 towards and lobbying for changes as of today with the
23 health care reform act. Look at the bureaucracy and
24 the red tape and the problems that we may face in our
25 individual states, cities, counties, and what may come

1 down to us. We collectively should start to forge
2 together and should start to develop now an initiative
3 to restructure and to reinvent government so that we
4 do not have the bureaucracy and red tape facing us in
5 the future that we currently have on our
6 shoulders from those who have served us in the past.

7 So basically, Governor, I think there are
8 several things. One of them is taking a group,
9 forming that group, surging forward with the study on
10 the long-term effects and the goals that we intend to
11 look toward. The other one is to start immediately on
12 the issues that are before Congress that are facing
13 us, and try to come out of this with a resolve on
14 those issues.

15 Let us also make sure that we do not usurp
16 the responsibilities, in this initiative, of our
17 governors, of our legislatures, of our cities and
18 county officials, and of our Congress. It's fine to
19 talk about reinventing government, but I think we're
20 killing ourselves if we look at reinventing government
21 and start to implement those things from the
22 congressional level down that will usurp the
23 responsibilities and pass on more mandates to our
24 various states.

25 We, in the various states, have already begun

1 to look at reinventing government. There are
2 initiatives out there in all of our states. We need
3 to collectively now work towards the betterment of
4 government for all of our citizens. It's not easy,
5 it's a complex issue, but we need to do it.

6 An example of what we can do, in just
7 wrapping up, in government, we have stymied, for
8 instance, many small businesses. We have stymied
9 their development and their continuance by the
10 bureaucracy and red tape that we placed upon them,
11 along with our constituents.

12 So I think it's an issue whose time has come.
13 You certainly, along with Governor Campbell, have the
14 initiative now and grasp, and hopefully we'll move
15 forward collectively, together, to help resolve some
16 of these problems. Thank you.

17 GOVERNOR ROMER: Thank you. Commissioner
18 Stroger.

19 COMMISSIONER STROGER: Thank you, Governor.
20 I appear here as an exhausted rooster. We have new
21 leadership in the person of Barbara Sheen Todd, who is
22 very able, but when you've been there, you always have
23 a few comments that you think will make life better
24 for the new leadership and for all of the participants
25 here, and I've been there, starting with you in

1 Boulder, working cooperatively in regards to deficit
2 reduction and improving the health care system, while
3 also impacting on deficit reduction.

4 But as local governments, entities of the
5 state, as we all are, I am very proud that we have
6 this dialogue, and I hope, for a political reason,
7 that we continue this dialogue because there's two
8 elements involved here, Governors and my colleagues;
9 that is the one of politicking, and then that is the
10 one of governing, and sometimes they get in the way of
11 each other, and particularly the politicking and the
12 government. So we, at the local levels, sometimes
13 suffer from political decisions that are made in
14 campaigns by state legislators and governors, and to
15 give you a good example is the law enforcement.

16 We all are, and particularly a person like me
17 who lives on a day-to-day basis in an area that crime
18 is rising at a pace that's alarming for anyone, we are
19 concerned with curbing crime. But when you mandate,
20 give us no funds, that we have more jails, the jails
21 are built with certain specifications. As a matter of
22 fact, some of these jails have better gyms than our
23 high schools. More money is mandated for prosecutors,
24 probation officers necessary, and when we, at the
25 local level, come in and suggest to the state

1 legislators and governors that probably if we put some
2 of these dollars up front, that we may not need to
3 have all of these sophisticated jails, we may not need
4 to have more correctional officers, and we probably
5 can reduce some of the dependences on more police
6 officers. So the dialogue that we're sharing here
7 must be an honest dialogue in terms of both the
8 politics and the government.

9 And then I would like to say that we are
10 confronted in the cities and the counties with most of
11 the problems because we live with them on a day-to-day
12 basis; health care, welfare breakdowns, I alluded to
13 the criminal justice. But let me show you and give
14 you an example of what can happen with some form of
15 cooperation. This was with the federal government,
16 the state government, and I'm from Illinois, Governor
17 Edgar's state, and our county. We just opened up a
18 new hospital that was conveyed to us by the federal
19 government when Jack Kemp was secretary of HUD, that
20 we put local money into, but we have a collaborative
21 effort with the private sector, community groups
22 necessary to try to improve the quality of health care
23 not only for those inpatients, but to deliver a system
24 that will benefit all of us from a preventive measure.

25 In conclusion, I would like to also state

1 that governors, I hope that you develop a task force
2 of some mechanism, and I recognize each state is
3 different, on how are we going to finance local
4 governments. Everybody is talking about reinventing
5 local governments, but the financial mechanism to run
6 local government have been here as long as we've had
7 America, and you cannot run local governments on real
8 estate taxes any more exclusively. So we have to look
9 at that and rethink and redesign a new system to
10 finance your local governments.

11 Thank you very much for allowing me to work
12 with you over the last year in my role as President of
13 the National Association of Counties.

14 GOVERNOR ROMER: Thank you, John. Governor
15 Campbell, and then Governor Edgar.

16 GOVERNOR CAMPBELL: I don't want to make a
17 long comment, I just want to observe something.
18 Everybody at some time along the way has mentioned
19 something about a mandate or something either from the
20 state or the federal level, and it's occurred to me
21 over time that when we talk about mandates, the public
22 just basically tunes it out because it doesn't mean
23 anything to them. As we said a while ago, it's
24 just something abstract.

25 I think if we redefine the mandate with

1 something that was very catchy, I mean whether you
2 called it pickpocket legislation that's going through,
3 so that people get the idea of what's about to happen
4 to them, that they'll focus a little bit more. I
5 think we're going to have to redefine how we discuss
6 this serious problem, and it's a problem at the local
7 level when the state legislatures do it, and it's a
8 problem at the federal level -- I mean at the state
9 level when the federal government does it to us. And
10 I would just encourage in this dialogue, and later on,
11 as we look at it, a redefinition of some issues to a
12 common language that John Q. Public understands what's
13 about to happen to them, instead of in an abstract
14 sense, where they don't really know it until after
15 it's over with.

16 GOVERNOR ROMER: Some of them are more nearly
17 like muggings than pickpockets. I would like to --
18 Governor Arne Carlson.

19 GOVERNOR CARLSON: Thank you, Mr. Chairman.
20 I would like to, first of all, commend the panel. I
21 think their discussion is extraordinarily thoughtful.
22 And all of us, as governors, have our own war stories.
23 I don't think there's a single state that hasn't
24 created some kind of a commission or some kind of an
25 effort to bring about cost efficiencies, et cetera.

1 Through the bulk of our lives, we have all
2 lived through decades that are dedicated to slogans.
3 Everything from the New Deal now to the New Democrat,
4 and the whole concept of reinventing government
5 outcome based, and we have our own lingo to carry that
6 out.

7 But the reality is in the process, I would
8 argue that from a public perspective, we're busy
9 rearranging the deck chairs on the Titanic. We will
10 make those reforms, we will do it slowly, while at the
11 same time we continue to lift public expectation, and
12 the two cannot be seen as compatible. But I think the
13 time has come for us, as elected officials, be we
14 democrat or republican, to start putting on the ballot
15 those kinds of initiatives that give the public a
16 feeling of ownership and outcomes. The truth is,
17 there's not going to be fundamental change until such
18 time as the public demands it. It's not a question of
19 shifting resources from the state to the local
20 governments or shifting the blame from the states to
21 Congress. I'm talking about things like term limits.
22 Reality is that the only way we're going to distribute
23 the political power in America is to make sure that
24 the seniority system is abolished in Congress;
25 otherwise, we have disproportionate power resting

1 disproportionately throughout America.

2 The second one is an amendment that places
3 all tax increases on the ballot for a vote of the
4 people. They will decide the constraints, and then we
5 will be given the responsibility to manage with inside
6 those constraints. But as long as there's no
7 constraint, the excuse always will be for the public
8 sector to come in and say it needs more and more
9 money.

10 The third thing is exciting concepts, like
11 once and for all dealing with the question of
12 unicameral legislature. The greatest example in
13 America of political duplication. But the reality is
14 that those of us in the positions of elected
15 responsibility, be we at this table or at home, have
16 been reluctant to put those on the ballot because,
17 frankly, it involves sharing our power with the
18 people. And I would argue that we're not going to be
19 able to look back 10 years from now with any great
20 degree of pride relative to the expectations we're
21 expressing this morning until such time as we decide
22 that the people are going to have direct ownership of
23 not only the outcomes, but also the inputs.

24 I think we have a tremendous opportunity in
25 1994 as governors and as leaders to take back to our

1 legislative bodies a whole series of propositions
2 which allows them to share in the responsibilities and
3 the outcomes of government, and that will then compel
4 us to focus on this whole exciting agenda on how we
5 can better manage our ships.

6 GOVERNOR ROMER: Governor Edgar.

7 GOVERNOR EDGAR: Governor, realizing we don't
8 have a lot of time to discuss, I think it's important,
9 though, that maybe we think about structure here a
10 little bit, because I think what you started in
11 Colorado Springs and what's happening here today is
12 extremely important, and we do have an opportunity to
13 change government because we have to change
14 government. One, the people are unhappy with us, and
15 two, we don't have enough money to do things the
16 way we used to do it. So this is a golden opportunity
17 to reinvent government, and I think as we all know,
18 we're going to have to do this together.

19 I would urge that this organization, along
20 with the other organizations here, look at areas where
21 they could work together and stop duplicating or stop
22 competing. And I particularly like Mayor Fraser's
23 idea about trying to identify maybe one issue. I
24 don't think we're going to solve all the problems of
25 government here, but maybe we could identify an issue,

1 as we did on the deficit, or perhaps the mandates that
2 Carroll talked about, or the family problem, and as a
3 group, try to take on that as a project, and that
4 would allow us, one, to meet together and enter into,
5 I think an unofficial dialogue that's just as
6 important as what we talk about specifically, and
7 build a better working relationship, and urge our
8 staffs to try to come up with a list of projects that
9 maybe we could work together on or eliminate because
10 somebody else is doing it, but not let this
11 opportunity pass us by.

12 GOVERNOR ROMER: Before I call on Governor
13 Schaefer, I just want to say that what happened, and
14 we began that in Colorado Springs, was just the pure
15 fact of our working on a project or two or three
16 together I thought brought our associations and our
17 communication much better together, and I like the
18 suggestion. There's one other I hope we don't forget,
19 and that's the one Governor Hunt made yesterday,
20 because I believe that the ultimate communication with
21 Congress, outside the committee hearing room, when you
22 get into that committee hearing room, it is almost a
23 forged structure that you can't alter, but I hope that
24 we don't drop that suggestion, also.

25 Governor Schaefer.

1 GOVERNOR SCHAEFER: I want to take a little
2 different tack on this. First of all, I appreciate
3 the distinguished board. I remember 10 years ago, I
4 sat where you sat and said the same thing, exactly the
5 same, most likely before this board, before Congress,
6 before everyone, and I got the same results; a lot of
7 nice pamphlets, a nice President and Vice President
8 discussion, and I heard all of that. And then I think
9 we do a lot of this ourselves. We forget a couple of
10 things; that we do some good for people.

11 It would be nice if every once in awhile the
12 governors would have a meeting and just discuss what
13 we do. I do some good things for people in Maryland,
14 and I know you do, too, but we're defending ourselves
15 on redesign everything because we're doing it wrong.
16 Well, I've done most of the things that you've talked
17 about in my state. I don't get in manuals and all
18 this, but I've done it, so I would suggest that maybe
19 sometime, instead of talking about reinventing and
20 redesigning and all the rest, I know, Roy, you don't
21 like to hear this, but I want to hear it -- I'm going
22 to have my chance to say it. I don't have much chance
23 to talk here so I might as well take my time.

24 So first of all, mandates. Do you really
25 want to do something? When you all were here and when

1 I'll long be gone, the next bunch will be sitting at a
2 board there and they'll be talking about mandates.
3 Everyone knows that's one of the basic problems that
4 we have. Our senators and others don't want to give
5 up their power, no one likes to do that, so why don't
6 we concentrate on mandates.

7 And the second one is red tape. I listened
8 to the Vice President talk about he's going to appoint
9 the committee that's going to look into all of these
10 regulations and so forth. They're not going to work
11 unless you have an enforcement committee made up of
12 the local, the state, the federal and the private
13 sector to go down and look at all the red tape that
14 has been promulgated over a long period of time. It's
15 just not going to work. It's going to look good,
16 we're all going to look like we're accomplishing
17 something, but nothing will be done unless there's an
18 enforcement of the regulation and the doing away with
19 the red tape.

20 And then no one has talked about the good
21 things that government employees do. We've talked
22 about redesigning and cutback, and let's get away
23 with bloated government and all the rest. If you
24 were on the other side and you were working hard to
25 help to solve the mentally disabled, the poor, the

1 elderly and so forth, how would you feel if every time
2 you looked around we're going to take your job away
3 from you. So somewhere along the line, it would be
4 nice if we would talk about the state employees, the
5 federal employees, and the rest and the things that
6 they do. This is not in keeping with redesigning
7 government, but it's something that I feel very
8 strongly about, and I try to tell our people, I tried
9 to save your job. I'm not trying to knock you out of
10 a job. I'm going to try to find a way that you may be
11 able to do it better, but I'm not going to try to find
12 a way for you to be knocked out of a job.

13 So in summary, I think we ought to go after
14 mandates. I think we ought to go after red tape. I
15 think we ought to go on the offensive and not on the
16 defensive with the press all the time telling us what
17 a bad job we do. I think we do a fairly good job in
18 many of the things that we do. We provide services
19 for people, keep people alive, provide the water, the
20 sewer, the streets, the roads, all the rest of these
21 things.

22 So my few minutes that I have, in summary, as
23 they always say, I wish I'd be here 10 years from now.
24 I'll be looking down from someplace, either up or
25 down, but I'll be looking to see the board there, and

1 you'll be doing the same thing unless we really get
2 after the mandates and keep the pressure on, and the
3 same thing with red tape; nice talk, a lot of good
4 intentions, but it's not going to work unless you have
5 an action committee that goes out and sees that it's
6 happened.

7 Thank you very much, Mr. Romer.

8 GOVERNOR ROMER: Thank you, Governor Schaefer.

9 GOVERNOR McWHERTER: Roy, Mr. Chairman, may
10 I just be recognized?

11 GOVERNOR ROMER: Yes.

12 GOVERNOR McWHERTER: I'd like to say amen to
13 that.

14 GOVERNOR ROMER: All right. Great. Governor
15 Fordice, and then Commissioner Todd.

16 GOVERNOR FORDICE: Thank you, Mr. Chairman.
17 I wanted to comment first that I think Commissioner
18 Stroger probably hit on and we haven't reacted to it
19 much, one of America's largest problems, and that
20 is the fact that many venues, particularly local
21 municipalities, have run out the usefulness of
22 property taxes and there needs to be some way, other
23 than that, to finance local governments. Some have to
24 depend entirely on property taxes, and I think he's
25 right that that method has, in many places, outlived

1 its usefulness. In rural areas, if property taxes get
2 high enough to where a farmer stumbles on a crop one
3 year and loses his farm, then they become confiscatory
4 and something needs to be changed somewhere, I
5 believe.

6 But while that distinguished panel is
7 assembled at multiple levels, I'd like to get their
8 advise on a particular problem that I've had dealing
9 with another major problem in America, and that is the
10 deteriorating infrastructure. About 50 percent of our
11 bridges are structurally deficient or functionally
12 obsolete, that's engineeringese for they need to be
13 replaced. It's not sexy really to do bridge work.
14 the paving projects show up more, they have more
15 public appeal, but that bridge substructure is
16 continually deteriorating, and we've had some deaths
17 recently that resulted from people getting to the
18 bridge and the bridge wasn't there and they went off
19 in the creek anyway.

20 Now, I have a proposal to use state funds and
21 start with the priority list, which we already have
22 drawn up, and start with the bridge that's the worst
23 off and come down that priority list and use an amount
24 of money that we can appropriate out of current funds.

25 I run upon a big problem in the legislature

1 because I say that is a perfect distribution, it will
2 spread it around the state if we just go down that
3 priority list in a completely objective manner.
4 They say, no, it won't. There are a lot of counties,
5 and I represent one or two of those, I'm told by a
6 legislator, that have already done their job in fixing
7 the bridges in their county, and you're going to rule
8 them out completely and you're going to distribute
9 this money down to those municipalities and those
10 counites, and I'm talking about what I call off system
11 bridges, not the secondary, but this is off system
12 where it's up to the municipality or the county, and
13 they say you're going to cut us out because we did our
14 job right and we kept our infrastructure up. I'm
15 trying to get some money down to get these bridges
16 replaced because they are a threat to life and limb.
17 I dread the day that a yellow school bus full of
18 children comes up to the bridge and it's not there and
19 they end up in the creek. How am I going to get past
20 that kind of thinking?

21 COMMISSIONER TODD: Governor Romer?

22 GOVERNOR ROMER: Yes. Commissioner Todd,
23 Governor Nelson, and then Governor Voinovich, and then
24 we need to cut this off because we need to go on to
25 our policy. Go ahead, Commissioner Todd.

1 COMMISSIONER TODD: Very quickly in
2 response to you, you've heard build it and they will
3 come? Give us the money and we will build it, okay?
4 And basically, in most communities such as ours in
5 Florida, we have local transportation boards, many
6 counties and cities who have taken the initiative, but
7 they have, within their framework, priorities, and I
8 would really, in the spirit of cooperation, make a
9 direct communication, as governor, and it would
10 impress the heck out of them if you were actually to
11 contact them, because very rarely do local officials
12 hear from their governors.

13 Okay. I also want to compliment remarks I
14 heard from Governor Edgar and Governor Schaefer.
15 Governor Schaefer is a living, breathing example of
16 why everyone who serves in an office in the state or
17 federal government should at least have been baptized
18 at the local level, okay, because you certainly show an
19 understanding.

20 I want to just provide a very brief summary
21 of what one county official, as representative
22 counties, thinks we need to be doing in the direction
23 of this entire discussion. I am very pleased,
24 Governor, that you governors believe that we need to
25 join together on this issue of unfunded mandates.

1 Let's realize, first of all, that unfunded mandates
2 exist on the state level, as well as on the federal
3 level, and we, at the bottom, the cities and
4 the counties, are like the little -- the dog at home.
5 The guy that works has a problem with his boss, he
6 takes it out on the wife, the wife takes it out on the
7 kids, the kids take it out on the dog, the dog takes
8 it out on the cat, the cat eats the fish. We're the
9 fish, and we kind of would like to get up there and
10 get rid of that little syndrome, and I'm delighted to
11 know that you want to join us.

12 Now, let's make a specific recommendation on
13 that. If, in fact, we're going to deal with the
14 unfunded mandates, first we recognize it's a state and
15 federal problem and local problem. Secondly, let us
16 join together, join the cities and the counties in the
17 Conference and mayors -- excuse me, the Conference of
18 Mayors and the ICMA on our call to the federal
19 government. Join us, as the NGA, and tell them that you
20 also feel the same way. Let's call for a moratorium.
21 Let's call for at least a two year moratorium as the
22 USA-CIR has recommended that we do, and let's take a
23 professional, objective, unemotional assessment of
24 where this country is and where we, as the nation's
25 leaders, want to take our country. Where do we want

1 it to go?

2 Secondly, on the issue of governance, which I
3 personally believe is the real heart of the whole
4 problem, we need to do an assessment as to where we
5 want to go and what our people are saying, what our
6 public are saying. The governor over here from
7 Minnesota was talking about the need to involve the
8 people. When I go back to my office and I find a list
9 of telephone messages saying please, Commissioner
10 Todd, don't increase my gasoline tax by four or five
11 cents, then I know they don't understand what in the
12 heck is going on. So we need to involve them in the
13 process. We need to do a national assessment of where
14 we are, and then after we do that assessment, I
15 believe that this body, your leadership, our
16 leadership, the cities, need to sit down, not just at
17 a one time meeting, but we need to roll up our sleeves
18 and we need to carve out a plan, a direction as to
19 what we want to do, and then put those ideas forth.
20 And it's not going to take a day, it's not going to
21 take a month, it may take a year, it may take longer,
22 but I believe that that's what we have as a
23 responsibility for our nation. Thank you.

24 GOVERNOR ROMER: Thank you. Just two more
25 brief comments, and then we need to move on. Governor

1 Nelson.

2 GOVERNOR NELSON: Thank you, Mr. Chairman.
3 I want to thank the panel members today for a very
4 informative explanation of the problems at the local
5 level and your concerns.

6 The one area that we have not addressed at
7 the local level is what I would call the property tax
8 issue, which is the biggest tax of all. While a lot
9 of it would relate to county commissions, as well as
10 local mayors, 80 percent of it in the state of
11 Nebraska goes to schools. So in this dialogue, we
12 need to bring school administrators and school board
13 members, as well, because the reinventing of
14 government is not limited to municipal governments,
15 but also must be addressed by school folks in the
16 process of changing things.

17 When I return, we're going to have a
18 conference, we're going to schedule a conference not
19 totally unlike what we've had today with the panel,
20 but bring into the midst school administrators and the
21 school board members, as well, because in the whole
22 process, and a little later I'll be giving a report on
23 the education goals, the whole process of school
24 reform is not limited to substance of school and
25 education, but also relates to financing education.

1 I'm not talking about the equity issues of financing,
2 but changing the way that things are being done so
3 that we get the best educational bang out of the
4 educational dollar that goes into the financing. So I
5 hope that we can add people from the school side as
6 well, because I think it can help the entire dialogue.

7 GOVERNOR ROMER: Thank you. Last comment,
8 Governor Voinovich.

9 GOVERNOR VOINOVICH: I'd like to congratulate
10 you, Mr. Chairman, for getting all the various local
11 and state government people together in Colorado. I'd
12 like to congratulate you for inviting this panel here
13 today.

14 As a former mayor, county commissioner, state
15 legislator, when I look back at my activity with Don
16 Schaefer and the NLC, when we really got things done
17 in this country we collaborated. We, at that time,
18 back in '84 and '85, had the consortium of the state
19 and local governments, and we were able to respond
20 positively to the '86 tax reform bill when they tried
21 to eliminate tax exempt financing. We were able to
22 deal with Congressional response to the San Antonio
23 Garcia case, and several other victories. And I
24 really believe that if we work together and define one
25 or two things that we go after, we can make a

1 difference. We can deal with the mandates, we can
2 deal with some of these other projects, but
3 individually, going off on our own, we're not going to
4 get the job done.

5 GOVERNOR ROMER: Thank you very much. I
6 would like to invite the panel to stay. We have a
7 very interesting agenda. Senator Dole is coming, and
8 you may have other activities or duties, if you do,
9 but if you don't, stay, enjoy this proceeding this
10 morning, and I want to thank you very much for coming.

11 Humor always gets you in trouble, but there's
12 great, great communication and symbolism in
13 Commissioner Todd when you said we're just the fish,
14 you know, the local government, I tried to take that
15 seriously. I went through goldfish, sunfish,
16 dolphins, humpback whales, sharks, piranhas, and I
17 just guess we need to have more communications of what
18 kind of fish local government is, okay?

19 Let me then turn to the policy positions,
20 they are in front of you. And I would like to ask
21 Governor Edgar, Chairman of the Committee on
22 Economic Development and Commerce to move his
23 committee policies en bloc, and discuss them briefly.

24 GOVERNOR EDGAR: Thank you, Mr. Chairman.
25 The committee adopted the following policy

1 resolutions, and I'd like to make a motion that they
2 be adopted. New policies adopted were on economic
3 growth and development incentives; work force
4 development programs; closing of military bases;
5 banking regulations and the credit crunch; state
6 policy and national science and technology. We also
7 reaffirmed existing NGA policies on tourism and on
8 enterprise zones, and we approved a resolution
9 reaffirming the governors' support for the North
10 American Free Trade Agreement, and its side agreement
11 on environment and labor. Again, I would move the
12 adoption of these resolutions.

13 GOVERNOR ROMER: Is there any discussion of
14 that motion? All in favor say aye.

15 GOVERNORS: Aye.

16 GOVERNOR ROMER: Opposed, no. It is adopted.

17 I'd like now to call on Governor Florio,
18 Chairman of the Committee on Human Resources to move
19 his committees' policies en bloc. Governor Florio.
20 Governor Carlson, are you going to move that for --
21 fine, we'll take the next one and we'll come back.

22 I'd like now to call on Governor Sullivan,
23 Chairman of the Committee on Natural Resources to move
24 his committee policies en bloc.

25 GOVERNOR SULLIVAN: Mr. Chairman, the

1 Committee on Natural Resources recommends the adoption
2 of two new policy positions; one on Superfund, and one
3 on transportation conformity.

4 With respect to transportation conformity, I
5 would note that the position is identical to the one
6 reported out by the Committee on Economic Development.
7 In addition, the committee recommends amendment to the
8 existing policy statement on energy and reaffirmation
9 of the existing policy statement on research
10 technology and innovation, and I would move the
11 adoption of the recommendations of the committee.

12 GOVERNOR ROMER: Second? Is there any
13 discussion of that motion?

14 GOVERNOR ENGLER: Just a comment, Mr.
15 Chairman.

16 GOVERNOR ROMER: Comment? Governor Engler.

17 GOVERNOR ENGLER: Mr. Chairman, I haven't had
18 a chance really -- I was just starting to mention this
19 to Governor Sullivan, and there is a point, though,
20 that I wanted to raise because in reading this, this
21 is old policy, so it isn't something new today, but
22 it's old policy, and I think we do need to review, and
23 I want to mention it because in the -- under improving
24 energy utilizations, 1.3.2, there's a statement that
25 says to improve energy utilization, the governors

1 support the following measures, and then it goes on to
2 say increased vehicle fuel efficiency through means
3 such as raising the corporate average fuel efficiency
4 standards and CAFE standards.

5 I think if we look at where we're headed with
6 some of the incentives that are now being put forward
7 under the Clean Air Act, some of the pollution
8 prevention activities I know the Great Lakes governors
9 are debating, this is a little bit of a throwback to
10 the command and control approach, and I think it has
11 some competitive affects, which actually work against
12 us and work against the American industry, and I think
13 there's substantial scientific evidence working
14 against the environmental cleanup.

15 I just want to raise the point and say this
16 is something that we ought to take a look at in the
17 coming year, because I think that ought to be dropped
18 out of here at a future meeting. At least I have no
19 problem with increasing fuel efficiency, but I think
20 the CAFE approach is the wrong approach.

21 GOVERNOR SULLIVAN: Mr. Chairman? May I just
22 make this suggestion?

23 GOVERNOR ROMER: Yes, go ahead.

24 GOVERNOR SULLIVAN: There was another piece
25 of that energy policy relating to externalities that I

1 had some concern about. We're reaffirming old policy,
2 and what we went through and made some changes to
3 adopt it to the Energy Policy Act of '92, I would say
4 to Governor Engler that it seems to me the committee
5 -- it would be appropriate for the committee to review
6 both that and the externalities, which is one that
7 I raised, and at the same time, I think it's
8 appropriate to reaffirm the existing policy with the
9 changes, as the committee did.

10 GOVERNOR ROMER: Thank you. Any other
11 comments? All in favor of the motion say aye.

12 GOVERNORS: Aye.

13 GOVERNOR ROMER: Opposed, no. The motion is
14 adopted.

15 Now I'd like to call on Governor Carlson,
16 who is the Vice Chair of the Committee on Human
17 Resources to move his committee policies en bloc.

18 GOVERNOR CARLSON: Mr. Chairman, thank you.
19 The Human Resources Committee considered a number of
20 policies and resolutions, and wishes to present them
21 to the full body for its consideration. The committee
22 developed an improved policy in the areas of welfare
23 reform; work force development; reauthorization of the
24 Elementary and Secondary Education Act; Fair Labor
25 Standards Amendments; school link service integration;

1 and community services. It also approved a resolution
2 under the impact of immigration on state correction
3 costs. Mr. Chairman, these were adopted by the
4 committee, and I move their adoption en bloc.

5 GOVERNOR ROMER: It has been moved and
6 seconded to adopt them en bloc. Is there any
7 discussion or comment? All in favor of the motion say
8 aye.

9 GOVERNORS: Aye.

10 GOVERNOR ROMER: Opposed, no.

11 I'd like now to ask for a motion and a second
12 on the adoption of the Executive Committee permanent
13 policy on federalism and resolution on health care.

14 UNIDENTIFIED GOVERNOR: So moved.

15 GOVERNOR ROMER: It's been moved and
16 seconded. Is there any comment upon those on that
17 motion? All in favor say aye.

18 GOVERNORS: Aye.

19 GOVERNOR ROMER: All opposed say no.

20 I'd like to grant Governor Weld a moment of
21 personal privilege to make a comment that he was not
22 permitted time to make yesterday. Governor Weld.

23 GOVERNOR WELD: Thank you, Mr. Chairman.
24 This relates to the resolution that Governor Richards
25 discussed a little bit relating to how escheat monies

1 are handled in the various states. I think she said
2 she was going to circulate a legal brief for everybody
3 to look at in a couple of months, and I think Governor
4 Carper and Governor Cuomo and I will probably
5 circulate a legal brief on the other side, but I just
6 wanted to warn everybody to watch out a little bit on
7 that issue. There's a huge federalism issue buried in
8 that dispute about how to handle escheat money, and if
9 the bill supported by Governor Richards were to pass,
10 all of the financial institutions in your states would
11 be subject to regulation by the regulatory officials
12 of all 49 other states. We think the bill is of
13 doubtful constitutionality, indeed the Supreme Court
14 said so in the decision that this bill was trying to
15 overrule in Congress, and it would be unconstitutional
16 for reasons that go against our interests, not in
17 favor of our interests. It would be a stretching of
18 the commerce clause.

19 The other point that Governor Carper touched
20 on briefly, which I don't even reach, is whether this
21 is an appropriate type of resolution for the NGA.
22 It's true that Carper and Cuomo and I make out best
23 under the current law of escheat because we've got a
24 lot of financial institutions in our states, which may
25 or may not be fair, but Governor Carper and I were

1 discussing this, and it lies in our mind that we don't
2 have any natural resources like oil and gas in our
3 state. So we're going to get Mike Castle to file a
4 bill next year, if this sort of thing comes into
5 vogue, so our fingerprints won't even be on it,
6 requiring oil and gas states to share their revenues
7 with other states that don't have any, and the same
8 goes for states that coastline and thus tourism
9 revenues and lots of trees and lots of logging
10 revenues. I know this will be fought out in Congress,
11 but maybe the NGA isn't the best place.

12 GOVERNOR ROMER: Thank you. I thought we
13 should have time and space for that nonpartisan,
14 nonbiased comment upon an issue with great neutrality,
15 and where it belonged.

16 GOVERNOR CARLSON: Mr. Chairman, he still
17 wants the national convention in Boston next year; is
18 that correct?

19 GOVERNOR ROMER: Now, I would like to ask for
20 a unanimous consent to suspend the rules to allow
21 Governor Tommy Thompson to offer a resolution honoring
22 the late George Mickelson. Do I have agreement to --
23 unanimous consent? I do have. Governor Thompson.

24 GOVERNOR THOMPSON: Thank you very much, Mr.
25 Chairman. And I also would like to just say, at the

1 outset of my remarks, thank you for your leadership
2 this past year. It's been well done, and I certainly
3 appreciate it. As a partisan republican from
4 Wisconsin, you did a nice job.

5 GOVERNOR ROMER: Thank you.

6 GOVERNOR THOMPSON: Yesterday, and previous
7 days, both you, Mr. Chairman, and Governor Carroll
8 Campbell have spoken so elegantly about our late
9 departed friend George Mickelson, that I thought it
10 was important for us, as a body assembled here, to
11 pass a resolution so that his lovely wife, Linda, would
12 be able to have it, because all of us who have served
13 with George Mickelson, I certainly had the distinction
14 of coming in with George Mickelson, he was an
15 outstanding individual. He was a giant of a man, not
16 only in size, but in compassion and ability.

17 The resolution is in your packet, and
18 quickly, it says, "Governor George Mickelson really
19 loved being Governor. He loved South Dakota and her
20 people, and they loved him. As his dear friends
21 and colleagues, we want South Dakota and the nation to
22 know that we also came to love and respect Governor
23 Mickelson as a dear friend, and for his strong
24 commitment to making South Dakota and the nation
25 better for all of us. As co-chair of the NGA's task

1 force on health care, Governor Mickelson worked
2 tirelessly on a bipartisan basis with us and the First
3 Lady to help create a health care system that would
4 bring affordable, quality health care to all
5 Americans. It was especially important to him that
6 rural Americans have access to quality health care
7 under any system that may be put in place. In his
8 health reform efforts, he spoke and acted unfailingly
9 on their behalf. Our heartfelt affections and prayers
10 also continue for his wife, Linda, his children, Mark,
11 Amy and David. The memory of Governor George
12 Mickelson is an inspiration to all of us."

13 Mr. Chairman, I would ask unanimous consent
14 that this resolution be adopted and a copy be sent --
15 the original copy be sent to his lovely wife, Linda.
16 And I also would like to ask that Governor Dale Miller
17 be allowed an opportunity to say a few words.

18 GOVERNOR ROMER: Recognize Governor Dale
19 Miller.

20 GOVERNOR MILLER: Thank you, Mr. Chairman. I
21 do want to express my appreciation and the
22 appreciation of the people of South Dakota for your
23 time that you've given to recognize and pay tribute to
24 our former governor, the late George Mickelson.
25 Truly, he was a man of great character and great

1 capacity and great capability. I know that you miss
2 him here, as we miss him much in the state of South
3 Dakota.

4 I just want to express our deep appreciation
5 to you for all the things that you said about him and
6 for the help that you've given us in the state of
7 South Dakota in this time of tragedy and transition.
8 Thank you so much. We appreciate it a great deal.

9 GOVERNOR ROMER: Thank you very much. All in
10 favor of adopting this resolution say aye.

11 GOVERNORS: Aye.

12 GOVERNOR ROMER: Opposed, no. The resolution
13 is adopted.

14 Now I'd like to recognize Governor Wilder for
15 some comments on the resolution that he has agreed not
16 to submit, but wants to discuss. Governor Wilder.

17 GOVERNOR WILDER: Thank you, Mr. Chairman.
18 The resolution that I had proffered was relative to
19 limited criminal access to handguns, and quite
20 frankly, the resolution might not have gotten out of
21 the committee, and I'm quite certain it would not have
22 stood the muster of three-fourths vote requirement for
23 unanimous consent here today, but I want to stress the
24 fact that timeliness is not the issue, because all of
25 that had been complied with.

1 But I don't think we, as the nation's
2 governors, can ignore an issue that the nation's
3 people constantly, survey after survey, poll after
4 poll, tell us that they want some help in limiting
5 access of handguns to criminals. I know what the
6 prophets say, I know what the opponents say, and I
7 know they told me in my home state of Virginia, never,
8 ever will Virginia pass any bill limiting handguns,
9 and last December they said I was crazy. Well, I
10 heard that four years ago, too, when I even thought to
11 run for Governor.

12 But I want to stress the need to pass the
13 Brady Bill. The President has called for it. It's
14 languished in the Congress for several years. We know
15 the effects of it. Every day we see something
16 happening, some tragedy, some celebrity status called
17 into play in North Carolina just several days ago
18 where some youngsters are accused of needlessly taking
19 the life of some person. There's not a governor here
20 that can't spell out a horror story. And all I want
21 to say, Mr. Chairman, is that there's going to come a
22 time when we'll just have to stand up and fight for
23 those things we believe in.

24 We need to encourage our Congresspersons to
25 do that, and I know the awesome array of power that

1 exists in that high tech lobby effort that will be
2 unreeled against them, but I happen to believe those
3 words were not just couched for a civics lesson or to
4 be recited on the 4th of July, "Government of the
5 people, for the people, by the people." They are
6 real, and that's what we listen to today. How can
7 we bring government closer to people? How can we rid
8 bureaucracy? How can we make our effects known? I
9 know of no better way than to say, simply, enough is
10 enough.

11 I should hope when we return to our various
12 jurisdictions, we would encourage our Congresspersons
13 to vote for the Brady Bill. And not only that, but to
14 look past the Brady Bill at the Toriselli Bill, and to
15 understand that the people are becoming more cynical
16 because we refuse to act. They can't vote. They have
17 no capacity, no forum, no way. The only way they can
18 express their frustrations is through us, so it's very
19 little wonder to me that on occasions we hear that
20 frustration put in another form, and that is of term
21 limitations, or that is throw the rascals out, or that
22 is it doesn't make a difference because they're all
23 the same.

24 I know that brevity is something that will be
25 enjoyed today, and Mr. Chairman, I thank you for those

1 few -- for the few moments, but I can't stress enough
2 how serious I am about this measure. I know you are,
3 too, but I think it's something that ought to be voted
4 up or down so that the people will know where we all
5 stand. Thank you.

6 GOVERNOR ROMER: Thank you very much. Just
7 for your information, I have called a special session
8 of the legislature in Colorado the first week in
9 September to ban all handguns in juveniles under 18.
10 In a recent poll done by a television station, 500
11 sample in Colorado, indicated 91 percent support for
12 that bill. There is a sea change occurring in this
13 country on this issue of violence and handguns, and
14 you might want to observe what happens in Colorado and
15 see if I'm still alive.

16 We now have a report from Governor Nelson on
17 the goals panel, and then we're going to interrupt our
18 program and take Senator Dole next. Governor Nelson.

19 GOVERNOR NELSON: Thank you, Mr. Chairman. I
20 am proud this year to have served as the first post
21 Charlottesville Governor to chair the National
22 Education Goals Panel. This year, we've really
23 focused on three major themes. One is continuity;
24 the second is broadening the mission; and the third is
25 to move forward and step up the pace of the process.

1 With respect to continuity, we, this year,
2 demonstrated, perhaps to the amazement and to the
3 pleasure of most folks in the nation, that this was
4 truly a bipartisan effort; that it could survive the
5 transition from one presidency to another, and that it
6 continued to pursue the goals of local control in this
7 arena of educational reform.

8 We instituted this year a shared management
9 process with bipartisan pairs of panel members,
10 governors and Congressional representatives, as well
11 as representatives from the White House to oversee the
12 staff and the panel's work in each one of the six
13 goal areas. We anticipate even more, I think solid
14 footing, as the goals and the panel and the
15 improvement process are given statutory authority this
16 year, with goals 2,000 to Educate America Act. We
17 favor, and this association is on record, as well, of
18 favoring the Senate version of that bill, and we have
19 some things and kinks to work out with the House
20 version.

21 When it comes to broadening the mission, it's
22 clear that educational reform must occur at the
23 classroom level, not at the State House level, not at
24 the White House level, not on Capitol Hill, but at
25 the local level. So we're going to continue to make

1 the public more aware of the goals process and the
2 need for local involvement.

3 We have to introduce this fall the latest
4 1993 goals report on the progress that we've been
5 making in this very important area. In addition, we
6 intend to implement an aggressive communication
7 strategy on the critical importance of achieving the
8 goals, and on the need for national standards
9 reflecting what all children should know and be able
10 to do.

11 We, in effect, are taking the show on the
12 road, moving it outside the beltway so that those who
13 are directly affected can see that it has direct local
14 import and is not something that is coming from the
15 top down, as many had feared.

16 When it comes to moving forward and stepping
17 up the pace, we believe that the highlight of the
18 panel's ongoing works in the area of measurement,
19 assessment, and standards based curriculum and
20 instruction form, we will show that we've been able to
21 adopt a definition of citizenship for standards and
22 assessment purposes. We specified this year criteria
23 for common and consistent school records data. Seems
24 like a small thing to accomplish, but it's a
25 monumental job, and I think it is a tremendous

1 accomplishment. And we outlined, as well, an agenda
2 for collegiate assessment so that as we try our best
3 to make reform and excellence in education from K
4 through 12 come into place in America today, that we
5 not leave it there, that we go to post secondary
6 education, as well, and that we're going to be able to
7 pursue an excellence agenda for collegiate work as
8 well. We also initiated the development of criteria
9 for the review and approval of performance standards
10 in academic subject areas.

11 In conclusion, let me say that the panel is
12 going to be in experienced hands this year. It's
13 going to be announced at the conclusion of this
14 meeting today that Governor Jock McKernan, from Maine,
15 will be the incoming chair of that panel.

16 I'm thankful for the leadership that's been
17 provided by Governors Campbell and Branstad, who are
18 the outgoing members of the panel, and I'm delighted
19 to have Governor Romer re-up his term with the panel.
20 With his energy and experience and contributions to
21 this very important area, I look forward to continuing
22 to work with him. We're also delighted to have
23 Governors Leavitt and Edgar joining as new members.

24 So what we intend to do is continue the
25 process on a bipartisan basis so that educational

1 reform will come from the bottom up, rather than the
2 top down, and it will be America's effort to educate
3 Americans, and then it will be done at the local
4 level.

5 I thank you very much for this opportunity to
6 give you a brief report.

7 GOVERNOR ROMER: Thank you. I want now to
8 turn the chair over to Governor Campbell, the vice
9 chair, who will introduce Senator Bob Dole, and also
10 recognize Governor Finney for a brief comment.

11 GOVERNOR CAMPBELL: Thank you very much,
12 Governor Romer. Before I formally introduce and
13 present to you our next speaker, I'd like to call on
14 the distinguished Governor of Kansas, Governor Finney,
15 for some remarks.

16 GOVERNOR FINNEY: Well, Governor Campbell,
17 it's indeed a great privilege to join you in this
18 introduction of our distinguished guest. I have had
19 the opportunity to work with him in government for
20 over 40 years, and time and again he has demonstrated
21 his will to consider the state of the nation and its
22 future first.

23 He is my friend, and I am proud to join hands
24 with this great Kansan in a partnership for progress.
25 It is my greatest pleasure to join you as we introduce

1 to the governors of the nation a great leader in our
2 times, a courageous statesman, the Minority Leader of
3 the United States Senator, a Kansan, the Honorable
4 Robert Dole.

5 GOVERNOR CAMPBELL: Governor, thank you so
6 much for your introduction. Thank you very much.

7 Bob Dole is recognized as one of America's
8 towering political figures. I think we all know that
9 he is a decorated and wounded combat veteran.
10 Obviously, he is from Kansas, as has so proudly been
11 expressed by the Governor of Kansas. He has served as
12 the Senate Majority Leader and the Senate Minority
13 Leader, the Chairman of the Senate Finance Committee.
14 He was a member of the House of Representatives, and
15 he's been elected to his fifth term in the United
16 States Senate.

17 He's known for his effectiveness as a
18 consensus builder and his commitment to deficit
19 reduction, and they've earned him the admiration of
20 republicans, independents and democrats alike.
21 Scripps Howard News Service has called Senator Dole a
22 legislator par excellence, and I think that that is a
23 very apt description. He is one of only 15 Americans
24 to have ever served as Senate Majority Leader.
25 The Congressional Quarterly says it is against his

1 performance and ability to use power that Senate
2 leaders in the foreseeable future will be judged.

3 During the Second World War, Bob Dole was a
4 platoon leader in the legendary Tenth Mountain
5 Division and he was wounded. He was twice decorated
6 for heroic achievement. His decorations include two
7 purple hearts and a bronze star with oak leaf cluster.

8 He's married to Elizabeth Hanford Dole. She,
9 of course, is the President of the American Red Cross.
10 And Senator Dole has a daughter, Robin, who resides in
11 Washington.

12 On a personal note, before I introduce him, I
13 served with him a long time ago, almost 20 years, on a
14 committee, and I invited him to come to a barbecue at
15 my farm at that time. That is the only time the whole
16 time I lived on a farm that I had a traffic jam in the
17 pasture because people couldn't get in to find a
18 parking place to listen to him. So he commands
19 respect wherever he goes, and I am proud to introduce
20 to you my friend, Senator Bob Dole.

21 SENATOR ROBERT DOLE: I want to thank
22 Governor Campbell, and I certainly want to thank my
23 good friend Governor Finney. We've been, like many of
24 you, working together the past few weeks on the flood
25 problems, and I want to say right up front, I know

1 many are -- I understand Minnesota and Iowa may be in
2 for another dose, and I think it's fair to say that
3 there's been total bipartisan cooperation when it
4 comes to that particular issue, and it will continue.

5 I agree with some of the governors that it's
6 always more difficult when the T.V. cameras go away
7 and they stop reporting on the floods to get some
8 people's attention, but I think you've gotten their
9 attention in Congress, democrats and republicans, and
10 any of us who come from those nine or 10 states
11 understand full well just what a tragic circumstance
12 it's created for thousands and thousands of people in
13 all of our states. So I would just say to those -- I
14 know you've probably talked about this, but that's one
15 area where I think we can have bipartisanship.

16 And I'm very proud to be here, and I know
17 you've heard from my former colleague, Vice President
18 Gore, and your former colleague, President Clinton.
19 I've watched and listened and read President
20 Clinton's, the text of his remarks. And I know
21 there's a lot of rhetoric in Washington, maybe some
22 bull in Washington, and some of it comes from both
23 sides, so I guess that will never change, probably
24 not. In a free country there will always be ideas,
25 and there will be different ideas, and they'll come

1 from democrats and republicans and people who aren't
2 members of either party.

3 I also want to join the President in
4 recognizing the tragic loss of Governor George
5 Mickelson, a friend of mine and a friend of Governor
6 Miller's, obviously, but a friend of everyone in this
7 room, and someone who had, I think just an unlimited
8 future in government and politics because he really
9 cared about people and he really wanted to make a
10 difference, and that's precisely what he did as
11 Governor of South Dakota. So I certainly want to join
12 you in that.

13 Now, I know governors, some governors left
14 the Senate and became governors. Some Governors were
15 Senators. Others of you may be joining us in the
16 Senate, and we welcome you if you come. And there are
17 a lot of people that talk in the Senate and we can
18 talk at length in the Senate. Some do. I think
19 Senator Thurman has a record of 22 hours and 41
20 minutes. He is seldom asked to deliver an after
21 dinner speech, but there's no end to what we can talk
22 about and how long we can talk in the United States
23 Senate. And I think I'm not going to talk too long.

24 But I think we do share a lot of common
25 concerns, and maybe some people -- you all have a

1 loyal opposition, I don't care what your party is,
2 there's a loyal opposition. I happen to be a member
3 of that loyal opposition. I've been referred to as
4 Mr. Gridlock, but I've got an honorary degree lately
5 and they now call me Dr. Gridlock, and that's very
6 flattering and I'm very proud of it. But there are
7 differences in political parties, and we all
8 understand those differences. And you work with
9 republicans and democrats in your state legislatures,
10 and as a former state legislator, I know that a lot of
11 times there are a lot of good ideas.

12 In fact, I remember a few years back when
13 Elizabeth and I were in Gdansk, Poland, meeting with
14 Lech Walesa, who was then still just an electrician.
15 He told us the definition of a communist economy was a
16 hundred workers standing around one shovel. He said
17 what Poland needed, he said, was a hundred shovels and
18 a hundred workers. As the issues of our day are
19 debated in Washington, and I just say particularly in
20 the Senate and the Capitol, I think we're better off
21 if we had a hundred -- than just having a hundred
22 senators around one idea, we have a hundred senators
23 with a hundred good ideas. That's what makes for
24 competition. That's what makes for better
25 legislation. So whether it's health care, whatever it

1 may be, I think there could be a lot of good ideas.
2 Some have come from democrats, some have come from
3 republicans, and we hope we can work it all out.

4 But I think that our concern is rooted, my
5 concern, your concern is rooted in our mutual interest
6 in seeing the federal government focus on its most
7 fundamental responsibilities, and that's to ensure
8 domestic tranquility and provide for the common
9 defense and promote the general welfare and secure the
10 blessings of liberty for ourselves and our children,
11 and generations yet to come.

12 But I think you know, in fact, you've told me
13 so, members of both parties, that too often in the
14 federal government we lose our focus and we try to
15 dream up new ways to involve Washington by federal
16 mandates into the daily lives of the states, and your
17 citizens. And I noticed on Sunday, I don't remember
18 who made the statement, but one of the governors
19 declared, the problem we've got are members of
20 Congress who don't have a clue what's going on in the
21 states and who consistently try to solve their
22 problems by pushing the burdens and responsibilities
23 back to the states. End of quote. Now, I do have a
24 clue, but I certainly don't have all the answers, but
25 I think that statement probably sums up the

1 frustration of some of the governors with some of the
2 mandates. The latest motor voter legislation; maybe
3 you're all for it. I didn't get many letters from
4 governors. In fact, I offered an amendment that it
5 wouldn't take effect until we sent the money with the
6 mandate, and it was defeated. And every time we have
7 a federal mandate, somebody is going to stand up and
8 offer an amendment that we send the money with the
9 mandate or it doesn't take effect.

10 We've also had mandates on small business;
11 your John Motley here yesterday. Family leave, we're
12 now reading in the papers that many employers are not
13 going to hire number 50, they're going to keep it at
14 49, because once they hire number 50, then the Family
15 Leave Act triggers in, so a lot of jobs and a lot of
16 opportunities, in my view, because of another mandate,
17 are never going to happen.

18 So there are some areas where I think we
19 certainly agree. I agree with the governors. It
20 doesn't make any difference what party we're in. We
21 just don't believe in unfunded mandates, and I'm
22 certain you don't agree with unfunded mandates, so I
23 think we have to do a better job of fulfilling our
24 fundamental responsibilities.

25 And this is the decade of the nineties, and

1 it does present us with a unique opportunity to do
2 just that. If we want to secure the claim, and I
3 think the claim ought to be what we can call the
4 American century.

5 It wasn't too long ago for some of us, some
6 of you it's been a long time, but in 1941, just as
7 World War II was about to commence, it was Henry Luce
8 who declared that this was the American century, and
9 he was right in two ways. America was a large,
10 powerful force for good and for freedom in the great
11 struggles of our century, and the American way of
12 democracy and freedom and the capitalism has been the
13 model and dream of people everywhere oppressed by
14 tyranny. But this destiny has never been inevitable,
15 and as we stand here today, it's not assured. Our
16 experiment in government, our contributions to science
17 and technology, our pioneering of industry and mass
18 production do not, in themselves, guarantee that we
19 will live up to the promise of the American century.

20 Our duty now, those of us who are privileged
21 to serve in public office, regardless of party, those
22 of us entrusted by the citizens with the general
23 welfare of America is to secure that place in the
24 history of this century, and to leave our United
25 States prepared for what might become known as

1 Am rica's millennium.

2 Much remains to be done. I hear people
3 talking about the year 2000. We've still got seven
4 and a half years left, and I think there's a lot we
5 can do in the seven and a half years. I think
6 President Clinton certainly shares that view.

7 There must be a new commitment to the most
8 basic principles upon which America was founded, a
9 government secure in its future by providing security
10 for its people, and too many have come to look at
11 government not just to secure the blessings of
12 liberty, but to also hand them out. And yet it's
13 ironic that the American people have grown more
14 cynical about government as the government has grown
15 larger. Maybe Vice President Gore, with reorganizing
16 government or reinventing government, maybe we can
17 start downsizing like every other business in America,
18 but it's not going to be easy. As the government
19 promises more and more, the people have come to
20 respect government, state government, local
21 government, federal government less and less. So as
22 the challenges ahead are great, it just seems to me
23 that our commitment is going to have to be greater if
24 we're going to go back and win the confidence of the
25 American people.

1 Now, I didn't come -- I talked to Carroll
2 Cambell, just to give you a legislative update, you
3 probably keep a closer eye on some of the federal
4 legislation than we do, particularly if it affects
5 your state, but I want to touch on two or three
6 matters that certainly are important, in a very broad
7 way and a very brief way. Yesterday, President
8 Clinton, in effect, sort of raised the curtain on
9 health care. He didn't raise it all the way. He
10 didn't tell us everything, but he at least got the
11 attention of the American people, and now we're on
12 this course of how are we going to proceed with health
13 care. And in my view, it's probably the most
14 important issue that we'll consider in Congress maybe
15 since Social Security, so it's a big, big issue that
16 affects everyone in this room, everyone everywhere in
17 America directly or indirectly, and how do we come to
18 grips with it, how do we make it work, and that's
19 precisely what the President talked about yesterday.

20 I certainly agree with President Clinton that
21 reforming our nation's health care system, it should
22 be a bipartisan effort. I said very clearly it's got
23 to be bipartisan or it's not going to work, because in
24 this case, I don't think it's a partisan issue in the
25 sense that republicans are somewhere and democrats

1 are somewhere else. We have different democratic
2 groups supporting different plans. We have different
3 republican groups supporting different plans. So to
4 make it pass, you've got to have the broad cross
5 section of republicans and democrats, and certainly
6 more than 50 percent of each, but you've got to have a
7 pretty good cross section to really make it work.

8 I think there's much we can agree on. Just
9 about everyone agrees on the primary goals of health
10 care reform. I know you passed a resolution that
11 Governor Wilson submitted, and we're going to be
12 looking at that carefully because I think it does
13 reflect the view of probably every governor here.

14 We want to reduce health care costs,
15 certainly we all agree to that. We want to ensure
16 that everyone has access to affordable health care.
17 We want to create a fair insurance system so people
18 don't have to worry about being rejected when they are
19 sick or when they change jobs. We want to maintain
20 our present high quality of care. Let's don't throw
21 out the good in America, because we still have the
22 best health care delivery system in the world.
23 Although we fall behind in infant mortality, but we
24 have pretty raucous life-styles here, too. We don't
25 do quite as well on longevity for men and women, and

1 there may be reasons for that. Maybe that's part of
2 the life-style. But overall, we do a good job, and we
3 don't want to throw it out, we want to keep it, we
4 want to preserve it, because people around the world
5 would like to emulate it.

6 We also want to improve access to rural and
7 inner cities. Some of us live in rural areas.
8 Kansas, for example, we all have a lot of rural areas.
9 Is managed competition going to work in Russell,
10 Kansas, where we have three doctors and a small
11 hospital? Maybe so, maybe not. Is it going to work
12 in Philadelphia or somewhere else in the inner cities
13 where it's more difficult to attract providers of
14 health care? So we need to make certain of that.

15 We also need to fix medical malpractice laws
16 to get the bad lawyers out of the doctor's office, and
17 to get the bad doctors out of the practice of
18 medicine.

19 While we agree on the goals, we lack a
20 consensus, and I don't think that's really all that
21 bad. Again, go back to my Polish story there.
22 There's going to be a lot of ideas. The President has
23 raised the curtain. He will raise it a little higher
24 in September in a joint address to Congress, and then
25 maybe legislation will be introduced, and then the

1 hearings will start, and then there will be a lot of
2 ideas of how to change it, how to make it work, how to
3 make it better, so I don't think it ought to get set
4 in concrete right now and say this is the plan, I
5 won't change anything. If you change anything then
6 count me out. If we do that, it's going to be a long,
7 long winter and a long year next year.

8 But the President does raise some genuine
9 concerns for health care consumers and providers,
10 taxpayers, businessmen and businesswomen, and, yes,
11 state governments. Our primary concern centers around
12 the role of the federal government as a regulator,
13 and especially the prospect of the government imposing
14 employer mandates.

15 If federal regulations mean one size fits all
16 health care policy, there may be fewer opportunities
17 for states to test approaches on their own, just as
18 you're doing now in many, many states. So often, as
19 you know, it's the states that are in the major -- are
20 the major innovators in developing new solutions to
21 old problems.

22 In the view of Senate republicans that are
23 working on a proposal of our own, employer mandates
24 would damage the economy and hurt those that need the
25 help most; new hires, small businesses and low income

1 workers. And that's not to suggest that we don't
2 agree that we need to look at how best to share the
3 responsibility between the public and private sectors
4 on providing access, but like the administration, we
5 also believe we must build on our employer based
6 private insurance system wherever possible.

7 Make no mistake about it. All of us still
8 have a lot to learn on this issue. Besides that, we
9 haven't heard from consumers and providers and
10 business or governors at Congressional hearings, and I
11 think it's going to be very extensive. It ought to
12 be. We ought to go across the country, we ought to
13 hear everybody we can before we start making
14 decisions. So hopefully that's something we can work
15 on, overcome our differences and approach. But --
16 and let me just say as the republican leader, in my
17 view, bipartisanship is not just picking off enough
18 republicans to get the bill to pass. That may be a
19 victory, but it's not bipartisanship. And it may be
20 more and more difficult in this case, because I've got
21 a feeling that many of my democratic colleagues may
22 have different views on health care, too.

23 Let me just touch briefly on education,
24 because next to health care, I think it's probably one
25 of the paramount issues of our time. Again, states

1 ar lighting the way, and Washington must not try to
2 derail your efforts. The six educational goals you
3 devised in a bipartisan way, and I've listened to
4 Governor Romer and Governor Campbell and others on
5 C-Span and others talk about education, they did an
6 outstanding job, in a bipartisan way, set the
7 national agenda for change in education for the rest
8 of the century. They are based on the need for a
9 community by community, school by school effort by
10 parents, teachers, the localities in the states.

11 But those goals are jeopardized, in my view,
12 by a bill making its way through Congress. The House
13 version seeks to reverse local control of our schools
14 and impose what are called national delivery
15 standards, which would be overseen by a National
16 Education Standards and Improvement Council. In a
17 nutshell, rather than concerning ourselves with
18 whether our students are actually learning, the
19 federal government could dictate class size, the
20 number of computers per student, possibly even the
21 textbooks to be used. That bill even prohibits any
22 federal money from being used for national testing to
23 determine if these new federal standards were doing
24 any good. In my view, it's a prescription for federal
25 control and ruination by Washington, and we need

1 bipartisan help in making certain if that bill passes,
2 or if it keeps to move, that it has a lot of drastic
3 changes, because I think it's moving in the opposite
4 way. I'd rather move toward an initiative like
5 California's Proposition 174, which would provide
6 vouchers to parents so they could decide where to send
7 their children. This competition in the field of
8 education would certainly bring us more results than
9 anything Washington might mandate.

10 Another thing that ties in I think perfect
11 where I think you're again going to see a lot of
12 bipartisan support is on crime, and criminal
13 legislation at the federal level. How can we expect
14 our children to learn when so many of our schools and
15 streets have become battlegrounds. The American
16 century cannot tolerate a violent crime rate that has
17 increased 500 percent in the last 30 years. We cannot
18 allow the young, the poor, the elderly, or any other
19 American to be terrorized by criminal predators.

20 Two weeks ago, the republicans unveiled their
21 crime package. The House and Senate republicans
22 coming together, which is not always easy to do to
23 get the House and Senate republicans, or the House and
24 Senate democrats to come together. And the President
25 followed up last week with his proposal, and there's

1 one major difference between the two that should be of
2 interest to governors of both parties. And this is a
3 provision in our bill, and we hope we can work
4 together and get into hearings and make it a
5 bipartisan bill. To keep career criminals off the
6 streets, the republicans plan to provide three billion
7 for prison construction, and two billion of that would
8 be used to construct 10 regional prisons for both
9 federal and state offenders. Those prisons would be
10 available to states that adopt truth in sentencing
11 laws, mandatory minimum sentences, pretrial detention,
12 and victims' rights laws. Furthermore, our proposal
13 has a billion dollars which would be used for matching
14 grants in states for prison construction and
15 operation. I'd say one more thing. We pay for our
16 bill. It's not going to be charged up to the deficit.
17 We pay for it. We've got a way to pay for it. We do
18 it by cutting federal government and taking a little
19 out of university research. I know some of the
20 presidents won't like that, but I think it's very
21 important to the universities that we get a handle on
22 this.

23 Now we've got another problem called
24 domestics, extended beyond the America to our borders.
25 And again, we're a very generous country, we're the

1 land of opportunity, but we're not the land of
2 unlimited resources and we can't allow our generosity
3 to be compromised by an unchecked influx of illegal
4 aliens who swell lines for public assistance and put
5 new burdens on our state and local governments, as
6 pointed out in California, Florida, New Mexico,
7 Arizona, Texas, and wherever you are on the borders
8 areas in particular.

9 As I said, John Motley was here yesterday and
10 talked about small business. Of the five million
11 employers in America today, four-and-a-half million
12 have fewer than 20 employees, and they're in our
13 states of North Dakota, Kansas, other small states; in
14 fact, all states.

15 During the economic debate, we were told by
16 some of the experts, and we're not experts, that about
17 42 percent of the corporate filings, tax filings, were
18 Subchapter S corporations, and about a 70 percent of
19 the small business people created -- about four
20 percent of all the small business that created 70
21 percent of the jobs in America, and we're concerned
22 whether it's health care, whether it's more taxes,
23 whatever it is, that we may be taking away job
24 opportunities. Maybe it's mandates, maybe it's
25 something else, so I hope that we can work together

1 and make certain that we're out there trying to
2 increase jobs, increase activity through tax
3 incentives, through growth proposals, trying to make
4 it work, and not trying to put people out of work.

5 I noticed coming in that there's a group
6 of -- bipartisan group of governors supporting the
7 North American Free Trade Agreement, and I believe
8 that's an issue that should have and will have, maybe
9 in this case you'll have more republican support in
10 the Senate than democratic support, I know it's a
11 tougher issue for democrats for a number of reasons,
12 but in my view, we ought to move with it, and we ought
13 to move with it very quickly. I read one report today
14 that said the President was going to focus on really
15 two things at the end of this year, really three, I
16 guess, reinventing government, but on North American
17 Free Trade Agreement and health care. And my view is
18 if we don't move on that fairly soon, it may become a
19 victim of the 1994 election, so I would hope that we
20 can work together on this.

21 You understand probably better than anyone,
22 as well as anyone, at least, how important the
23 American economy and the international economy are
24 linked, and they are linked. You know how important
25 foreign markets are for the products made in our

1 states, for jobs and for local economies, and I know
2 many of you go on trade missions, some of you have
3 offices overseas because you understand the importance
4 of this to your states in creating jobs. And I talked
5 to Mickey Cantor, I think he's done a good job
6 negotiating the side agreements. I think the side
7 agreements are going to be helpful, and it's our view
8 that that's one thing we can move on very, very
9 quickly.

10 I believe, as I've said, that we're ready to
11 go, and if we fail, there's going to be a couple of
12 new terms develop, maybe borderlock or maybe tradelock
13 instead of gridlock, because this is an opportunity,
14 and if we don't take advantage of this opportunity, I
15 think many Americans don't understand it right now,
16 but once they understand it, and if we fail, the
17 winners are going to be Japan, Korea and the European
18 community, so I think that's another one.

19 I would just close with an area that I talked
20 to Governor Campbell about briefly, he's been on a
21 foreign trip, and I would just say if there's been one
22 hallmark of the American century to date, it has been
23 our leadership on the world stage. To the benefit of
24 all the people of our states, the United States has
25 led in times of war and times of peace, whether under

1 democrat or republican administrations. And since
2 World War II, Americans have sought to bring our power
3 and our influence to bear on the side of freedom and
4 democracy.

5 During the Cold War, the United States stood
6 at the helm of the North Atlantic Alliance, guiding
7 her allies through difficult decisions, keeping a
8 unified front against the vast military mind of the
9 Soviet Union, and American leadership and unity paid
10 off. Eastern Europe was freed of its shackles and the
11 Soviet state crumbled. And remember this number, and
12 you probably know it better than I do, today, more
13 than 500 million, that's 500 million people are free
14 today largely as a result of the unswerving leadership
15 of the United States of America. These new states are
16 building democracies and market economies with U.S.
17 technical and financial assistance and, of course,
18 inspiration. They are going to be markets of the
19 future; maybe it's Poland, maybe it's the Russian
20 Republic, maybe it's Armenia, maybe it's Bulgaria,
21 maybe it's some other eastern Europe or former Soviet
22 bloc country. And we can't stand on the sidelines and
23 say well, if they develop democracy and they become
24 good customers, we want our share of the market. It
25 doesn't work that way, as all of us know. We have to

1 compete for it. We may have to spend a few dollars
2 for it, but I'd much rather spend a few dollars
3 encouraging democracy in the former Soviet Union and
4 in eastern Europe than worrying about another conflict
5 10 or 15 years down the road that might endanger our
6 children or our grandchildren, or another arms race in
7 addition. Keep in mind there are a lot of positive
8 things that can happen, too, one being market
9 opportunities for people in our states.

10 So many of these countries are already new
11 markets for our products. We find -- in fact, Governor
12 Finney was there not long ago, there are new markets,
13 there are new market opportunities. And now that the
14 Cold War is over, there are of those of us who would
15 like to give -- there are some that would like to give
16 up America's leadership role around the globe. The
17 term multilateralism is no longer used to describe a
18 meaning of implementing foreign policy, but to some
19 it's an excuse for abdicating U.S. leadership.

20 We've already seen the effect of this new
21 multilateralism in war ravaged Bosnia here and
22 Srebrenica. While the United States hesitates from
23 afar, the United Nations and the European communities
24 have been engaged in diplomatic hand wringing. As a
25 member state of the United Nations, Bosnia is an

1 independent nation. It's a member of the United
2 Nations, it's a member of the state of the United
3 Nations, it is being gobbled up, defenseless because
4 of an arms embargo which violates the the very
5 principles of the U.N. Charter.

6 The arms embargo was imposed in 1991 on
7 Yugoslavia. There isn't any Yugoslavia any more. In
8 my view, the arms embargo is illegal. It's my view,
9 it's the view of a lot of legal scholars, and if we
10 can't help in any other way in Bosnia, at least we
11 ought to lift the arms embargo. If that threatens any
12 U.N. troops, take them out, take them out and give the
13 Bosnians a chance to defend themselves, if nobody else
14 in the world will come to their rescue.

15 We have resolutions that are passed and
16 letters are sent, and we do the same in the Senate,
17 maybe you've done it in the states. We send mediators
18 to Geneva to ratify on paper the aggression on the
19 ground in Bosnia. And if Lord Owen and Stoltenberg
20 get their way, the Bosnians will surrender 70 percent
21 of their country while the United Nations bureaucracy
22 and the european community hail the new peace and pat
23 themselves on the back. Any such settlement will not
24 only be an invitation to the brutal dictator in
25 Belgrade, and I want to make a distinction between the

1 Serbian people and the Serbian regime, because there
2 is a distinct difference, it's going to give him more
3 power to tighten his grip on the suffering Serbian
4 people and begin full scale ethnic cleansing against
5 Albanians and Kosovo. It's also going to be an
6 invitation to other dictators who would be aggressors
7 who are lurking in the shadows of the former Soviet
8 Union and elsewhere. How many thugs around the world
9 will RSVP to that invitation? How many of these thugs
10 have access to nuclear or chemical weapons?.

11 There is no substitute for U.S. leadership,
12 and make no mistake about it. If there will not --
13 you know, we have to continue it. It doesn't mean we
14 have to police the world. It doesn't mean we have to
15 send ground troops everywhere, but on the other hand,
16 we cannot allow the principles of international law
17 and order to be violated with impunity and watch
18 silently as regional instabilities grow unchecked, or
19 if we put false hope and high expectation into flawed
20 institutions, especially the United Nations, the blow
21 to bureaucracy, and it is a blow to bureaucracy in the
22 United Nations, is incapable of taking swift,
23 efficient and effective action even in matters where
24 human lives are not at stake.

25 Furthermore, the United Nations does not

1 stand for the same values and principles the United
2 States stands for. U.N. Secretary General Boutros
3 Boutros-Ghali is obsessed about being in charge rather
4 than getting things done. Most recently, he demanded
5 the United States wait for his permission before NATO
6 takes any action in Bosnia. The last time I checked,
7 the American people did not elect Boutros
8 Boutros-Ghali to run U.S. foreign policy. And while
9 it may be tempting to toss things into his lap in view
10 of the many domestic problems we have and challenges
11 we face, we need to remember that American strength is
12 derived not only from our economic power and military
13 muscle, but from our leadership abroad.

14 It is this leadership, so skillfully
15 exercised by republicans and democrats since the
16 Second World War, which provide us with the leverage
17 we have in international institutions and
18 negotiations, whether carried on by diplomats or
19 issues or trade issues. Whether it's our global
20 leadership, which has made the world safer, in my
21 view, and more prosperous, not just for our citizens
22 but citizens for other countries, and as I said, we've
23 got 500 million new people out there that have a
24 little taste of freedom largely because of our
25 unending support.

1 So I would just suggest that 2000 is seven
2 and a half years away. A lot of things we can do
3 together to fulfill the promise of the American
4 century, and that we doesn't just mean Congress, not
5 just those we in Washington. It means states
6 legislators, it means governors, it means people up
7 and down the political ladder, and the job is not
8 going to be easy.

9 President Clinton pointed out yesterday
10 there's got to be some responsibility for the
11 individual. The government can't do it all; never
12 could do it all, can't do it all now. So I guess you
13 look at ratings, and Congress is at rock bottom, where
14 we've been for a long, long time, and the people
15 aren't certain we can get the job done. Do we have
16 the will in Congress or do your legislatures have the
17 will to make the hard decisions, to bite the bullet,
18 to make the decisions that have to be made if we're
19 going to finish out this American century and call it
20 what we like to call it, as one of great progress.

21 So I'm very proud to be here today to speak
22 for my republican colleagues in the House and the
23 Senate, not just for them, because I think in many of
24 these cases it's not really that partisan. And I
25 would just say to some of my democratic colleagues,

1 you keep scores on some of these things, I think so
2 far this year we've approved 253 nominations President
3 Clinton wanted without any -- some of them without
4 even debate. We've passed about 250 some pieces of
5 legislation that President Clinton wanted, much of it
6 without even debate. So I would say when you hear the
7 term gridlock, keep in mind that, you know, gridlock
8 might be in the eye of the beholder, and we tried to
9 do everything we can.

10 And I would just close with a comment that my
11 friend the Majority Leader made, Senator Mitchell,
12 when I was trying to push the Bush budget through
13 Congress. He said why is it bipartisan for the
14 President to demand that his plan be adopted, but
15 partisan for the other party to demand that their plan
16 be adopted? Do we live in a monarchy? Is the
17 President a President or is a king? Are we required
18 by some law to accept whatever the President proposes
19 without any opportunity for discussion, debate or
20 suggestion, or constructive alternatives? And that's
21 the way it works in American politics. That's the way
22 it works for every governor here. You've got to go
23 back now and argue with democrats and republicans
24 in your legislature. The President has got to put up
25 with us. But the bottom line is it many times leads

1 to better legislation. Will we have fundamental
2 differences? We're going to have differences; just
3 have to vote and see what happens.

4 But I would just say to everyone here, as I
5 started, we're prepared on the republican side of the
6 aisle in the Congress of the United States, to extend
7 the hand of cooperation to you as governors, and
8 certainly the President of the United States, to make
9 America a better place.

10 Thank you very much.

11 GOVERNOR ROMER: We have a few minutes for
12 questions or comments. Governor Miller.

13 GOVERNOR MILLER: I would like to thank the
14 Senator for being here and giving us his position on
15 so many issues. I suspect, like most others, I
16 listened with some acuity in the area of health care,
17 and I listened as you gave the President advice that
18 he not set his ideas in concrete, which I think is
19 good advice.

20 Many members of the republican Senate caucus
21 wrote the President recently indicating that you would
22 not support an employer mandate, and I wonder if
23 that's in concrete or is that subject to negotiation?

24 SENATOR ROBERT DOLE: The original letter
25 said under no circumstances. We changed that wording

1 to strongly disapprove, so I think the point is that
2 certainly we're going to talk to the President about
3 any issue. We can't say, well, we're not going to
4 play. We haven't even started to discuss health care
5 yet. My view is there's going to be a lot of changes
6 in the next several months. I don't imagine it will
7 pass until sometime maybe in the middle of next year.
8 I may be wrong, but the answer is yes, we have
9 flexibility if the President has flexibility.

10 I think the thing that would bother us is if
11 they would just start off and say this is our plan,
12 and if anybody tries to change it, then tell us, well,
13 you're not being cooperative, you're being partisan
14 again. But you can't have it that way either. I
15 think we have to be open.

16 GOVERNOR MILLER: I can't speak for everybody
17 here, but I think that the President indicated that
18 degree of flexibility in our meeting yesterday, and
19 certainly helped all of us closer in a bipartisan
20 spirit.

21 SENATOR ROBERT DOLE: Because I know you
22 have. I just give the example, one example of Pete
23 Stark from California, a very powerful member of
24 Congress, Chairman of the Health Subcommittee on Ways
25 and Means. I think he has 86 democrats signed up for

1 for a totally different plan, so this is an area I
2 think we really need to reach out to each other,
3 democrats and republicans, and work it out.

4 GOVERNOR ROMER: Governor Jones.

5 GOVERNOR JONES: Senator Dole, as you
6 addressed health care, difficult not to be able to
7 look at the person you're speaking to there, as you
8 addressed health care, you spoke of universal access,
9 but did not speak of universal coverage. Do you
10 believe that we can solve the health care problem
11 without providing universal coverage for those 37 to
12 40 million people that do not have it?

13 SENATOR ROBERT DOLE: I think you'll find,
14 and again, I see around the corner there, but I think
15 you'll find in our republican principles, which we
16 published before the recess, I also believe we need to
17 cover, whether it's 35, 37 million. We know that many
18 of those -- we know that in America, everybody can get
19 medical treatment now. It's not a question of getting
20 treatment, it's a question of being covered, and we
21 share the view that we should cover everyone. You
22 know, we could always stumble on, how do we pay for
23 it, and I think that's going to be the problem. But
24 we may have to phase it in. I think the President
25 says five to seven years. That may be the right

1 number of years, because it's going to be very tough.
2 Some people are going to lose benefits, some are going
3 to gain benefits, but somebody has to pay for it, but
4 we share that view.

5 GOVERNOR ROMER: Governor Walters.

6 GOVERNOR WALTERS: Senator Dole, welcome to
7 Oklahoma. We are honored to have you here and sharing
8 your views with us.

9 I was very interested in your remarks and
10 your call for bipartisan effort, particularly on
11 health care reform, and I think that's welcome to all
12 of our ears. The governors here, democratic and
13 republican, are intent on solving this problem, hoping
14 that the spirit of optimism prevails over the spirit
15 of pessimism, and that we can, in fact, solve this
16 problem.

17 I think all of us, even those of us not in
18 the United States Congress, feel a little awkward
19 about the recent economic debate in and that so often
20 it was reduced to very simple, in fact
21 oversimplifications and characterizations.

22 My concern, as we enter the health care
23 debate, as the curtain is raised as you said on the
24 details, that there would be that temptation to do the
25 same about employer mandates. I think the President

1 was very clear here yesterday saying that no one is
2 suggesting employer mandates in a vacuum; that it
3 would be accompanied by insurance industry reform,
4 there would be limits on premiums for small business
5 and low wage earners, and phased in; that it would
6 have a number of other facets to it. And there's also
7 the problem of if not that, well then what, and is it
8 single pay is it no mandates, is it individual
9 mandates.

10 So my encouragement, I guess to all of us who
11 have participated in that debate is to avoid the early
12 oversimplifications. I'm sure at times it will come
13 to that, that would cause the American people to
14 automatically associate that with something bad,
15 because it may not be. We don't know yet fully, but
16 it may be the proper option, and I appreciate your
17 willingness to keep an open mind about it and approach
18 it in a bipartisan way.

19 SENATOR ROBERT DOLE: I think it's fair to
20 say that an employer mandate is going to be pretty
21 hard to sell with the republicans and democrats, and
22 increased payroll taxes. I mean, I won't go back in
23 the economic debate, and I think John Motley pointed
24 it out fairly well. You know, the small business
25 people, they've had the family leave tossed on them

1 and this mandate that some of them can't afford, and
2 now that we've had the economic package, which will
3 hit a lot of Subchapter S and proprietors, and I'll
4 give you one example. I was in Abilene, Kansas, to
5 dedicate a new Russell Stover ground breaking
6 ceremony. It's a Subchapter S corporation. It's
7 going to cost that company \$6 million, and I didn't
8 say it, the guy that had me invited to the ground
9 breaking said, I could have put this \$6 million into
10 another plant somewhere. So, you know, I understand
11 that very well, and we've had a group working on
12 health care for three years headed by Senator Chaffey
13 of Rhode Island. We think we've got a pretty good
14 position, and we certainly want to work with President
15 Clinton.

16 GOVERNOR ROMER: Let me have two more
17 comments, and then we need to move on with our agenda,
18 and it's Governor Lowry and then Governor Thompson.

19 GOVERNOR LOWRY: Thank you, Mr. Chairman.
20 Thank you, Senator, for your excellent statement on
21 NAFTA. I commend you very much on that. It's very
22 important to our country, and commend your leadership
23 on that.

24 And yes, you mentioned on health care that
25 many of the states were moving ahead. In the state of

1 Washington, we moved ahead, as have many other states.
2 One major obstacle by the federal government is the
3 ERISA law that really interferes in the states'
4 abilities to go ahead with our health care plans. And
5 I would like you to comment on that, and would hope
6 that it would be that there could be change in the
7 ERISA law to give our states the abilities to move
8 ahead.

9 SENATOR ROBERT DOLE: Well, I know Hawaii has
10 had some success with ERISA because their plan was
11 implemented before, so they got a partial waiver.
12 They still need additional help, as I understand it.
13 We've got to get over that hurdle or it's going to
14 take away a lot of the opportunities.

15 In my view, in fact, some of us even worry
16 about implementing a big, big health plan in all 50
17 states until we've seen it work in a few places. We'd
18 like to have some experiments in two or three states.
19 That may not happen, but I think there is a commitment
20 to take a look at ERISA and see what we can do.

21 GOVERNOR LOWRY: Thank you.

22 GOVERNOR ROMER: Governor Thompson.

23 GOVERNOR THOMPSON: Thank you very much,
24 Mr. Chairman. I'd just like to welcome you, Senator
25 Dole. You're always -- it's always so pleasurable to

1 hear you speak and to hear your insight into the
2 issues. I am a fan of yours, and I'd like to
3 congratulate you again for your leadership in the
4 United States Senate. And I, too, know that you're
5 working very hard on a bipartisan basis on health
6 issues because I met with you and Representative
7 Michael, along with Carroll Campbell, and then Senator
8 Chaffey has already got a developed plan. I don't
9 think that -- you know, when the questions have been
10 asked so far, have indicated, you know, are you going
11 to be supportive, you already are supportive, you are
12 going to advance the plan, I know that.

13 All I would like to ask you, is there
14 anything that we can do as governors to assist you in
15 your efforts and the President's efforts to achieve
16 bipartisan accord on the health bill, and also on
17 NAFTA, something that's very near and dear to my heart
18 and to members of this organization. I think about 40
19 to 42 governors are fully in support of NAFTA, and we
20 want to be helpful to get it passed because I
21 personally think it's probably the best thing we can
22 do to create jobs and economic development in this
23 country, and much more so than the stimulus plans that
24 have been advanced. This will create jobs. This will
25 advance economic opportunities, and we would like to

1 see what we could do to help in that regard.

2 SENATOR ROBERT DOLE: As I said, I've been
3 working, I think Mickey Cantor does a good job, we've
4 become pretty good friends, I've been working with
5 him, and my own view is we ought to hopefully start on
6 that very soon. We hope to get started in September,
7 because it's going to take a long time. I know it's a
8 very tough issue for Congressman Gephardt and some of
9 the others, but in this case, this may be the way
10 government ought to work, maybe we can pick up the
11 slack on our side where they're going to have a
12 shortfall on their side, but a lot of people don't
13 understand that. They've been sold this bill of goods
14 by Ross Perot and others that that sucking sound is
15 going to be jobs coming out of America; that people
16 can move their factories -- of course they can move
17 their factories now. In fact, one moved back to
18 Michigan, right, John, General Motors?

19 GOVERNOR ENGLER: A thousand jobs.

20 SENATOR ROBERT DOLE: A thousand jobs. One
21 moved back to Connecticut. We can compete, even
22 though the wages are different. So we certainly think
23 what could happen to that bill? If it lags over into
24 next year, it could get caught up in the '94 election
25 cycle, which would make it very difficult. I know

1 there are 41 or 42 governors who support it, some with
2 different degrees of enthusiasm. But I think if you
3 look at Canada and Mexico, our first and third largest
4 trading partners, in our little state, as the Governor
5 knows, it's big, big, we do a lot of trade with Mexico
6 in our state of Kansas, so it's important to us, and I
7 think it's important to most every Governor.

8 GOVERNOR ROMER: Governor Campbell.

9 GOVERNOR CAMPBELL: Senator Dole, we want to
10 thank you for being with us today and thank you for
11 the message that you've brought, and the willingness
12 to work with us as we try to come to some conclusion
13 on the proposals concerning the health of our citizens
14 in this country, and we'll look forward to working
15 with you throughout the next year on this and many
16 other subjects. We appreciate you being with us.

17 GOVERNOR ROMER: Next I would like to
18 introduce Eli Segal. Eli Segal is assistant to the
19 President and is Director of the Office of National
20 Service. Mr. Segal has a distinguished career, which
21 spans politics, business and the law, and we're
22 looking forward to his presentation on the Clinton
23 National Service Program. I wish you would please
24 join me in welcoming Eli Segal.

25 ELI SEGAL: Thank you, Governor Romer. For

1 me, an opportunity to talk about National Service is
2 only enhanced by the honor of being introduced by Roy
3 Romer, a friend, a comrade in arms in political wars,
4 a true public servant, and a special advocate of
5 National Service, both as Governor of Colorado and as
6 the Chair of the NGA, with Governor Campbell, has been
7 another very strong supporter as we've moved our
8 initiative forward. If that isn't enough today to
9 speak at an NGA event in the home state of Governor
10 David Walters fills me with pride.

11 I'd also like to say a word today about Bob
12 Dole. I welcome Senator Dole's call for
13 bipartisanship. Senator Dole, I've learned, is a
14 passionate advocate of National Service in principle.
15 He supported a precursor of our initiative in 1990,
16 and he's been enthusiastic about it throughout his
17 career.

18 National Services, we've developed it, I'm
19 happy to report is not a new unfunded mandate, but
20 it's a welcoming partnership with substantial Senate
21 and House republican support. That Senator Dole has
22 not endorsed our bill yet is a personal challenge to
23 me and my colleagues as we move forward.

24 This meeting today takes its spirit from a
25 radical notion that people of both parties and a wide

1 range of political views can sometimes agree on a few
2 things. It's a radical notion we'd all love to see a
3 little more of in Washington.

4 Since you all came to Tulsa, you've engaged
5 in dialogue about some of the nation's central
6 challenges; NAFTA, reinventing government, and that
7 thousand pound gorilla, the national health care.

8 Today, in contrast, I wish to discuss with
9 you not a problem to be tackled, but a tool to be used
10 by every one of you. For most every problem, National
11 Service is a bipartisan delivery system to change.
12 One of our House floor leaders, republican Steve
13 Gunderson, of Wisconsin, said that our legislation
14 combined the idealism of the democratic party with the
15 pragmatic realism of the republican party, or as your
16 President has said, National Service is the American
17 way to change America.

18 National Service, as we envision it, will
19 enlist substantial commitments from tens of thousands
20 of young Americans to improve our communities through
21 service; tutoring our students; helping to immunize
22 our babies; cleaning up our parks; joining patrols of
23 our streets; and doing the other hard and necessary
24 work each of you would list as needed in your own
25 state, and these volunteers work primarily through

1 local nonprofit organizations, not a new Washington
2 bureaucracy. In return, these young people receive
3 the minimum wage while serving, and an educational
4 benefit of nearly \$5,000 after they've finished a year
5 of service.

6 Let me tell you why I think National Service
7 should matter to you today, after all you've heard in
8 the last few days. First, it's a powerful agent of
9 change. It will be fueled by one-and-a-half billion
10 dollars in new federal funds over the next three
11 years, with at least a billion of those dollars
12 flowing directly through your states.

13 Second, it's an opportunity to attack the
14 prevailing cynicism, not only to government, but
15 towards the idea that Americans can and will help each
16 other. Its promise was summed up in President
17 Clinton's inaugural address. There's nothing wrong
18 with America that can't be cured by what is right with
19 America.

20 And third, National Service is a popular idea
21 with historic potential for you and your constituents.
22 From the Civilian Conservation Corps in the 1930's to
23 the Peace Corps in the sixties, and the National
24 Service in the nineties, part of what's right about
25 America is the way we rise to a challenge. National

1 Service challenges everyone. It challenges our young
2 to serve. It challenges our service providers to new
3 standards of effectiveness. It challenges our private
4 sector at a time when we all know about economic
5 austerity, and let me be frank, it challenges each
6 governor to shape the service efforts in his or her
7 state.

8 When I started chatting with President
9 Clinton about National Service in January, he gave me
10 some clear guidelines which has raised with me ever
11 since we've chatted in the last seven months. First,
12 I was to work with the states. Second, we would
13 design a plan which supplemented, not supplanted
14 existing programs in the states. Third, we were to
15 send federal funding sometimes on the basis of
16 population, and sometimes on the basis of competition
17 among the states. And fourth, perhaps most important,
18 we would proceed on the basis that we needed to
19 support your efforts with knowledge, with know how,
20 and with money.

21 Now that we are hopefully on the eve of final
22 passage, we hope as soon as we return to Washington in
23 September that will happen, and with an NGA
24 endorsement for the concept, we're turning to you. We
25 know and appreciate that your approach to the service

1 will be as varied as your states are. At the federal
2 level, we'll set some priorities and standards, but
3 not mandate a particular blueprint for your programs.

4 To begin this process, we're asking each of
5 you to set up a state commission on national
6 and community service. Each commission must be
7 bipartisan, and it should be broadly based; young and
8 old, business and labor, government officials,
9 representatives of the nonprofit world. These
10 commissions are a critical structural element to
11 enable the federal flow of funds to programs in your
12 states.

13 Because these commissions are going to be so
14 important, I've come to Tulsa today for two reasons.
15 First, I'd like to ask you to decide who in your staff
16 will help put this process in motion, and second, I'd
17 like to ask you to invite them to call me personally
18 this month so that we can begin working together on
19 your state's behalf. We understand the federal
20 government must avoid asking you to shoulder new
21 responsibility without paying the freight. Let me
22 assure you on what has become fashionable, what is at
23 Bill Clinton's heart and soul, this will not be
24 another unfunded mandate; therefore, as soon as you
25 establish your state commission, we're going to fund

1 the bulk of its administrative costs as much as 85
2 percent in the first year alone.

3 National community service programs already
4 exist in many states, and we understand that in
5 reinventing government, we must take care not to
6 reinvent the wheel. For this reason, already existing
7 state commissions, corporations, or other
8 administrative bodies that are broadly representative
9 can qualify as alternatives to the required state
10 commissions.

11 We know that many state legislative
12 requirements and schedules may not permit immediate
13 action; therefore, the legislation also provides for
14 an extended transition period during which they may
15 designate existing agencies to administer the program.

16 In essence, our goal is to establish a
17 market, a market for quality programs. One that sorts
18 out which programs produce tangible results in
19 communities, and frankly, which do not, then market
20 model means that National Service isn't -- let me make
21 sure you understand this, it's not an entitlement.
22 All programs must compete for funding on the basis of
23 their ability to achieve results. A good national
24 service program will be one designed to have a clear,
25 positive impact on the unmet needs of your

1 communities.

2 Programs will not receive federal support
3 unless they can raise a portion of their own funding
4 from businesses, from your foundations, from your
5 civic groups, and from the cities, towns and states of
6 our country. This is one way that we'll ensure that
7 service programs grow out of their communities instead
8 of being transplanted from Washington. If a program
9 is funded, it's got to produce. The acid test has got
10 to be results, not rhetoric; good performance, not
11 good intentions.

12 We're going to ask health programs how many
13 infants were immunized. We'll ask education programs,
14 how many at-risk teenagers finished high school, and
15 we'll ask environmental corps, how many public parks
16 were retrieved from weeds and drug pushers. Program
17 results will be rigorously examined each year. A
18 program that works will be expanded. A program that
19 doesn't work will have its funding cut off. In this
20 time of scarce resources, National Service is a new
21 opportunity to show that your government can be soft
22 hearted and hard headed at the same time.

23 But the ultimate test of National Service is
24 simply this: Americans need to embrace it, both
25 for its educational benefits and for the way the

1 experience meets pressing needs and enhances the lives
2 of those who serve. Americans must alight in national
3 service because they're going to have to pay for it.
4 And if it's not working, we won't have to wait for a
5 major GAO report to tell us so; but if it is working,
6 if the very sight of a team of diverse corps members
7 hard at work sends shivers of inspiration down the
8 spines of passersby, then National Service will be
9 woven into the fabric of American life. But National
10 Service is not going to work without our friends here
11 today.

12 Let me finish the story I love to tell about
13 the great Civil Rights worker, Fannie Lou Hamer. She
14 used to tell the story of a wise old man and two
15 little boys who thought they were just oh so very,
16 very clever. They decided that they'd fool the old
17 man by catching a small bird and cupping it in one
18 boy's hands. They were bringing it into the old man
19 and they'd say, old man, we have a bird in our hands;
20 is it alive or is it dead? Their plan was that if he
21 said the bird was dead, they would release it and let
22 it fly away. If he said it was alive, they would
23 crush it and show him the dead bird. But when the
24 boys brought the bird to the old man and asked him
25 that question, he simply answered, it's in your hands.

1 In many ways, the fate of National Service is in your
2 hands. That fact, frankly, fills me with hope.

3 I appreciate being welcomed here today, and I
4 look forward to us acting together to make National
5 Service work for your states, and, therefore, work for
6 our country as well. Thanks very much.

7 GOVERNOR ROMER: Mr. Segal will be available
8 for any of you who have questions or comment
9 immediately following our adjournment.

10 I'd like to ask Governor Doug Wilder to come
11 to the podium. Governor Wilder.

12 The people of America bestow on governors
13 unique powers and responsibilities that are
14 essentially reserved for presidents of nations in most
15 parts of the world, and this responsibility binds us
16 together in a personal, unique and bipartisan way,
17 usually for life.

18 Governor Wilder has already distinguished
19 himself in American history, as well in our own
20 hearts. He's a bronze star veteran, a distinguished
21 attorney, and a hard working leader in the National
22 Governors' Association. He will be missed, not
23 forgotten.

24 We want to wish you the very best, Governor
25 Wilder, and we have a presentation that I'd like to

1 give to you, and it is commends L. Douglas Wilder,
2 Governor of Virginia, for outstanding leadership and
3 dedication to the vision that has guided the
4 Association since its founding in 1908. We have a
5 picture of the Governors' Association in 1908.
6 Governor Wilder.

7 GOVERNOR WILDER: Thank you.

8 GOVERNOR ROMER: Governor Sullivan, could you
9 give us a brief update on the Indian gaming issue
10 before we adjourn here?

11 GOVERNOR SULLIVAN: Mr. Chairman, just very
12 briefly, very quickly, let me say that the task
13 force on Indian gaming and other interested governors
14 met to review the status of negotiations last evening.
15 I think it's fair to say that there are concerns that
16 the negotiations and the proposals do not, at this
17 stage, adequately address all of the concerns, and
18 certainly the two main issues, on scope of gaming and
19 process. We're going to communicate with the parties,
20 continue the discussions, which are scheduled to
21 continue next week, and hopefully either make progress
22 or take another direction.

23 GOVERNOR ROMER: Thank you very much,
24 Governor Sullivan.

25 Now I'd like to call on Governor Weld to give

1 us some information about our next annual meeting.

2 GOVERNOR WELD: Thank you, Mr. Chairman. The
3 next annual meeting is in Boston, July 16 to 19 of
4 next year, and we look forward to welcoming you, and
5 we will show you, I promise, a lobster bake and clam
6 bake with all the trappings, the potatoes and corn
7 buried in the seaweed, the best that New England has
8 to offer; the Sox, if they're home; the Boston Pops;
9 New England Aquarium; some of the best shopping in the
10 world, bring your wallet.

11 Governor Campbell and I have agreed to divide
12 up the responsibility for this meeting. He will be in
13 charge of substance and I will be in charge of the
14 parties, so we're both going to be doing what we do
15 best.

16 GOVERNOR ROMER: At this time, I'd like to
17 announce the NGA 1993 Awards for Distinguished Service
18 to state government and the arts, and as you know,
19 these awards recognize outstanding contributions to
20 public circles on behalf of state officials and
21 private citizens. As I announce these 1993 winners, I
22 ask governors, if they're present, to come forward if
23 their award winner is announced.

24 First, California. I would like to announce
25 the state official is Mr. John Ramsey, chief executive

1 officer of the California Major Risk Medical Insurance
2 Board. His award is for first time innovations in
3 health care for the uninsured, for managed competition
4 that are a model for the nation, and for cost
5 effective health insurance for small business.

6 John Ramey and Governor Wilson.

7 Next is Major General Edward Richardson of
8 Hawaii, and John, if you'd come up. Major Richardson
9 is the adjutant general and director of Civil Defense,
10 and this award is for his distinguished service in
11 response to Hurricane Iniki in 1992.

12 Major General Richardson and John Waihee.

13 The next award is from Idaho. It's Mrs.
14 Marilyn Shuler, the Director of Idaho Human Rights
15 Commission. The award is for over 30 years of
16 leadership in tackling inequities until positive
17 change occurred. Mrs. Marilyn Shuler.

18 Next is from Maryland. It's Mr. Bishop L.
19 Robinson, Secretary of Public Safety and Correctional
20 Services for long-range planning, boot camp
21 innovations, and state of the art computer
22 identification systems. Mr. Bishop Robinson.

23 The final winner in the state official
24 category could not been with us today. He's from
25 Massachusetts, Mr. Kevin Smith, Undersecretary of the

1 Executive Office or Administration and Finance for his
2 achievements in reinventing government for better
3 service with less cost, in low income housing,
4 capital budgeting and interdepartmental coordination,
5 and I'm sure Governor Weld will take that award to the
6 awardee.

7 Next, the private citizen award winners. The
8 NGA also honors private citizens who give of their
9 special talents and resources to serve their states.
10 Almost always their services are volunteer and without
11 pay.

12 The first of our five distinguished citizens
13 is from California. It's Dr. E. Grace Payne,
14 Executive Director of the Westminster Neighborhood
15 Association of Los Angeles, and this award is for 20
16 years of service and hope to the young people of the
17 Watts neighborhood, as a fund-raiser, cheerleader and
18 spokeswoman for thousands in her neighborhood.

19 Next, from Illinois, Mr. Park Livingston,
20 former President, University of Illinois Board of
21 Trustees. The award is for 50 years of service to the
22 University of Chicago and the Illinois Medical Center.
23 Much of this service has been on a pro bono basis.
24 Mr. Park Livingston.

25 From Iowa, Mr. David Fisher, Chair of the

1 Governors' Committee on Spending Reform for over \$200
2 million worth of enacted common self-savings in the
3 Iowa budget through better efficiency in government.
4 Mr. David Fisher. I wanted to ask if he was on loan.

5 Next, from Ohio, Mr. Robert Van Auken,
6 Chairman of the Operations Improvement Task Force for
7 leading the largest private sector management audit of
8 Ohio state government in history. The task force made
9 over 1,600 administrative and legislative
10 recommendations that are well on the way to millions
11 of dollars of savings. Mr. Robert Van Auken.

12 Finally, in the private citizen category,
13 from South Carolina, Dr. Jack McConnell, Director
14 of Volunteers in Medicine Clinic for creating this
15 nonprofit, volunteer operated medical clinic to
16 provide free health care for the area's poor. Nearly
17 all volunteers are retired medical personnel. Dr.
18 Jack McConnell.

19 Then in the arts area, each year NGA gives
20 awards for distinguished service to the arts, both for
21 artistic production and support of the arts. Our
22 winner for artistic production is Kentucky Educational
23 Television, KET, for providing statewide instructional
24 programs to all students and teachers in Kentucky.
25 Accepting the award is Ms. Virginia Gaines Fox,

1 executive director of KET.

2 For arts support, there are two winners. The
3 first is Chubb Life America of New Hampshire for its
4 creative statewide success in creating public private
5 partnerships in the arts. Accepting the award is
6 Mr. John Swope, CEO of Chubb Life America. Mr. Swope.

7 The final winner in the arts category could
8 not been with us today. He's from North Carolina, Mr.
9 Charles Kuralt of CBS News, for supporting the arts
10 during his 35 years of broadcast journalism.

11 Now, Governor Campbell, you have a
12 presentation.

13 GOVERNOR CAMPBELL: Thank you very much,
14 Governor Romer. You know, Roy and I have worked
15 closely together for the last three years, always in a
16 calm and reasoned way, never a difference of opinion.
17 I say that facetiously, of course. Roy and I have
18 worked together seriously for the last few years in
19 the establishment of the goals panel, co-chairing the
20 National Council on Standards and Testing, fondly
21 known as NCEST, and every time we get too close to
22 each other, as a republican or democrat, somebody
23 reminds us of that.

24 Over the last year in this organization, I
25 have been proud to work with Roy Romer as the

1 chairman. He's done an outstanding job. Roy and I
2 have gotten to the point where we can practically
3 finish each other's sentences when we hold joint news
4 conferences, and so it's been a good working
5 relationship.

6 There's one thing I'll tell you. Roy is a
7 man that is committed to moving ahead. He's a man
8 that's committed to making progress, and he's a man
9 who's word is his bond, and he's a man who can work
10 with you to arrive at consensus. And I have had the
11 privilege of Roy and myself having opposite positions,
12 finding a middle ground, both agreeing, and that was
13 that, and I never looked back and he never looked
14 back.

15 Roy's drive and energy have made the last
16 year a truly productive one for the National
17 Governors' Association, and Roy, on behalf of all of
18 us, I just want to say we really appreciate it.

19 On behalf of the NGA and the nation's
20 governors, I am pleased to present you with some
21 gifts. First, a gavel, your gavel, and I'd like to
22 take a minute to read the inscription on this
23 taleidoscope that we're giving you, whatever that is,
24 before I give it to you. If I can read the
25 inscription, the inscription says, "Governor Roy

1 Romer, a man of extraordinary vision," and I think
2 that says it all, Roy. And I'm going to hand both of
3 these, the gavel and the talidescope, and I want to
4 tell you, just on a personal basis, you've been a good
5 friend, and I'm going to miss working with you.

6 GOVERNOR ROMER: Thank you very much. Thank
7 you very much. I want to thank you for the privilege
8 of having the opportunity to do this job. It's a fun
9 job, but I think all of you know that we operate here
10 not just on issues, but we operate also in
11 relationships. One of the things that happens in the
12 governors' association is that when you work together,
13 even though you differ or sometimes even because you
14 differ, you develop a strong personal relationship,
15 and it's because we all have a similar craft, and that
16 craft is to try to work out what people value in our
17 own states.

18 And as I close the year, I want to thank all
19 of you for your help. I particularly want to thank
20 Carroll, because he was of great assistance to me,
21 both in support and in criticism, which I appreciated.
22 And I particularly wanted to thank the staff, and
23 there's one particular staff member I want to
24 underline, and that's B.J. Thornberry, who helped me,
25 as you well know, be successful in this year.

1 We had the right agenda. It was the agenda
2 that America needed to address, and it was deficit
3 reduction, health care reform, education reform, and
4 reinventing government.

5 I want to be very brief, but there's a couple
6 of thoughts I just want to share with you as I close.
7 You can't do this job without learning a lot, and
8 today, we were focusing upon the highest level of
9 central government; federalism, federal mandates. But
10 as I walk away from this year's experience, there are
11 two things on my mind. One is regardless of how much
12 we talk about the highest level of government, I think
13 that ultimately we, as governors, and all of us in
14 public office are going to have to go to the lowest
15 common denominator of public activity, and that is the
16 family. As I approach my job as Governor, I am most
17 impressed with the importance of our trying to make
18 the family function better, no matter what its form.

19 And the final comment I would make is that I
20 am struggling personally to bring a word back into my
21 political conversation, and the word is moral. Our
22 forefathers used that word a great deal when they
23 talked about public policy. They said politics is
24 based upon morality, and I really believe that.
25 Unfortunately, in our era, moral has been ruled out of

1 our political conversation because it usually is
2 interpreted to mean abortion or homosexuality. We
3 need to get away from that. I think we need to bring
4 moral back into our political conversation. Moral in
5 the sense of being responsible for our own actions.
6 Moral in a sense of be willing to be members of a
7 community. Moral in being willing to be disciplined
8 and have self-control so that we don't do violence
9 against another. Moral in a sense in which we really
10 truly think about what is fair and what is just, and
11 that it's not good enough just to get it for
12 ourselves, but we do need to get it for all that are
13 in our community.

14 As I close, I just want to thank you for
15 giving me the opportunity to continue my growth curve.
16 And also I want to thank you, David Walters, for an
17 excellent, excellent way in which you have held this
18 convention, and my colleagues, I still will be around.
19 Thank you.

20 I now need to call on the report of the
21 nominating committee. Governor Carlson.

22 GOVERNOR CARLSON: Mr. Chairman, after proper
23 deliberation, the nominating committee is delighted to
24 announce the following for membership on the Executive
25 Committee. Governor Miller of Georgia, Governor

1 Engler of Michigan, Governor Voinovich of Ohio,
2 Governor Richards of Texas, Governor Caperton of West
3 Virginia, Governor Thompson of Wisconsin, Governor
4 Romer of Colorado. And we further recommend that the
5 vice chairperson be Governor Dean of Vermont, and
6 Chairman of the National Governors' Association be
7 Governor Campbell of South Carolina.

8 Mr. Chairman, I move the report.

9 UNIDENTIFIED GOVERNOR: Second.

10 GOVERNOR ROMER: All in favor of the report
11 say aye.

12 GOVERNORS: Aye.

13 GOVERNOR ROMER: Opposed, no.

14 Governor Campbell, I turn over to you the
15 gavel of this Association. Thank you very much.

16 GOVERNOR CAMPBELL: Roy, thank you very much,
17 and, again, thank you for the splendid job that you
18 did.

19 Governor Walters, thank you for hosting us.
20 It's been an outstanding gathering, and I can't
21 remember when I enjoyed anything more than the show
22 and the presentation last night. It was just
23 tremendous, and I think all of us want to tell you
24 that we'd come back anytime.

25 John Waihee, I was delighted to see that the

1 storm approaching your state has been downgraded.
2 We've watched it with some fear, having had some
3 experience ourselves, and we're delighted to see that.

4 I'd like to first make an announcement on
5 behalf of the southern governors. When we met in
6 Charleston a year ago, we said that if there happened
7 to be any leftover funds that we had raised for that
8 conference, that we wanted to put them to a good use.
9 Well, we have decided that the good use is to go to
10 the Red Cross to help with the disaster relief that is
11 so needed in many of our states that were flooded and
12 hit this year, so the Southern Governors' Association
13 will be presenting a check for \$25,000 to the Red
14 Cross to assist in this effort.

15 You know, among the first achievements of the
16 20th century was a new speed record for crossing the
17 Atlantic. The oceanliner, Lusitania, in 1908, set
18 the record on a trip from Queenstown, Ireland to New
19 York. The Lusitania covered the nearly 3,000 miles in
20 four days and 15 hours. If you think back in that
21 same period of time, at the same time that Orville
22 Wright was busy perfecting the technology which allows
23 us to cross the Atlantic in less than four hours,
24 because those were the architects and the engineers
25 that pioneered a new technology and materials which

1 allowed skyscrapers to define the landscape of this
2 great nation of ours. Henry Ford introduced the Model
3 T, which began our love with the automobile, and also
4 in 1908, something else happened. The governors of 46
5 states and the territories of Arizona and New Mexico
6 forged a partnership which today is known as the
7 National Governors' Association. Now, the reason I
8 say that is because historians are going to note the
9 impact that our grandfathers and fathers had on the
10 growth and development of human kind during this
11 century.

12 It's our generation's task to lead the nation
13 with confidence and enthusiasm into the 21st century.
14 People are ready for progress; they're hungry for
15 change, and they're tired of gridlock. They're
16 frustrated with government, they're eager to solve the
17 national problems that inhibit our growth and affect
18 every American, and they're looking for answers. And
19 it's our responsibility, our strong responsibility to
20 show governments at all level how to do more with
21 less, to provide the services Americans need without
22 huge tax increases, without arbitrarily throwing money
23 at problems, and without creating intrusive government
24 programs. It's a tall order.

25 If we're to be successful, we must work in

1 partnership with the people; the people in business,
2 the people in government, the people in the service to
3 our fellow citizens and our fellow citizens. I don't
4 believe there's one among us who thinks that
5 government alone can solve every problem.

6 We've developed programs and partnerships in
7 our states which have led to tremendous progress in
8 recent years. The National Education Goals came out
9 of this governors' association. The Family Support
10 Welfare Reform Act came out of this governors'
11 association. The Act for Better Child Care came out
12 of this governors' association, and the widespread
13 state based health reform plans, which should be the
14 underpinning for national reform, and dozens of other
15 areas stand as testimony to our effectiveness in
16 partnerships. We have a record to stand on and to
17 build on, and as Chairman of the National Governors'
18 Association, I'll work with you this year to create
19 federal, state and local partnerships and public
20 private coalitions to address important issues and to
21 foster more flexible and responsive government at all
22 levels.

23 My agenda is outlined in a little blue
24 hand out that each of you have in front of you, and I
25 won't take the time to go into it, but it's called

1 Partners for Progress, and it is something that I
2 think is important. We have to have partnerships in
3 order to have progress.

4 I'll create three new teams to address the
5 domestic issues topping today's national legislative
6 agenda; health care reform, education and welfare
7 reform. These will not simply be committees or study
8 groups, they will be leadership teams to exert
9 hands-on influence over national policy.

10 In health care, we must use the strength of
11 our partnership to ensure that there's a clear
12 national framework in support of our state level
13 health care reforms rather than federal mandates that
14 we can no longer afford. As a matter of fact, we
15 should join the cities and the counties and state
16 legislatures in seeking a moratorium on mandates until
17 we can assess where we are in mandates and what the
18 cost is for each and every one.

19 In education, we must hold the nation to our
20 commitment to national education goals; accountability
21 based on performance, that's what we have to do. And
22 this will help us rise above the educational mediocrity
23 that has become our standard in recent years.

24 In welfare reform, we must develop
25 alternatives that value work over dependency. Our

1 welfare systems must move people towards
2 self-sufficiency by requiring something in return for
3 meaningful assistance from the government.

4 I'm also asking the standing committees of
5 the National Governors' Association and the state
6 management task force to create partnerships to help
7 us reach important policy goals. I look to the Human
8 Resources Committee to identify ways to achieve
9 integration and coordination of services for children
10 and families.

11 As a member of Congress in 1983, I pushed
12 through a pilot program for the country to streamline
13 human service delivery systems in several states. The
14 one-stop shopping initiative was a novel idea at the
15 time, and it angered many bureaucrats who were used
16 to categorical funding streams. Friends, everything
17 doesn't fit securely and neatly into a single
18 category. Coordination of services is imperative
19 today because the federal government isn't sending us
20 the money, and we can't ask our taxpayers to do any
21 more.

22 I've asked the Natural Resources Committee to
23 work with the private sector in local and state
24 governments to examine the impact of federal
25 environmental mandates. States have a proven track

1 record of leadership in environmental protection.
2 More often than not we can find ways to protect the
3 environment that are more cost effective than those
4 that come from Washington, and I will encourage the
5 responsible use of scientific risk assessment and cost
6 benefit analysis in environmental decisions instead of
7 emotion. I think we had better deal with reality on
8 all fronts.

9 Today the world is focused on the potential
10 of the so-called information highways in which
11 telecommunications and computers will bring the global
12 community into closer proximity than ever before, and
13 I'm asking the Economic Development Committee to
14 explore national policy options in state level
15 activities in telecommunications. I'm asking the
16 State Management Task Force to concentrate on applied
17 technology as well. There's a tremendous power to be
18 harnessed in information exchange among the private
19 sector, universities, governments and others, and I
20 support the continued development of any network which
21 will encourage the free flow of information,
22 especially at the state level.

23 We're already in an age in which children in
24 a classroom in Montana will interact with their
25 counterparts in Alaska. We can use technology to

1 restructure our human services network programs
2 through items such as a debit card that replaces food
3 stamps, cuts out fraud and saves money, and we can use
4 technology to improve communications among governors'
5 offices to make sure we have the latest information on
6 legislative and other issues of state and national
7 concern.

8 We, the governors of these United States and
9 several territories, must increase our involvement in
10 national policy issues. If we're to be told to
11 implement or to follow the recommendations of or abide
12 by certain policies at the state level, then we have
13 an obligation to get involved with the development of
14 those policies at the national level.

15 This will be the guiding principle of my term
16 as chairman of this distinguished organization. Our
17 Partnership for Progress will elevate the Association
18 to new levels of national impact, and our success will
19 be the first step towards putting our national destiny
20 back in its rightful place, in the hands of the
21 people.

22 As I said, I want to thank you for the honor
23 of being Chairman and for the opportunity to work in
24 partnership with my friend Howard Dean. I consider
25 him to be one of the bright, shining lights in this

1 Association, and a person that is committed to public
2 service in the best sense. We look forward to working
3 with all of you as we face the challenges to confront
4 us all.

5 With these words, I'm going to close this
6 session, and immediately say we're going to have an
7 executive session for those Executive Committee
8 members that are here. Thank you very much.

9 (Proceedings Concluded.)

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C E R T I F I C A T E

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

I, Karla E. Barrow, Certified Shorthand Reporter in and for the State of Oklahoma, do hereby certify that on the 17th day of August, 1993, at the Tulsa Convention Center, Tulsa, Oklahoma, the aforesaid proceedings were reduced to writing by me by means of stenograph, and afterwards transcribed by computer-aided transcription, and is fully and accurately set forth in the preceding pages.

I do further certify that I am not related to nor attorney for any of the said parties nor otherwise interested in the event of said action.

WITNESS MY HAND this 27th day of August, 1993.



KARLA E. BARROW, CSR
CSR No. 113