THE NATIONAL GOVERNORS' ASSOCIATION

1993 ANNUAL MEETING

TRANSCRIPT OF THE EXECUTIVE COMMITTEE MEETING, held in the Tulsa Convention Center, Tulsa, Oklahoma, on Sunday, August 15, 1993, and reported by Karla E. Barrow, Certified Shorthand Reporter in and for the State of Oklahoma.

HICKERSON & ASSOCIATES
CERTIFIED SHORTHAND REPORTERS
616 SOUTH MAIN, SUITE 204
TULSA, OKLAHOMA 74119
GOVERNOR ROMER: Fellow Governors, ladies and gentlemen, guests, this is the Executive Committee of the National Governors' Association, and I would estimate that we have more attendees at this Executive Committee meeting than we have ever had. We have a very busy agenda. At 12:30 the Vice President of the United States, Al Gore, will join us, and we have a good bit of work to do before, and also some work after.

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

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

UNIDENTIFIED GOVERNOR: So moved.

UNIDENTIFIED GOVERNOR: Second.

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

GOVERNOR ROMER: All opposed, no.

So adopted.

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

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

I'd first like to call on Governor Campbell to give us a brief discussion of the status of the Medicaid waivers. Governor Campbell.
GOVERNOR CAMPBELL: Thank you very much, Mr. Chairman. You have before you a proposed Executive Committee statement supporting the results of nearly six months' negotiations between the states and the administration on health and welfare waiver simplification. I understand that some very tough talks have gone on to get to this point. Carl Volpe, of our association, the National Governors' Association, along with several of our state Medicaid directors, have worked long and hard with Bruce Vladick, of the Health Care Finance Commission and Administration and his people.

We have not gotten everything that we need to make the waiver process user friendly, but we have gotten a lot, particularly in areas where administrative changes can be made without legislation. For instance, the administration has agreed to the following: One, to seek a change in attitude by increasing early consultation with and technical assistance to states to help us in designing and developing approval, a provable waiver of proposals. Second, to assess cost neutrality over the life of a proposed demonstration program instead of year by year. Third, to approve waivers which test the same or related policy considerations in more than
one state to make it easier for us to replicate
successful programs, something that we've all asked
for. Next, to speed up the review and the decision
process, and finally, to consider joint Medicaid
Medicare waivers and joint AFDC Medicaid waivers.

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

UNIDENTIFIED GOVERNOR: Second.

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

GOVERNOR RICHARDS: Mr. Chairman?
GOVERNOR ROMER: Yes.

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

GOVERNOR ROMER: Yes, now it's fine.

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

GOVERNOR ROMER: Any other comments?

Governor Carlson?

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

GOVERNOR ROMER: Are we ready for a vote?

All in favor of this say aye.

GOVERNORS: Aye.
GOVERNOR ROMER: Opposed no. It's been adopted. Governor Bob Miller, I'd like to call on you for a comment upon our gas tax concerns. Governor Miller, are you here?

GOVERNOR MILLER: Yes, I am.

GOVERNOR ROMER: Governor Miller of Nevada.

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

On the less positive side of the ledger, the proposal is that the gasoline tax be increased by 4.3 cents, none of which will be dedicated to the highway
trust fund. I think that’s an issue that we should
discuss in future meetings because it sets the
precedent, the same precedent we were concerned about
in the last budget agreement of diverting some highway
trust funds for other purposes, and it is one that we
have down on record in the past as being opposed to.

Thank you.

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

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

MR. SCHEPPACH: Let me summarize very quickly
some of the other issues. First off, the package did
cut, over a five year period, a little bit less than
500 billion; 102 billion were in discretionary cuts.
Essentially, they had a freeze in nominal dollars over
the next five years. There was some tax increases for
individuals moving the rate up from 31 to 36 percent
for individuals over 115,000, and families over
140,000. There were cuts in Medicare of about 56
billion over five years. An increase in the earned
income credit of about 21 billion. There ended up essentially with no entitlement caps in the Reconciliation Bill, but the Congress has decided that they will relook at entitlement caps and rescissions in the October to November time frame. Our sense is that they're real serious about enacting some types of entitlement controls at that particular time.

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

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

GOVERNOR ROMER: Is there any comment on that? I'm sure we don't want to take a vote on that. GOVERNOR RICHARDS: Can I say something? GOVERNOR ROMER: Yes. Governor Richards.
GOVERNOR RICHARDS: We're talking, I hope, about the Reconciliation Act, is that what we're on?

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

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

GOVERNOR ROMER: I understand that.

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

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

GOVERNOR ROMER: Well, this is a law that has
pass d, and I gather you're saying that we should be concerned about that provision in the law, and that as we live with it, we ought to try to change it; correct?

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

GOVERNOR ROMER: All right. We appreciate those comments.

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

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

The House version has a number of significant flaws, including its weakening of the National Education Goals panel, its addition of a seventh national education goal, and its prescriptions for how states must address a major opportunity to learn standards.
Now, we have very much better identification with the Senate version of this bill, the governors do, yet we still have some concerns about the Senate bill. We would like the Senate bill to be clear that the state will never be required to adopt national content in performance standards or opportunity to learn standards as a condition of participation in federal education program. And we'd like that Senate bill to be clear that groups of states can come together to develop assessment systems to have them certified, and we'd like to be clear that the National Educational Standards and Improvement Council, the NESIC, is not permitted to prescribe how states go about using any opportunity to learn standards developed under the bill.

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

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

Are there any further comments about that?
Governor Campbell?

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

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

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

GOVERNOR ROMER: Governor Voinovich.

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

GOVERNOR ROMER: Governor Engler.

GOVERNOR ENGLER: Thank you, Mr. Chairman. I want to second what Governor Voinovich just said. I think that the NGA position on this has been the right position, it’s a strong position, but we have problems, particularly in the House of Representatives. We have a Congressman from Michigan I apologize for, Congressman Bill Ford, who is doing
the NEA's bidding in Washington, and simply has no interest in freeing states to be innovative, and his staff is really intent on micromanaging education all across America.

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

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

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

GOVERNOR ROMER: Governor Nelson.

GOVERNOR NELSON: Thank you, Mr. Chairman.

As this year's chair of the National Education Goals
Panel, I think that I'd like to thank Governor Engler
and others for continuing to have a bipartisan support
of educational reform, and we will continue to do
that. We're fortunate. We've got a President that
knows that educational reform can't happen in the
White House. We've got governors who understand that
it shouldn't happen in the state House, and that it
should happen in the schoolhouse. If we could get
Capitol Hill to understand that that's where it needs
to happen, in the schoolhouse, not on Capitol Hill, we
have a chance, I believe, to see true educational
reform, we'll meet the standards and we'll meet the
goals by the year 2000; otherwise, we won't.

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

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

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

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

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

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

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

GOVERNOR FINNEY: Mr. Chairman, while I'm pleased to learn that this task force meeting will be
an open meeting, I remind you that the position of
the, quote, Governors' Association, is not unanimous.
I do not support that position.

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

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

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

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

GOVERNOR ROMER: Any comments? Governor
Sundlun.

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

I'm seriously concerned about one omission,
and there are at least five other governors who should
be equally concerned, and those are the six or seven
states that have Land Settlement Acts which predated
the Indian Gaming Act, and have special reservations
whereby the tribes agree to be bound by the criminal
law, civil law, and regulations of those Land
Settlement Acts. If we don't get some provision for
the priority of the Land Settlement Act in the Indian
Gaming Act, those six states, at least in my judgment,
are down the tube, and I would urge that we push hard
for some reservation for those Land Settlement Act
states.

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

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

HICKERSON & ASSOCIATES
(918) 584-7559
the Secretary of the Interior.

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

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

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

Likewise, the proposed statement calls for thinking of welfare in a contractual basis. Responsibilities and obligations that certainly we want to provide for assistance, educational assistance, job training assistance, but while we help
the recipients, they, of course, are required to help
themselves is an aspect of the whole concept that we
are putting into this proposed new policy.

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

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

The last point is the question of time
limited benefits, and the fact that there should be
some limitation on the period of time that one can be
on welfare. All of these are incorporated, all of
these points and basic principles are incorporated
into the policy statement, and I have confidence that
tomorrow, our Human Resources Committee will review it
and hopefully accept it for purposes of submitting it
to the entire organization.

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

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

Governor Thompson has moved. Is there a
second?

GOVERNOR ENGLER: I'll second it.

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

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

GOVERNOR ROMER: Why don't you go ahead and
read it.

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

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

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

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

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

Beyond that, I would simply say that I think that we, as governors, really have to adopt a strategy. It is not sufficient that we adopt resolutions, we have to adopt a strategy to get the attention, and I would hope the responsiveness of
congressional committee chairmen.

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

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

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

GOVERNORS: Aye.

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

GOVERNOR VOINOVIČ: We have had an excellent federalism policy over the years, but it has not had a strong statement in terms of directing us in terms of
our lobby, and if you’ll look at your federalism policy paper, 1.4.4, we have added some new language into the federalism policy paper which fundamentally deals with unfunded federal mandates. It requests Congress to pass legislation to require the Congressional Budget Office to report on the cost of mandates prior to congressional action of fiscal note; asks Congress to look at the 101st, 102nd and 103rd Congresses to determine the costs that have been passed on to us in those sessions of Congress. And last, but not least, calls upon the President to veto and the legislators to oppose further mandates without money.

I think that this is a good addition to our policy. We’ve been struggling with mandates for a long time. The thing that really excites me is that finally it appears that not only are we excited about it, but also other government officials in this country. And it should be noted that the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the International City Managers and Mayors Association has also become very exercised about this, along with the National Council of State Legislators. And I sincerely believe that this may be the year when we
GOVERNOR VOINOVICH: I'd like to make one can make some headway on this, and I think we need this additional language to give our representatives direction in terms of what we want them to do, and I would urge its adoption.

GOVERNOR ROMER: Thank you very much.

Governor Campbell.

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

GOVERNOR ROMER: Are there any other comments?

GOVERNOR VOINOVICH: I'd like to make one other comment. We took it upon ourselves in the state of Ohio to do a comprehensive study of the cost of mandates to Ohio, and I'm going to make a copy of this
I suppose in the study available to each of you, because I think if you give it to someone in your staff and your cabinet, you can follow through and calculate the costs that you’ve incurred from mandates over the years. I don’t think that we really fully comprehend how bad things are, at least I didn’t, until this report was put together for me.

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

GOVERNOR RICHARDS: Mr. Chairman?

GOVERNOR ROMER: Yes. Governor Richards.

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

I’m really worried that I am making, by supporting this section on federalism, which I do not oppose in principle, but what I’m saying here is that if the federal government would develop a national program of medical care for the needy, that I, in
turn, am committing, on the part of the State of
Texas, to take on the responsibility of all education,
community development, transportation and social
services, which I assume would include welfare. And
until we make a real analysis of the cost of that
swap, I think that it is inappropriate for us to
determine we're going to do that at this point.

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

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

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

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

GOVERNOR RICHARDS: Thank you very much.

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

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

GOVERNOR RICHARDS: No.

GOVERNOR ROMER: Amendment is adopted.

DO we need a motion to re-adopt the policy?

I'll accept a motion to re-adopt the policy as amended. Governor Engler --

GOVERNOR ENGLER: Second.

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

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

We have one more item of business before -- I would like to offer a resolution and an amendment on behalf of the Chair, and then call upon Governor Wilson for comment. You have before you in your -- what color is that? In Colorado, we don't use those colors. Whatever that color is, look at that book,
and on Tab D, page 12, you’ll see a national health care reform resolution. And on your desk you’ll see a proposed amendment to resolution on national health care.

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

GOVERNOR CAMPBELL: Mr. Chairman, I’d like to second your motions, all of them, and since you’re combining them into one, I’d like to second it, the items in this resolution, and offer maybe one exception, relatively non-controversial. A simplified waiver process from moving Medicaid to managed care; national insurance reform addressing such issues as guaranteed issue and renewable -- and renewal; portability experience rating and risk sharing; and red lining practices; clear authority for states to establish small group purchasing pools; a mechanism
for obtaining waiver authority on your ERISA, now that
one may be a little controversial. National uniform
minimum standards for malpractice reform; antitrust
reform to remove impediments to establishing
cooperative health care networks; and an appropriate
emphasis on primary care treatment.

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

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

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

GOVERNOR ROMER: Governor Wilson.

GOVERNOR WILSON: Thank you, Mr. Chairman,
and if I might, I might ask that you and Governor
But basically, this is what we did in Campbell include in your motion to amend one further small amendment, and that is on page 14, at the pullout the second from the bottom where we have spoken of establishing in cooperation with the states national uniform minimum standards, I think some might prefer, and I think it wise to suggest that the word be guidelines rather than standards.

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

When we came back after a two year study by the health care task force in Seattle, there was a consensus that developed, and it was clear that a number of states were moving forward developing their
own approaches. We, at the time, mentioned the
efforts in Hawaii under Governor Waihee. Since that
time, there have been other states that have pursued a
similar employer based system. In the state of
Oregon, a waiver now has been given so that they are
going to be permitted in Oregon to go forward with a
very innovative and courageous, realistic effort to
try to determine what is affordable in the way of
procedures.

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

In all of those instances, the states have
been laboratories. They have been engaged in an
active experimentation from which I think we can learn
from one another, and from which the Congress and the
administration can learn. Indeed, that is what we had
hoped would occur in Seattle. And what we are seeking
now is the assurance, by this resolution, that
congressional oversight will not become, frankly, an
overbearing attitude on the part of the Congress. We understand the need for a national approach, but I think you have put it well, we think the states should be permitted the kind of flexibility in state role that, in fact, the states have exercised. So I would urge adoption of this.

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

We've also addressed earlier the need for the kind of flexibility which in fact the administration, and President, specifically, and his secretary of health and human services have committed to. We have commended them for that commitment, but what we are finding is that the bureaucracy is still not following the lead of the President and the secretary. We have, in some instances, states that for 10 years have been engaged in what is for them no longer an innovation, that is managed care, but we are continually required to get new waivers. It seems to me that one of the things that is necessary is to change the actual
policy so that, in fact, the states can simply amend their state plans. That has been done in a number of state plan amendments. We think that it should be done with respect to managed care. And the basic point, too, that I am most concerned about is the billet that says that we wish the states be provided with the clear authority to ensure that we will have the ability to offer state based small group insurance purchasing pools with the protections and financial viability necessary to assure that they will be workable.

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

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

GOVERNOR ROMER: I will include that change of the word standards to guidelines as a part of the amendment, and let me state the amendment again. It’s
the paper in front of you. Let me read it. "The governors reiterate their commitment to national health care reform as embodied in the policy statement adopted on February 1, 1993. With that policy is a foundation. The governors have been working as a bipartisan team with the President and Congress to develop a federal framework for health care reform. Governors have consistently stated that a significant degree of state flexibility must exist within that national framework, and that states should be permitted to move ahead in the period before national reform is enacted. These types of flexibility are essential components of any national reform effort."

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

All in favor of that amendment say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

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

GOVERNOR JONES: Yes, I'm sorry, I was trying to ask a question relative to that wording before we voted on it, but apparently I was too late in getting my hand up, but I would like edification, nonetheless.
Before asking the question, however, let me say how much I appreciate, and I think every governor appreciates the bipartisan approach that has been put forth on this amendment. I know it had the potential to create lots of problems, and I think if any one of us makes the health care issue a partisan issue, that we ought to be very ashamed of ourselves, and I think the fact that it’s working this way is exceptionally good.

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

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

We have substituted the word guidelines
rather than standards out of that caution, that concern.

   GOVERNOR JONES: Thank you very much.
   GOVERNOR ROMER: With that explanation, are you ready to vote on the resolution? Governor Weld.
   GOVERNOR WELD: Just a very brief comment, Mr. Chairman. My understanding is that the references to national framework and federal framework in both the amendment and the resolution as offered by Governor Wilson do not commit us as a body to any particular form of framework, i.e., one which might include price controls or payroll tax increases?

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

   All ready for a vote. All in favor say aye.
GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

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

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

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

What has happened on escheat property and
unclaimed property is that we have, in almost every area, attempted to make sure that every state gets their specific amount of unclaimed property returned to them. We’ve done that through a sort of clearinghouse association, in which most of your states are participants, and that clearinghouse will go in and audit for a retailer, or perhaps it might be an oil company, it could be any sort of concern, and redistribute those funds to your states, and it runs into the millions of dollars every year. But there is one area in which we do not do that, and as a result, there are three states that benefit disproportionately from the rest of the states.

This, of course, is not personal to any of the governors who certainly must represent the interests of their states, but Delaware and Massachusetts and New York currently receive hundreds of millions of dollars that I think should be spread out among the other 47 states as it is in all other unclaimed property. And this unclaimed property relates to the distribution of funds that brokerage firms and banks and depositories, acting as intermediaries in the distribution of dividend and interest payments, hold large sums of unclaimed distributions that belong to persons that are unknown,
and because Wall Street is in New York, and because
many corporations are incorporated in Delaware, and
because many trust companies are incorporated and
originated in Massachusetts, heretofore the money has
gone back to those three states instead of being
distributed nationally.

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

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

The Supreme Court of the United States came
back and the result of that case was that they said,
But I look, this is something we don’t want to mess with, we’re not going to fool with, we’re going to leave it alone. It is properly and appropriately directed at the Congress to make the changes.

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

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

So the purpose of this discourse is to bring to your attention the existence of this bill, and to tell you that it is in the interest of your states, in these very difficult budgetary times, to support Henry Gonzales; for you to write a letter saying that you support 2443; is that right, Jane? And see if you can, if you can get this bill passed.
The resolution that was distributed to you has been passed by the National Treasurers’ Association, and that’s why we thought we would try to do it here, but logistically, it really doesn’t make sense. So I just want you to be aware that there’s money in the bank, my friends, if you could get this legislation passed.

Thank you very much.

GOVERNOR ROMER: Thank you. Governor Carlson.

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

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

The amount of money that states around this table stand to gain is anywhere from, building off of your revenue base, an increase of anywhere from one
one-hundredth of one percent of your revenues to as
much as six one-hundredth of one percent of your
revenues. That's the windfall that you stand to pick
up.

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

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

I just want to briefly read two sentences
from a paraphrasing the amicus brief of the securities
industry and the financial services on the legislation
before, it's just very briefly. HR 2443 would require
every financial institution, no matter how small or
how locally concentrated its business may be, to have
expert knowledge of the substantive procedural law of
each of the 50 states to reconcile by itself
conflicting requirements of the states and to be
potentially liable to each state for penalties if
mistakes are made. To open itself to audit by each
state, separately over tens of thousands of items
every year, and to verify many times a year where
thousands, or perhaps tens of thousands of
corporations are headquartered.

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

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

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

Minnesota is one of those states who happens
to be on the low end of receiving monies from the
federal government. We now rank 48th, and what you’re
basically saying is because there may be some audit inconvenience, we ought to leave it alone so that three can win and 47, frankly, can lose.

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

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

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

If there are further comments on this, after the Vice President has addressed us and we've had our
question and answer period, we can take it back up, okay?

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

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

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

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

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

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

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

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

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

I want to thank Governor McWherter for his generous introduction. He does a fantastic job, as
all of you who have had a chance to work with Ned
know, and thank you for your generosity.

And Chairman Roy Romer, thank you very much.

We’ve had an opportunity to work together on this
project of reinventing government, and as I have had
an opportunity to work with several of you, and I want
to thank you, Governor Romer, and the NGA for the
wonderful advice and help that I have had.

I want to thank our host, Governor Walters.

Thank you very much for the hospitality. I want to

thank Vice Chair Carroll Campbell, and Ray Scheppach,
the executive director, and to each and every one of
you, thank you for the opportunity to be here.

It’s also a pleasure to be with you in

Oklahoma, one of two states ever to have a senator

named Gore. Some of you from outside of Oklahoma and

Tennessee may not know about Senator Thomas P. Gore,

who was blind, and had the reputation of being so good

in debates on the Senate floor that his opponents

would often just be so frustrated they just didn’t

know what to do. And in a story that is described as

a true story, he had just eviscerated one of his

opponents in a debate once, and the other senator was

so frustrated he was heard to audibly mutter, if it

were not for the senator’s disability, I would
challenge him to a contest of a different kind, whereupon Senator Thomas P. Gore, hearing that comment, immediately shot back, blindfold that blankety-blank and point him in my direction. They say it’s a true story.

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

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

You know that Governor Clinton was very active in this association, and President Clinton still feels that he has a home here in this group, and I mentioned earlier how much he’s looking forward to being here.
If government is to succeed in America, the federal government and the states must be able to work together very well and very smoothly. Nothing brought that home as vividly as the last few months. As the President and I went out to the midwest, to Missouri and Illinois and Iowa, and other states, to communities up and down the rampaging Mississippi and its tributaries, if there was ever an incentive to see that government worked well and cooperated well, it was the people of Lemay, Missouri, or Grafton, Illinois, hoping that we all can find a way to help them put their lives back together. And I must say it gave me hope to see the way we were able to work together, setting in motion the relief effort that will continue for years.

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

What does it really mean for people at the
There are those who say we didn’t cut grass roots level, people in Oklahoma, for example? Well, it’s a message of hope to the forgotten middle income families, to the small business owners, to men and women whose hard work is the heart and soul of Oklahoma, and every one of our states. This bill says that America is getting our economic house in order. We’re reclaiming control of our economic future. The biggest deficit reduction package in the history of our nation. We’re asking those who can afford to pay more to do so. Eighty percent of the burden falls on the wealthiest one percent, those making over $200,000 a year, and it means that hard working families struggling to stay off welfare will get a tax break, rewarding work and responsibility. Right here in Oklahoma, for example, Governor Walters, less than one percent will have an income tax increase, but 25 percent of Oklahoma families, those with incomes of under $27,000 a year, will get a tax cut, lifting them above the poverty line in the cases where they’re below the poverty line.

We also made real spending cuts and a retroactive tax cut for 96 percent of all small businesses. There are those who say we didn’t cut spending enough. To them, I say we made more than 200 deep, specific cuts, and I also say we’ve just begun.
Part of what I want to talk to you here about today involves further cuts in spending. The budget plan, the economic plan, is the first step, not the last word.

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

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

There was plenty of courage in that fight. President Clinton said he was going to end gridlock, and he did. He said he would be fair to middle income families, and he was. He said we would cut spending
while rewarding work, and we did. So because of this victory, now we can move forward on health care, about which he is going to talk to you tomorrow, and on trade, both NAFTA and GATT, and on what I’ve really come to talk to you about today, the revolution in governing that we call reinventing government, and that your action agenda calls redesigning government. You know what that means because governors have led the way in trying to create a government that works better and costs less.

An essential step to making our American economy work is to put our own house in order. To create a government that works better to deliver high quality at low cost. It has become a cliche to criticize the federal government. People call it bloated, bureaucratic, wasteful. How could they get that impression? It’s just beyond me. Of course, they get that impression because it is all too accurate. Last year, during the campaign, the President and I heard these criticisms all the time.

Why can’t government be run more like a business? Why can’t you devise regulations that treat a company with 50 workers differently than one with 50,000 workers? Why does it seem like one agency tells us to do one thing and the other agency tells us to do something
else? These, too, are valid points.

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

Here's an example that drives me nuts. It's an ashtray. Actually, it's an ash receiver tobacco desk type to the federal government. Here are the regulations. Let me get them here. Here are the regulations that specify how this ash receiver tobacco desk type has to be made, and it makes reference to another stack of regulations that the manufacturer has to conform to, and that stack is about that high. (Indicating). It tells everything about this ashtray, including -- it also includes specifications for how you have to test it. Let me read this. "The test shall be made by placing the specimen on its base on a solid support 44.5 millimeter maple plank." The support has to be made out of maple, understand, "placing a steel center punch with the point ground to a 60 degree included angle," that's very important, "in contact with the center of the inside surface of the bottom, and striking with a hammer in successive blows of increasing severity until breakage occurs."
The specimen should break into a small number of irregular shaped pieces, not greater in number than 35, and it must not dice. Any piece," now we get to the specifications of the pieces into which it breaks. "Any piece 6.4 millimeters or more on any three of its adjacent sides, excluding the thickness dimension, shall be included in the number counted," and it goes on and on. Well, that's crazy, and I'm sure the hammer cost $600 that they use to conduct the test. That's got to end.

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

Here's another that is a big favorite of people involved in state government with whom we've consulted carefully, those who work in local eligibility offices, the local offices where people actually come for help. They're drowning in paperwork. The example I refer to is cars. Welfare rules state that a family cannot own a car worth more than $1,500 in equity value. To qualify for food stamps, the family cannot own a car worth more than $4,500 in market value. For Medicaid, the value can
range from $1,500 equity value to a total exemption, depending upon which categorical group fits you.

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

What do these kinds of stories show? Simply this: That too much of government is, in David Osborne's phrase, approaching paralysis. There's no mystery about why. The framework of our federal government was designed more than half a century ago. Its model was the bureaucratic top down, centralized and heavily regulated companies of the industrial age. It used to be that people thought the best way to get something done was to specify in great detail what each individual did, and then have them to do the same thing over and over and over again, and have all the decisions made at the top of the organization and have those decisions filter all the way down through layer after layer of bureaucracy.
Well, American business used to operate that way. The successful companies in our nation don't work that way any more, but while American business has spent much of the last 15 to 20 years reinventing itself, decentralizing, giving both responsibility and authority to employees, finding new ways to meet their customers' needs, Washington has preserved its outmoded ways. The quality revolution, to choose one example, changed the way business worked, but for the most part, it has completely bypassed the federal government, and what is the result? Well, the federal government can't keep up. It can't buy ashtrays. It can't help poor people get back on their feet or serve the millions of taxpayers who are its customers each and every day. These people count on government to do everything from fix a pothole to provide a college scholarship. We, as Americans, have a right to insist that the federal government learn and employ the lessons that have been so useful in the rest of our country.

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

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

Well, we can’t get too attached to the old
ways. We can’t get too attached to the hierarchical
decide everything at the top of the system, which used
to work, because what worked a long time ago won’t
work today. President Clinton knows that, so do I,
and so do all of you. That is why you have taken
action at the state level, and that is why the
President has asked me to conduct the National
Performance Review, a thorough examination of how
government works and how it can work an awful lot
better.

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

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

And let me pause right here to say for those
who believe deep down that this sounds good but it's
just too difficult to accomplish, think back 10 years
ago and ask yourselves this question. If anyone had
said to us 10 years ago that in August of 1993, the
American automobile companies, Governor Engler, would
be making the highest quality automobiles in the
entire world at competitive costs, most of us would
have said that's impossible. We've bought too many
clockers and it's just not going to work. But the
automobile industry has done it with the same
employees and the same unions, some new managers, to
be sure, and new ideas and new ways of doing things,
but they were able to bring about a complete change in
their whole approach to their mission. Well, if they
can do it, we can do it, also.

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

The second principle, a government that puts
people first puts its employees first, too. It
empowers its employees. It frees them from mind
numbing rules and regulations. It delegates authority
and responsibility, and it provides for them a clear
sense of mission, a clear set of goals, a clearly
understood shared set of values that enable employees
to make decisions themselves, when they need to, so
that the organization can adapt to the new
circumstances that become manifested, first of all, to
the employee who works where the rubber meets the
road, so that that man or woman doesn’t have to behave
like an automaton and not exercise any judgment and
send a request for new instructions all the way up the
chain to Washington D.C, and then wait until the
answer comes all the way back down. It just doesn’t
work, and it’s got to be changed.

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

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

Government ought to care about customer
satisfaction, and that’s one of our objectives, but
these are general principles. Is this anything more
The number of separate grant programs has more than the boilerplate rhetoric of every new administration? And if it is more, how do we translate it into the everyday work of government? Well, let me emphasize one point. I've bragged on your efforts before, but you have really done that at the state level, whether Arizona's introduction of competition by publishing auto insurance rates, or Michigan's pioneering investments of public pension fund money and venture capital, or Florida's use of impact fees, or so many others that have been quoted by management experts as models for those who have lagged behind, those like Washington. So how can we in Washington catch up? How can we move to create a true partnership to serve America? Together, federal, state and local governments have about 15 million public employees. It isn't enough for us to reinvent one level of government. If we are to restore public confidence, we must have a united front. We have to move together. We are, after all, partners, because let's face the facts. We have a hodgepodge of bloc and categorical grant programs. The mandates and regulations that you have to obey are often just dumb, cumbersome, costly, and uncoordinated. The number of separate grant programs has
increased by 50 percent in the last decade. There's been lots of debate about grant consolidation, but today, there are more than 606 grant programs. They'll spend more than $226 billion in 1994. Meanwhile, Washington has imposed thousands of restrictions and conditions without funding the costs. Are allowances made for the quality of service? No. For effectiveness? No. For regional differences? No. Across this country, state governments have led the way to reinvention efforts, but the standards and practices by which federal grants are monitored and accounted for are anachronistic and ineffective. This administration means to turn things around and change that.

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

So how do we go about it? How do we end this stovepipe mentality where funding and control come...
straight down from the top? How do we transfer power
and authority to the grass roots? Well, first we have
to work together. The credibility of every level of
government is at stake because to the taxpayer, a tax
is a tax is a tax, and a service is a service,
regardless of which level of government is to blame or
applaud.

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

I know this isn't easy, you know it isn't
easy, and we cannot achieve it all overnight. To do
this, we need your help. You know the system is
broken. You know why. You know that the customers
are rightfully grumpy and you know why. States and
localities are themselves some of the biggest
customers of the federal government. You know the
federal government often blocks the doorway instead of
opening doors, and you also know that no matter how
much the President wants to help, we have to have an
active, engaged Congress, and you can and do influence
Congress.

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

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

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

Number four, as we focus more on results,
let’s agree to cut the time and energy that we spend
on accounting and audits of how dollars are spent.
Number five, let's take a hard look at those unfunded mandates. Let's make sure Washington consults with state and local officials. We should consult with you early, we should consult with you often, and we intend to do that. Ambitious, but we're already starting to move.

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

We do have an executive order providing regulatory relief just about done, and it's going to include an innovative new feature that for the first time puts state and local governments formally in the process of reviewing new regulations before they are implemented. It will involve frequent consultation and an ongoing effort to not only review regulations, but to dump the ones that are burdensome and unnecessary, and to take the lessons that you can teach us about what works and what just causes more problems. A lot of times the best intentions end up
creating results that are just completely different from what people thought would happen, but the communication about that doesn’t take place. We’re going to change that with your help.

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

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

Now, the National Performance Review is not the first time people have tried to make government efficient. It isn’t even the first time people have gotten results. Awhile back, somebody told me that in the 1580’s, the British created a continuously manned station responsible for lighting a bonfire on the cliffs of Dover whenever the Spanish armada was
sighted, but eventually they did a review and abolished that job. Of course, they didn’t abolish it until 1946.

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

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

It’s only the beginning, and with your continued help, we can and will change the way government works in Washington. We can and will bring
change to America, change to something as small as an
ashtray or as large as America’s future.

Thank you very much.

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

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

I just wanted to tell you a couple of things
that we’ve learned, and hope that you’ll be able to
apply them to your particular effort, and that is that
I think that your principles are absolutely what we
need in this country and the way all governments
should act. I should also tell you, though, that as
we have begun the process in Maine, we have found
incredible cynicism among our own work force, that
this is just another initiative and that it’s going to
go by the waysides like so much else has.

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

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

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

VICE PRESIDENT GORE: The short answer is yes, but first, thank you for your advice. I think that the one thing which all private sector and public sector organizations that have gone through this process have in common is that they discover that the most valuable asset they have is the unused brain power and creativity of the men and women who work in the organization right where the rubber meets the road. And rather than looking upon them as just
automatons who ought to be instructed to do the same thing over and over again, if they find a way -- if these organizations find a way to capture their ideas and to ask them to be a part of rethinking how the overall task is being performed, and then regularly harvest the good ideas and ask them to help implement those ideas, that’s really a way to unleash a tremendous amount of creative energy.

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

We are, in fact, putting in place, with the release of this report in September, a process for following through on every single recommendation, and follow through will be -- will involve different things with different kinds of recommendations. We’ve had two cabinet meetings on it already. The President has been deeply involved in reviewing the draft
recommendations, and we’re going to follow through very aggressively on these.

GOVERNOR ROMER: Other questions? Governor Carlson.

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

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

But I think the big fear that many of us, as governors have, is that Congress simply does not understand the validity of this new partnership, particularly when it comes now to the issue of national health care. It would be my hope that you could take back to the President the message that one, he has to convey to Congress how very, very serious he is that this new partnership is going to work, even if it means vetoing legislation that violates this new partnership, because frankly, the last thing this
country can afford is gridlock that will no longer involve just Congress and the President, but frankly, it's going to involve Congress, the President and the governors.

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

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

And thank you for your kind words about the teamwork approach to the flood disaster. We're still working very hard, as you know on that. I was on the phone with James Lee Whitt just this morning and the...
Corps of Engineers, and that is an ongoing daily matter. The President has been giving daily attention to making sure that the good start we got off to is continued.

We're also, incidentally, going to follow through with the governors, especially in the areas affected by this recent flooding, but with others who wish to join the process, to redesign some aspects of how we respond to disasters so that we might learn the lessons that come out of this recent tragic episode.

You and I and some of the other governors had a very fruitful discussion about that a few weeks ago, and one governor compared what's needed to the goal setting process that worked so well under then Governor Clinton's leadership on the education goals, and I think that that was an excellent suggestion we're going to follow through on.

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

GOVERNOR DEAN: Mr. Vice President, some
of your remarks are very heartening to those of us who labor in the trenches. Let me just ask you to comment on education. The average special education teacher in Vermont fills out 40 forms for each child, and there are many districts in Vermont who no longer claim the federal money, $360, because it's cheaper to not fill out the forms. Can you help us?

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

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

Before I go to the next one, you know, I didn't brag on Governor Richards in my talk, and I want to because one of her state government employees, Billy Hamilton, has been one of our key people, and we
learned a great deal from what Governor Richards did with the performance review in Texas, and I just wanted to thank you publicly for it.

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

VICE PRESIDENT GORE: Let me comment briefly on that before we go to the next one, because at one of the other Town Hall meetings, one government employee talked about what he described as a government attitude, meaning that there was simply no
use in expending any energy to try to straighten it out and do things better, you just kind of settle back in and just coast along and don't worry about it. And I asked the employees present -- this was actually at the Veteran's Administration, as I remember, how many of you understand what he's saying and how many of you have that government attitude? And practically, I guess 90 to 95 percent of them raised their hands. And I said, now, of those who have raised your hands, how many of you would personally like to get rid of that attitude and be able to come to work with a different approach, and every single one of them raised their hands again. It can be done, and it will be done.

GOVERNOR ROMER: Governor Engler.

GOVERNOR ENGLER: Thank you, Mr. Chairman.

Mr. Vice President, I do commend the comment and the content of your remarks today. I think they're excellent. I think for those who are listening, probably the question is why, if this makes -- if this is such common sense, why isn't it happening.

I've got a letter that we received in Michigan on the 6th of August that is sort of what the problem is maybe, and it's a way in which maybe we can collaborate. This is from the Department of
Education, and they're commenting on the arrangement we have for how we handle drug free schools funds. We set up a program with a memorandum of understanding from our state education department and our drug control office and tried to coordinate the services in order to increase the impact. They relate to us that their concerns have been raised by the staff from offices of a couple of Congressmen, as well as staff from one of the committees of Congress, so they're having to hold this up while they conduct an investigation. And it strikes me that when we get into a redesign of government or re-engineering, at the state level, there are different ways that states are putting agencies and programs together, and oftentimes we run into somebody on the staff level in the subcommittee of Congress who's kind of got their idea about how it ought to work.

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

We tried to put our work force programs together. We found that the vocational education committee at the education agency under federal law
doesn't have to cooperate. If they want to remain independent, they are free to do so, and there's no way to bring them together. We use executive orders routinely at the state level, as you know, and I'd sure support something like that for the administration to be able to break down statutory barriers that prevent us from succeeding.

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

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

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

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

GOVERNOR ROMER: Mr. Vice President, we really have struck a nerve here. I have nine
governors that wish to speak. We have other
matters. I'm going to recognize you all, but
cooperate on brevity, if we can. The Chair recognizes
Governor Wilson.

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

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

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

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

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

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

Let me reiterate that I've found tremendous support in the Congress, on a bipartisan basis, for these changes.

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

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

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

GOVERNOR ROMER: Chair recognizes Governor Voinovich, Ohio.

GOVERNOR VOINOVICH: Three points. Number one, I'm delighted to hear that you want to do
something about mandates without money, because we
want to work with you, and I know the other local
government groups out there do.

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

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

Second of all, we made a mistake when we got
started. We did not involve our labor unions, and I
think it’s really important that if you do this, that
the labor unions are involved because they’ll be there
after all of us have left and will provide the
continuity.

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

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

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

GOVERNOR ROMER: Governor Walters of
Oklahoma.

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

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

VICE PRESIDENT GORE: That's right.

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

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

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

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

But the issue of trust is central to all of
this because it's at the heart of why individual
employees or individual managers are not allowed to
make intelligent decisions. Managers in offices of
the federal government here in Tulsa are not allowed to shift resources from one category of spending to another. They’re not allowed to shift personnel from one area, where they have a surplus, to another area where they have a severe shortage. The individual manager in the Tulsa office is obviously in the best position to make an intelligent judgment about how best to utilize the resources to pursue the mission, but that person is not allowed to because they are not trusted. High performing organizations in the private sector look upon mistakes as opportunities to learn.

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

The federal government, by contrast, seems to be organized in a way that it is designed to make a vain effort to stamp out every last mistake, and it’s crazy, and it gets to this question of trust. And when a mistake is made, it reverberates, and the news media plays a role, also, because there’s a kind of -- within the centralized systems of the government, like the -- you know, the OMB and GAO and OPM and GSA and
so forth, there's this effort to seize upon a mistake
as a reason to rigidify the control, and then the
mistake is magnified in public exposures. Sometimes it
deserves to be, but sometimes in the process it gets
so out of proportion that the response is then to
clamp down even further and remove the last shred of
flexibility or creativity, and the whole system
just seizes up.

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

GOVERNOR ROMER: The Chair recognizes
Governor Miller of Nevada.

GOVERNOR MILLER: Thank you. Mr. Vice
President, I'd like to congratulate you on this effort
and support in what way I can. I, just last month,
signed the largest bill in Nevada history; my efforts
at reorganization that eliminated 12 percent of our state work force and reduced departments from 45 to 13. One area of difficulty I had was in consolidating auditors because of opposition of a regional manager of the Department of Labor, so I would like to help you by helping eliminate unnecessary positions like his. And also to find --

VICE PRESIDENT GORE: Nothing personal.

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

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

GOVERNOR ROMER: Governor Carper, Delaware.

GOVERNOR CARPER: Thank you, Mr. Chairman.

Mr. Vice President, welcome. Others have commended you for your speech. I would, as well. I want to also commend you for those great stories. I know you told the stories about the taxidermist and the veterinarian, and a lot of people were writing notes,
and I don't think --

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

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

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

We've kicked off, in the last five months, a restructuring and reorganization effort in the state of Delaware, led by our lieutenant governor. One of the things that we've been focusing on, as you and others have touched on, is empowering people at the bottom of the power chain, the lowest level employees. What we've discovered is that their -- people have come into state government at entry level positions and over time, they've worked themselves into mid
level management. They’ve not gotten very good training along the way as they’ve moved into those supervisory positions. We have entirely too many mid level managers who are not well trained, and we’ve got a lot of people, well meaning people at the bottom end of the chain who would like to be able to do more and they are stifled by people at the top.

VICE PRESIDENT GORE: That’s right.

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

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

Ned Ray and I have a friend named Frances Preston, who is the chief executive officer of Broadcast Music Incorporated, one of the largest, most creative companies in the music industry. She started
as a receptionist at a radio station in Nashville and she became a mail clerk, and then she was a secretary for one of the executives there, and every job she got, she demonstrated superior capability and she kept on moving up, and now she’s the CEO of an awful lot larger corporation than the one that owned that radio station she started at. She had the opportunity to advance. Federal employees do not have that kind of opportunity, and lots of them could move right on up, you know, and they ought to be encouraged to think that way and unleash their creative talents, but in order to do that, we’ve really got to make these changes that we’re recommending.

GOVERNOR ROMER: Chair recognizes Governor Nelson of Nebraska.

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

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

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

VICE PRESIDENT GORE: Governor Nelson, thank you for your advice on this, not only here, but in numerous conversations that we've shared in the last
several weeks and months. As I’ve told you privately, and as I’ll say right here, come September when this report is released, you will see that it makes possible significant new savings, and we are going to have an opportunity to vote on additional spending cuts and significant savings that are embodied in this report.

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

Governor Chiles of Florida.

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

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

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

VICE PRESIDENT GORE: Thank you, Governor.
We are making great efforts to empower employees
within each department to participate actively in
this. We not only have the National Performance
Review Team that I described, but we started up a
counterpart team in each agency and department with
employees at the bottom rungs of the ladder heavily
represented in those teams, with instructions from
each cabinet member to tell them to go at it, and we
have had a very, very useful dialogue with them.

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

GOVERNOR ROMER: Governor Jim Hunt, North
Carolina.

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

I would suggest, Mr. Vice President, that as
a part of your leadership that you work with the
leaders of the Congress to have a conference, in
Washington would be fine or somewhere else. Get the
speaker to be a co-sponsor and the majority and minority leaders to be co-sponsors, and you and the President be one part of it and the Congress be another part, and cities and counties, state government and cities and counties be the other two parts, four parts, and have people come together and talk about this, how important it is to do it, and sit and listen, not just make speeches and leave, break up into groups. Congressperson sitting there talking with governors in county commission chairs, and you can talk about education and environment. You can sort of focus that way so you really get specific. But I don't believe the leaders of the Congress and their staff understand this stuff. And you and the President are committed. I don't think most of them are. And we need to do some real educating, and I'd urge you to take the leadership on it.

GOVERNOR CARPER: That's an excellent idea. I'm sure Al recalls and Jock and others who served in the Congress recall that each year the House democrats would go on an annual retreat. Each year the House republicans would go on an annual retreat, and we'd have a program not all that different from what we're doing here, small sessions, workshops, and they provide an excellent forum for just doing that.
kind of thing, and I think there would be a welcoming
of that --

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

GOVERNOR CARPER: We can go to North Carolina.

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

GOVERNOR ROMER: Governor Leavitt, Utah.

GOVERNOR LEAVITT: Mr. Vice President, thank
you. May I, just in passing, note that in our
efforts, I think all of us, to restructure and
reinvent our own, one of the major impediments we
find is the Fair Labor Standards Act. It imposes upon
me, as a governor, restrictions in my capacity to deal
with the employees of my state by the federal
government that they have chosen not to impose even on
themselves. It is a substantial impediment to our
capacity to realign and reinvent ourselves, and it
would be a major benefit to us and, I think, every state if that could be a matter of some priority.

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

GOVERNOR ROMER: Governor Campbell.

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

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

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

In our state, in particular, we allow the employees that come up with a method of savings to have a percentage of the savings, and we make a big public award of it, we have a ceremony. This last year, I gave some people 10,000 and $5,000 checks. It's created a lot of interest down in the bureaucracy because actually there's a payoff on it, and I'm sure you have something similar. But just in closing, I
want to just say that you are dealing in an area that
too often is kind of shunted aside because everybody
says, well, you know, that's just mechanics, but
mechanics count in a shrinking government and
shrinking resources, and I want to just say to you
right on.

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

What we're finding, from most of the people
who have studied this and done well at it, is that the
financial incentives are important, but simple
recognition is surprisingly important as the largest
motivating factor for employees who you want to
encourage to do this kind of thing.
So I appreciate your kind words, also.

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

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

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

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

    We stand adjourned.

    (Proceedings Concluded.)
CERTIFICATE

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
KARLA E. BARROW, CSR
CSR No. 113

HICKERSON & ASSOCIATES
(918) 584-7559
THE NATIONAL GOVERNORS’ ASSOCIATION

1993 ANNUAL MEETING

TRANSCRIPT OF THE PLENARY SESSION, held
in the Tulsa Convention Center, Tulsa, Oklahoma, on
Monday, August 16, 1993, and reported by Linda J.
Martin, Certified Shorthand Reporter in and for the
State of Oklahoma.

HICKERSON & ASSOCIATES
Certified Shorthand Reporters
616 South Main, Suite 204
Tulsa, Oklahoma 74119
GOVERNOR ROMER: I want to welcome all the Governors and their guests and all the others who are here this morning. We have a very busy morning because, as you know, the President will join us later.

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

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

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

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

In honoring our friend George Mickelson, I think we are all reminded of how fragile life is. We're all reminded about the value of our friendships
as governors. The work we do is important but equally
maybe even more important are the friendships we form
and that we form regarding our relationship whether or
not we are of one party or the other.

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

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

Thank you very much. I would like also to
recognize a delegation of Venezuelan Governors.
Governor Silaz Romer, would you please stand, as Chairman of the Venezuelan Governors' Association. And with him is Governor Amaldo Arochan. Governor Arochan. I want you to notice the significance of that name Romer, you know, Colorado, Venezuela, next the world. Thank you, Governor.

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

Now we've brought together a broad coalition including government officials from all levels and business areas and we crafted a policy statement in support of managed competition approach to health care reform. We identified many areas of agreement and, yes, we noted a few areas where agreement was not possible. In February we adopted this statement as formal NGA policy.
At our winter meeting the newly sworn in President Clinton sat down with us and had a very frank discussion about this critical issue. He told us of his commitment to a national framework for reform that permitted states a significant degree of flexibility. He asked us to help him build his proposal for comprehensive health care reform. During the first six months of this year a bipartisan team of governors and their staffs worked with the White House in developing that health care proposal. We made a difference, I believe. We brought a real world perspective to the process and I'm convinced that that final proposal, when it is announced, will show the effect of those efforts.

We know that not every governor, just like not every American, will agree with all pieces of that proposal. But the call that the American people have made is that they want us to learn the art of compromise. They are tired of excuses, they want solutions, and because of the complexity of this issue, if we do not compromise, we will never see health care reform. The unwillingness to compromise doesn't serve the interests of this country, and I think all of us as governors come to the table with that spirit.
I'm proud, quite frankly, of the bipartisan approach that we have taken on this issue. It is a bipartisan effort that I think will be necessary to pass health care legislation through Congress. And I think the bipartisan support and input of the governors is essential. I do understand we have differences and those differences need to be reconciled as we go to the final solution. But I'm pleased that the President will join us later this morning to share his views on this matter.

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

UNIDENTIFIED GOVERNOR: So move.
GOVERNOR ROMER: Second. All in favor of the adoption of that motion, please say aye.
GOVERNORS: Aye.
GOVERNOR ROMER: Opposed no.
No response.
GOVERNOR ROMER: Thank you.
At this point I need to inform the governors that the NGA Rules of Procedure require that the individual governors of committees who intend to offer proposed policies, not already included in the required 15 day advance mailing, must give notice and
provide a copy of their proposal by the close of the business day before the vote is taken. A copy of any proposal to suspend the rules must be given to Jim Martin of the NGA staff no later than five p.m. today.

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

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

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

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

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

We have heard again and again at this conference about the importance that governors attach
to health care reform. We want to hold down costs, we want to improve access and enhance public health. Fundamentally, this is a quality of life issue for our people. We have also talked about the importance to our state budgets and to the federal budget of health care reform but we have not talked as much so far about the potential impacts on jobs and jobs creation that might come from health care reform, particularly in the small business sector. That’s where the additional mandated cost envisioned by some could really chill our already lukewarm economy.

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

Today we have with us the head of the largest small business association in the country, the National Federation of Independent Business. The NFIB represents more than 600,000 small businesses. John Motley is the Vice President for the NFIB’s Federal Government Relations Operation. He is a 22 year
veteran of the organization. Mr. Motley is responsible for translating the opinions of the membership of the NFIB as expressed through frequent polls and surveys into legislative policy. He sees his job largely as being that of an information broker, educating legislators about small business owners' concerns and keeping Federation members abreast of legislative proposals and their likely effect on small businesses. It is in this capacity that we invited Mr. Motley to speak to us today.

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

John Motley holds a B.A. and a M.A. from Providence College and has completed additional postgraduate studies at both Georgetown and Johns Hopkins Universities. He's married and has two
children. John worked with the National Governors' Association earlier this year on our bipartisan health care policy. And, John, we are delighted to welcome you here today and we look forward to hearing from you. Welcome John Motley, please.

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

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

Small business owners are huge stakeholders in the health care reform effort. Either you’re going to solve our number one problem or you are going to create other problems that will put many small business owners out of business across the country.
In fact, I think the outcome of this debate will determine whether small business continues to maintain its role as the job generators and creators in the American economy in the decades ahead.

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

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

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

Make no mistake about it, the proposed mandate is going to have immense consequences for
employers, especially for smaller employers in the United States. It actually makes them responsible for the funding of 80 percent of an untried, unproven, untested health care system that will cover all present and future employees and their families. That is a tremendous shift of responsibility from government to the employer community. If you stop and think about it for a second as a lot of small employers have done, it’s frightening because they don’t know where it’s going to go. An analogy that I have used in the past is one of tying someone to a sled at the top of a mountain in the snow and pushing them off and hoping that they are going to be upright when they get to the bottom of that mountain. We simply do not know whether this is going to work.

In addition, there is no doubt that a mandate is going to increase payroll costs, and not just for nonproviders of health insurance. Businesses will close, especially smaller ones, the very smallest ones. Employees will lose their jobs and many of them are going to have the terms of their compensation changed to pay for this additional cost. And I think most frightening is that fewer new businesses are going to start and that’s one of the things that differentiates us from the countries of Western Europe
and around the world, is we have this tremendous new business creation in the United States from which 30 percent of our jobs come. And I think that should be a concern for all of us from a public policy standpoint.

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

First, it is being popularly said, particularly in the press, that two-thirds of American businesses provide health care or health insurance for their employees. Not true. Not even close to being true. Two weeks ago I testified before the House Small Business Committee and I estimated the number using government data, and I say estimated because all of it didn't exactly fit together, that about 45 percent, not two-thirds, of the American business community actually provides health insurance for their employees. The HIAA, the Health Insurance Association of America, estimated in 1991 using 1989 government data, that 42 percent of American employers provided health insurance. If anything, these numbers have
declined in the last couple of years as costs have risen. Now, this figure is being driven by the very smallest firms in the economy, the very smallest firms in your states, the ones that are located on Main Street in every single small town that you have.

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

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

The report of the Small Business Administration to the President in 1992 called the
state of small business a requirement, every year of SBA to report to the President proves this by indicating that while minority firms represent 8.9 percent of all businesses in this country, they only represent 3.9 percent of the total receipts. Of those with employees, and almost half of them don’t have employees, the average is 3.1 per firm. They are -- most of us believe that they are located in many of our depressed areas and they tend to employ poorer workers.

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

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

The third misconception is that a payroll tax or a premium based tax is the fairest and best way to fund this. Not for small business it isn’t. To the
contrary, it's probably the worse possible solution.
Small business is labor intensive, that's why we
create the jobs, and a disproportional impact of a
payroll tax is going to fall on small firms. Payroll
taxes are regressive, they are not based upon
profitability, the ability to pay. If you are going
to -- having a tough year, you're still going to have
to pay it. One of the biggest problems small firms
has is cash flow. Those of you who have been involved
in businesses realize that. Payroll taxes are
definitely a tremendous drain on cash flow. It's a
tax on jobs. It raises that hurdle a little bit more,
that decision that the employer has to make when he
wants to hire that first person and then every
additional person. We have, what, a 15 percent
payroll tax now for Social Security. Lou in VHI
estimated taking a look at some of the
Administration's earlier proposals, that a 13 percent
tax would be needed on an average across the country
to fund this program. That's 28 percent before we get
into unemployment compensation and workers'
compensation. How high are we going to raise that
hurdle before it has a tremendous impact on job
creation. And my last point is that I think that a
payroll tax is going to retard knew business startups,
and, therefore, n w business job creation.

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

But let's concede the argument of no net job loss for a second. I think two other things are absolutely sure. One, that the job destruction will come first before we create any new jobs. And second, that small business owners and small employers on every Main Street across this country will be the hardest hit by the change.
And the last misconception, I think because of the pivotal role that small business is playing in this debate, because of the concerns which are evidenced by my appearance here today, your concerns about the impact on your small firms, some have begun to campaign to label small business as opposed to reform. They try to paint us as enemies of change, that great phrase in Washington today, champions of gridlock, noncaring shirkers of responsibility. And we are none of these. NFIB in just speaking for NFIB has been involved in this debate since 1987. The last three years, I’ve traveled the country saying that the status quo is unacceptable, we want change, we want reform. Our foundation has done many of the major studies that the government is using on the impacts of small business. We co-founded the largest business coalition in support of reform, HEAL. We worked with the present Secretary of the Treasury, Senator Bentsen, when he put together his proposal. We worked with President Bush, Congressman Cooper, Congressman Andrews, the House GOP and the latest Senator Chafee, on their proposals, and, of course, we worked with you last year on your policy statement. And we have worked with individual governors to help them pass reforms. One, Governor Chiles in the State of Florida
is a blueprint or proposal that we liked very much, and we worked very hard to help it him successful there.

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

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

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

In closing, let me state once again that NFIB and I personally am honored to be with you today to
share some of our thoughts on the impact of health care reform on small business. And let me leave you with this one thought, that we must work together to find a way to reach our mutual goals because they are indeed mutual, without the tradeoff, and I think what we are talking about here is a series of tradeoffs in health care reform, without the tradeoff being the loss of hundreds of thousands of American jobs across this country. Thank you very much.

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

MR. MOTLEY: Governor, I think that there are some elements, of course, in the National Governors' Association Policy Statement, which NFIB has supported that our members have supported in polling. One of them certainly is to cap the employer
deduction, to tie it to the cost of whatever the standard benefit package is. And if you do that, I think that you certainly have to cap the tax free transfer on the employee side. The figures that I have seen come out of the Administration is that those two things are worth between 30 and 35 billion dollars a year. I think more importantly, in a exchange that I had with Governor Weicker during the last meeting that we were discussing the policy statement in, I think the essential reason for doing that is to change the attitudes and behaviors of the employer community.

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

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

GOVERNOR ROMER: I want to turn to others, but I want to follow up. I'm a small business person in three states, and if you take on the responsibility of covering my employees from some generalized support
from government, it's a very great inducement for me not to cover my own employees. How do you answer that, if an employer doesn't have some responsibility to write coverage for his own employees, John?

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

MR. ROMER: Governor Waihee.

GOVERNOR WAIHEE: Thank you, Mr. Chairman.

As John mentioned Hawaii is the only state that has an employer mandate. And while I listened very carefully
to the remarks that you made, we really haven’t seen any of those kinds of things happen in our state. In fact, our unemployment rate was higher than the Nation’s when we passed the mandate. Now it is lower. For the last 20 years our business growth has been steady and business failure rate has been well below that of the Nation for the last 15. And our state is a small business state with a dominance of the same type of service industry employees which NFIB says will be the most negatively affected by the mandate. In fact, your own NFIB representative in Hawaii acknowledged that Hawaii’s employer mandate has actually kept health care costs lower than the rest of the Nation.

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

MR. MOTLEY: Governor, why did I know this
question was coming. I have thr initial thoughts. Number one, I think that Hawaii -- and we would all have to admit that Hawaii is somewhat different than the 48 contiguous states. It is somewhat isolated with different demographics in the population than some of the other states have. So there is one difference there.

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

But the other point I would make is I think the former administrator and the previous administration of SBA is from the State of Hawaii, and she appointed the chairman of her National Advisory Committee, who's a guy named John Clark from Hilo who has a restaurant of about 60 people. When he first came in to his term he really preached how good the system was. Two years later he was writing letters to every single member of Congress saying that you cannot
tie American employers to the same system we have in Hawaii, because you were beginning to experience the same problems that everybody else had with uncontrollable increased costs. And if you’re tied to that sled you don’t have many other options. I think what employers want to have are the options to try things which would help them control costs in the future rather than being locked into and responsible for a system.

GOVERNOR ROMER: Governor Wilson of California.

GOVERNOR WILSON: Thank you, Mr. Chairman. Mr. Motley in California on July 1st we began to accept the enrollment of a number of small businesses who have expressed exactly what you’ve described, and that is a desire for affordable health care for their employees. Heretofore they have simply been unable to get it. We have offered through the mechanism of pooling their purchasing power so that they can obtain the same market clout as a major employer. We have been able to attract participants, 18 major carriers, 18 major providers. The rates that they are offering are not just competitive, they are six to 20 percent lower than the very best that had been available even through our major public employees’ retirement system.
The system is voluntary. The costs of administration are not paid by taxes but they are paid by participants. This is a voluntary system, we don't profess that it is a universal coverage mechanism, but in my state we think that it holds the promise of probably offering coverage to at least two-thirds of the people who are presently not covered. There are eight million employees of small businesses in California, we think that this has the potential for reaching half of them, who currently, by the way, are not covered. And with the option of affordable health care available to them, we are being deluged with inquiries. We've been getting 5,000 inquiries a week, which I think confirms your judgment and the polls that you cited as to the desire on the part of small business owners to have available affordable coverage which many of them are going to purchase voluntarily. We have coverage for companies with five to 50 employees and we find that there seems to be a ready market for that.

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

MR. MOTLEY: I would hope, Governor, that you might find some way to extent that even lower, down to firms with one or two employees which need the
GOVERNOR WALTERS: John, first of all, welcome to Oklahoma.

MR. MOTLEY: Thank you.

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

What I hear -- I came out of the small business community and I’ll go back to the small business community after my public service. What I hear out of our small business community is that the current health care system is hitting the little guy worse than anyone else. They pay higher premiums, their costs are skyrocketing, they are bearing a bigger burden. The nightmare of red tape in small businesses is absolutely killing them, filling out the coverage even more than the large employers. It’s a great program. I think that we were involved in developing that also.

GOVERNOR ROMER: Governor Walters of Oklahoma.

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

What I hear -- I came out of the small business community and I’ll go back to the small business community after my public service. What I hear out of our small business community is that the current health care system is hitting the little guy worse than anyone else. They pay higher premiums, their costs are skyrocketing, they are bearing a bigger burden. The nightmare of red tape in small businesses is absolutely killing them, filling out the...
forms. I know that from personal experience. And it's simply draining the resources of small business, which I'm sure you can appreciate. You said in your closing remarks that small businesses cry out for change, and I would certainly agree with that.

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

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

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

GOVERNOR WALTERS: All right. My sense is that the President's plan, and many of these governors have been involved in trying to help craft it in some form or another, it's going to do something about runaway cost increases with market competition, it's going to do something about this out of control series of forms, it's going to do something about insurance companies gouging small businesses and
coverage without notice, it’s going to have a
graduated phase in, targeted subsidies. I think this
plan may be pretty sensitive to small business, and I
have got the same concern as many of my other
colleagues, and just as you’ve said, we don’t know, I
think you never really know the impact of change
upcoming, but I do know what happens if we don’t
change and I know the small businesses are going to
bear the burden and suffer greatly. I think they
suffer more if we don’t adopt a plan and do one
quickly.

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

GOVERNOR CAMPBELL: I want to thank John
Motley for being here, and I’ll give you time to
respond to both of those. Two questions that came to
mind out of the questions that came here, one is, and
I’ll pose this as a question: The people that are
starting small businesses are generally self-employed
people. Today they are treated unfairly under the tax
system on their deductibility as far as purchasing
their own health insurance policy. That then makes
the question: Are we going to have tax fairness in
this system that encourages them to move into it?
Second, the concern of workers’ compensation. If we fold the health part of it in, are we going to address the relief from liability that employers now enjoy because of workers’ comp or are we going to make them then open to lawsuits by not relieving that liability, that’s a question that has to be folded in also. And, John, I just wondered if you’ve looked at either one of those?

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

But we have promised to keep the dialogue open and to critique what they are doing in terms of small businesses. You can do most of the things that you suggested, both of which we’d love to have relief from, without going to an employer mandate. In fact, an employer mandate in this case is a way to cover the insured in this country, and we very frankly think that that’s a societal problem rather than an employer
In term of workers' comp, workers' comp represents about three percent or slightly less of payroll, the health part of that represents less than 50 percent of workers' comp. We think to trade that for somewhere between eight and 12 percent is not a particularly good trade. There is no doubt that it's a major problem and we would like to deal with it but the numbers don't mix.

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

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

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

It's always a pleasure to be the filler awaiting the President. We had a very, very good session of the Health Care Task Force yesterday talking about some of the state-based approaches. I think it's fair to say that all of the governors regardless of party affiliation are committed to change. That, although there are some differences among us, some by party and some not by party, that if there are 20 pieces of this health care legislation, we are probably agreed on 15 of them. Most important of all of which is that it's a state-based system.

Now, I've argued for some time that this is the best deal we're ever going to see anybody in Washington ever propose for the states because it is a state-based system.

What I would like to do is just to very briefly talk about the bipartisan nature of this and then I'm going to call on a couple of governors who
spoke yesterday to see if we can get them to give us some of their insights on what they have done in their states.

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

There is a continuing need that they continue to be extraordinarily responsive, not just to Democratic concerns but to Republican concerns as well. We believe that the governors, both Republican
and Democrat are going to play a critical role in getting this thing through the Congress. And it's going to be very, very important for us to maintain the kind of communications that we have been very fortunate to have with the President so far.

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

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

GOVERNOR CHILES: Thank you. Governor Dean, I first want to comment on the meeting that we had
with our Task Force yesterday. I found the meeting amazing in the different things that I think we are all interested in, and I guess that's to be know as Governors that we have this broad framework, that we be able to fit within the framework, again, seemed to be bipartisan consent that we wanted to be able to have those states that could move ahead as fast as they could be able to move ahead, continue trying to seek the waivers and all of those things.

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

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

The interesting observation that we are seeing in Florida is before our plan goes into effect
and it will -- as of January we will be starting to 
have our cooperative purchasing agents' agreements 
purchasing or participating in the purchase of 
insurance. Our's is one to 50 employees so we are 
trying to drop the base of those that can participate 
in it. But while we are trying to put that structure 

   together and appoint the members of our purchasing 

   agencies, the private sector is already -- or the 

   market sector is already going to work. So I think 

   once we had a plan on the books and once it was clear 

   that we were going to have a plan, I have been amazed 

   to see what the health care providers, in effect, are 

   starting to do already.

   Miami, which has eight major hospitals which 

   have always competed with each other, have now joined 

   together. They are asking to delicense beds, they are 

   starting to determine who will use the MRI, who will 

   use the CAT scanner. They are not talking about all 

   of us having to do heart transplants or liver 

   transplants. So you are seeing that which we know is 

   tremendous expense to the system and tremendous costs.

   Broward County, which is Fort Lauderdale and 

   has tremendous competition, the two major hospital 

   networks have now joined together. When they did that 

   a number of the for-profit hospitals said, all right,
we have got to get together, that left one other group and they decided to get together. So we have got three major groups of hospitals that are participating.

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

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

So, everywhere I look in my state, the Orlando Chamber of Commerce has said they are going to create their own cooperative purchasing; they are not going to let the State do something. And that’s, again, the free market. I think that’s -- the more the merrier. What we are seeing all across this is these market forces taking place, and I think it is
validating, you know, what we said. We buy everything else trying to get the best value for the lowest price; we have not done that with health; we have not done that with our hospitalization. I think when you turn those forces loose, you see those things happening. That's the amazing thing I have seen, and a lot of this, of course, is also because they know a federal plan is coming.

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

GOVERNOR CARLSON: It looks like we are all going to put in a little bit of filler time aren't we. First of all, I want to commend you, Mr. Chairman, if I may, for your leadership on the whole health care debate. The truth of the matter is we have a remarkable opportunity to set the stage for governors to work with the President, with the Administration and prayerfully, and I say that prayerfully with all due emphasis, with Congress, and if we can do that we
can end up with a system that allows states to do what they do best, which is to experiment, to have flexible standards, to have waivers, if you will, from Congress, and let's, on a state by state basis, recognize that there are a lot of differences that only states can resolve. You can't provide health care in the rural parts of South Dakota the same way that you provide health care in Boston or Miami or Los Angeles. And those differences are really, ought to be dealt with by the states rather than have the national government come in and impose its wisdom on all, and history clearly dictates that that kind of flexibility is essential if we're going to have success.

In Minnesota we recognized very early, because the national debate is going to go through the same kind of process that we in Minnesota had to go through. You've got three fundamental things to focus on. One is people want quality of health care, they don't want to compromise that. The second thing is they want it to be affordable. They are petrified by the double digit increases that are currently going on. And the third thing is, they want access. They are very sensitive to the numbers of people that are left out of the system. We in Minnesota had close to
300,000 people left out but some 75,000 of those were children, and you can't be a humane, compassionate, caring society and say to your children, I'm sorry, but we are not going to give you access to health care. So you have to take care of people.

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

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

So we decided first of all, we have to restructure the delivery system. Bear in mind, competition in health care has never failed; it simply has not been tried. So if you're going to have competition you're going to have to restructure. So
first we wanted to restructure the delivery system. There we focused on creating regional networks, allowing these networks to be formed so they can have, if you will, the efficiency of coming together, the efficiency of collaboration and cooperation. So that was the first part, the delivery system.

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

The third part, and it's a sensitive one because much of it depends on our capacity to get waivers from the federal government, and Congress so far has been unwilling. But the truth is, we need to have data. Without date you simply can't create a market. And since you have so many companies that operate outside of ERISA, we don't have access to that data so we petitioned Congress for a waiver and we failed. But we were told -- and that really has
soured our optimism. What we were told by Congress was that we don’t want states to have waivers while we are continuing to debate the problem. The truth is they have been debating health care since you and I have been in diapers. The time has come for the federal government to really begin to understand that either they start to form a collaborative partnership of the Governors or they ought to understand that we’re going to tell them that the train is leaving without them.

The other thing that we tried to do, and this is perhaps in a lot of respects the most sensitive area, is who is going to pay for those people that there are currently outside the system. And in our case, we decided that -- I’ve been told the President is here. What we decided to do to the tax thing was to keep the tax within the health care system itself. We have imposed a two percent provider tax. The reason being that there is enough money in the system, the question is can you contain costs in order to be able to reduce the overall cost and still pay the tax? And our answer is yes. We now estimate by bringing the providers together that on cost containment, we can have a cost savings in Minnesota of $7 billion over the next five years.
On that optimistic note, Mr. Chairman, I'll end and welcome the President.

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

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

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

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

Our country is facing some very tough problems. Governors know this better because we face them every day. In order to help this President tackle these problems, in order to serve our country, I believe we must continue to push the boundaries of bipartisanship, and this association is in a unique
position to do this because of our personal experience and bond to this President.

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

PRESIDENT CLINTON: Thank you very much.

Thank you. Thank you very much. Thank you very much.

Thank you. Thank you very much. Thank you very much Governor Romer, Governor Campbell, our host Governor, Governor Walters. I am really glad to be here today. The last time the governors met in Oklahoma was in 1981 right after I had just become the youngest former governor in American history. I'd never been to an NGA meeting in Oklahoma so I would have shown up here even if you hadn't invited me to speak. I want to say that Hillary and I are very glad to be here to be with you again. We are looking forward to our meeting after this where we can talk about the health care issue and other issues in greater detail. I treasure the partnership that I have had with so many of you, and which we are trying to develop and literally embed in federal policy today. I know that you have already received an update on the progress that we have made together working on more rapid processing of the governors waiver request in many different areas and a
number of other issues which I hope we will be able to
talk more about later.

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

Today I come to talk to you about the issue
of health care. I would like to put it into some
context. When I became President, it was obvious to
me based on just the announcements and evidence which
had come into play since the November election that
the federal deficit was an even bigger problem than I
had previously thought, and unless we did something
about it we would not have the capacity to deal with
the whole range of other issues. That forever, at
least during the term of my service, we would be
nibbled away at the edges in trying to deal with
health care reform or defense conversion or welfare
reform or any other issue, by the fact that we simply
were not in control of our own economic destiny. And
so, we devoted the first several months of this
Administration trying to pass an economic plan that
would reduce the deficit by a record amount, that
would have at least as many spending cuts as new tax
increases, in fact, we wound up with more spending
cuts, and that would give some incentives where they
were needed, particularly in the small business and
high tech and new business area to try to grow more
jobs for the American economy. That has, I believe,
laid a very good foundation for the future.

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

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

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

We will have a major welfare reform
initiative coming up at the first of the year which I hope all of you will not only strongly support but will be active participants in and meanwhile keep doing what you’re doing, asking for the waivers that you think you will need.

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

There will be initiatives to expand the economic range of Americans. As I know that you all know now, and I wish he could be here with us today, our Trade Ambassador Micky Cantor, successfully concluded the NAFTA negotiations just a few days ago with some historic, some historic provisions never before found in a trade agreement anywhere, including the agreement by the Government of Mexico, to tie their minimum wages to productivity and economic growth and then to make their compliance with that the subject of a trade agreement, which means that it can be reviewed and if there is a violation, they can be subject to a fine and ultimately the trade sanctions can be imposed. Nothing like this has ever been found
in a trade agreement before. It insures that workers on both sides of our border can benefit. And I appreciate the support of the governors for the whole issue of expanding trade. We are now in the interim trying to get the GAT negotiations back on track and I hope we can on that.

Finally, let me say there will be a whole push toward the end of year on a whole range of political reform issues. One or the other, House or Congress, have already passed a campaign finance reform bill, a lobby limitation bill, and the modified line item veto, which I know that -- I think a hundred percent of you think that the President ought to have. In addition to that, the Vice President will issue a report to me very shortly on the Reinventing Government Project, which he discussed with you in great detail yesterday. The only thing I can tell you is that everything I ever suspected about the way the federal government operates turned out to be true plus some. The ashtray story is only illustrative. But the fundamental problem is not that there are bad people in the federal government or that the payrolls have been swollen by people who just want to pad them. That’s not true, in fact, many of the federal agencies didn’t grow at all in the 1980’s. What has happened
is that for the last 60 years one thing has been added on to another and people with the best of intentions have just piled one more requirement onto the federal government and the fundamental systems that operate this government have gone unexamined for too long, whether it's personnel or budgeting, or procurement. And we are trying to do that in ways that I think will free up a lot of money and improve the efficiency and service that the American people are entitled to expect from all of us.

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

And secondly, I don't think we can do it unless we do it on a bipartisan basis. I never want to go through another six months where we have to get all our votes within one party and where the other party has people that want to vote with us and they feel like they have to stay, and the whole issue revolves around process instead of product, political rhetoric instead of personal concern for what's going to happen to this country. There is plenty of blame
to go around. As far as I’m concerned, there will be plenty of credit to go around. I don’t much care who gets the credit for this health care reform as long as we do it.

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

Many of the skills which are highly prized among you, both in your own states where you serve and work with people who think differently than you do on some issues, who belong to different parties than you do, and the way you work around this table. Those skills are not only not very prized, sometimes they are absolutely demeaned in the Nation’s Capitol. When we come here and we try to work on something like we worked on the Welfare Reform Bill in 1988, we talked about, how does this really work, how are people really going to be affected by this, how can we deal with our differences of opinion and reach real consensus that represents principle compromise. And how can we be judged, not just on what we say, but on
what we do. Back east where I work consensus is often turned into cave in. People who try to work together and listen to one another instead of beat each other up, are accused of being weak not strong. And the process is a hundred times more important than the product. Beats anything I ever saw. And the people that really score are the people that lay one good lick on you in the newspaper every day, instead of the people that get up and go to work and never care if they are on the evening news, never care if they’re in the paper, they just want to make a difference.

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

Now let’s talk about the health care issue. We all know what’s right with our health care system. For those who have access to it it is the finest in the world. Not only in terms of the incredible technological advances but in terms of having a choice of our physicians or ready access to health care and
overall high quality that lasts throughout a lifetime. We can all be grateful for that. My Secretary of Housing and Urban Development, Henry Cysneros, and I were talking the other day. His son just had a profoundly important and difficult operation. Just a few years ago he was told that about all he could hope for for his boy was a comfortable life and eventually his time would run out, probably sooner rather than later. And because of the relentless progress in medical technology, his son now has a whole new lease on life. Nobody wants to mess up what is good in American health care. We must preserve it and preserve it with a vengeance.

But we also know what is not so good. We know that in a world in which we must competent for every job and all the incomes we can, we are spending over 14 percent of our income on health care and only one other nation in the world, Canada, is over nine. They are at about 9.4. Our major competitors on the highway chase for the future, Japan and Germany are down around eight percent. So they are at eight and we’re at 14. More troubling, if we don’t do anything to reverse the basic trends that are now rifling through our system, by the end of this decade we’ll be at 19 percent GDP on health care. No one else will be
over ten, and we'll be basically spotting our
competitors nine cents on the dollar in every avenue
of economic endeavor. I don't think that is something
that's right. We know that this places enormous
pressure on businesses. I'll come back to some of the
comments made by Mr. Motley along toward the end of my
remarks, but the truth is that about a hundred
thousand Americans a month are losing their health
insurance because their employers can no longer afford
to carry them under the present system we have. And
others, holding on for dear life, are never giving
their employees pay raises, and it is estimated unless
we do something about this system that the increased
costs of health care between now and the end of the
decade will literally absorb all the money that might
otherwise be available in this economy to raise the
salaries of our working people.

We see employers unequally treated by the
cruel hand of the system that we have. We know now we
are spending far more money, about a dime on the
dollar probably, administratively just on paperwork,
pushing paper around, than any of our competitors are.
A decade ago, the average doctor took home about 75
cents on the dollar that came into the clinic. Today
that's down to 52 cents on the dollar, in only ten
years. Because we are awash in paperwork imposed, A, by the government, and, B, by the fact that only the United States has 1,500 separate health insurance companies writing thousands and thousands of different policies. I have a doctor friend in Washington that recently hired somebody, not even to do paperwork, but just to stay on the phone to call insurance companies everyday to beef them up to pay what has already been covered. Money right out of the pockets of the nurses that work in this clinic. And there is a story like that in every health care establishment in America today.

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

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

I would argue that if you know you’ve got a
list of what’s right and you know you’ve got a list of
what’s wrong, and what’s wrong is going to eventually
consume what’s right, you cannot continue to do
nothing. And I don’t think most people want to
continue to do nothing. I want to thank the NGA and
especially the governors who have done work with us throughout this process. Many of you have met with the First Lady and Ira Magaziner and the people, there are literally hundreds and hundreds of people that have worked with them on a bipartisan basis to try to craft a health care reform package that will ensure that the states are real partners in our efforts to preserve quality cover everyone, control costs, and enable the states and the federal government to gain some control over their financial futures.

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

The national government has a lot to learn from the states and the tough decision that some of you have made already. I can honestly say that along toward the end of my tenure as governor the most frustrating part of the job was simply writing bigger checks every year for the same Medicaid program when I didn’t have the money that all of us wanted to spend on education and economic development and the other
important issues before us. There have been
phenomenally important contributions made to this
debate already by the governors of many states in both
parties. I won’t mention one, five, or ten for fear
I’ll leave out someone I should have mentioned. But
let me say that I’m very grateful to all of you for
the work that you have already done.

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

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

We will work with the states to phase in
reform and we’ll help you to work out problems as they
arise. And we have to have an honest discussion about
what that framework ought to look like. I want today
to tell you what I think we should do.

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

Second, I think we have to have a system of
managed care that maintains the private sector.
Organizes Americans in health alliances operated within
each state, contains significance new incentives for prevention, for wellness, and against over-utilization, and that has a budget so that the competition forces should keep things within the budget but ultimately, especially in the early years, there must be some limit. I will say again, if we don’t change this, we are going to go from 14 to 19 percent of our income going to health care by the end of the decade. It is going to be very difficult for us to compete and win in the global economy with that sort of differential.

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

Finally, in this connection, if we do these things, there will be massive cuts in paperwork because you won’t have to have every health unit in this country trying to keep up with thousands of different options and all the myriad complexities that flow from that. We won’t have another decade when
clerical employment in the health care area grows four
times faster than health care providers. No one
believes that that is a very sound investment in our
Nation's future.

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

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

Next, I think that we should have a hundred
percent tax deductibility, not 25 percent tax
deductibility for self-employed people. And that will
be part of the plan we will offer to Congress,
something that will increase the capacity for people
who are self-employed to maintain health insurance,
whether they are farmers or independent business
people.

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

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

And finally, I think there has to be some
responsibility in this system for everyone. There are
a lot of people today that get a free ride out of the
present system who can afford to pay something. I
think there should be individual responsibility. I
think every American should know that health care is not something paid for by the tooth fairy. That there is no free ride. That people should understand that this system cost a lot of money. It should cost a lot of money, it ought to be the world’s best, but we should all be acutely aware of the cost each of us impose on it. But I also believe that in order to make individual responsibility meaningful and in order to control the cost of this system, there has to be some means of achieving universal coverage. If you don’t achieve universal coverage, in my judgment, you will not be able to control the costs adequately. Why? Well, for one thing, you will continue to have costs shifting. If you have uncompensated care, the people who give it will shift the cost to the private sector or to the government. And that will create some significant economic dislocations.

Now, it seems to me we have four options, if you believe -- you have to decide if you believe everybody should be covered, you have only four options. And I would argue that three of them are not, at least based on what I have seen and heard, very good options in practice as opposed to in theory. Option number one is to go to a single payer system, like the Canadians do because it has the least
administrative costs. That would require to us replace over $500 billion in private insurance premiums with nearly that much in new taxes. I don’t think that’s a practical option. I don’t think that’s going to happen. And you talk about -- that would be significantly dislocating in the sense that over night in a nation this size you would have all the people who are in the insurance business out of it, unless they were in the business of managing the health care plans themselves as more and more are doing.

Option number two would be to have an individual mandate rather than a mandate that applies to employers and employees saying that every individual has got to buy health insurance, here’s some insurance reforms to make sure you can get it. This approach has found some favor in the United States Congress, primarily among Republicans but not exclusively, because it has the appeal of not imposing a business mandate which has a bad sound to it. Here’s the problem with that, it, seems to me. If you have an individual mandate, on whom is it imposed, and don’t you have to give some subsidy to low income workers, just the way you’ll have give some subsidy to low income businesses if there is an employer mandate? Who gets it and who doesn’t? And if you impose an
individual mandate what is to stop every other employer in America from just dumping his employees or her employees, to have a sweeping and extremely dislocating set of chain of events start? So it seems to me that there are a lot of questions that have to be asked and answered before we can embrace the concept of an individual mandate.

Third thing you can do is just not worry about it. You can just say, well, we will have all these other reforms and just hope that everybody -- if you can lower the costs of insurance, simplify the premiums and have big pools, that sooner or later, somehow everybody will be covered. The problem is that there is a lot of evidence that some people will still seek a free ride. And make no mistake about it, people that never see themselves as free riders, still ride the system. Because everybody in this country who needs health care eventually gets it; it may be too late, it may be too expensive. But if someone who works in a workplace where there is no insurance has a child that gets hit in a car wreck or just gets sick or has an acute appendix or something happens, they will get health care, and that will be paid for by someone else. And, indeed, even for the employers and employees that may go a whole year and never use the
It's an infrastructure just as much as the interstate highway system is; every medical clinic, every hospital, every nursing home, all these things are the health care infrastructure of the country, all being paid for by someone else but still available to be used for those folks. So I don’t think we can rationally expect to stop cost shifting or to have a fair system if we say we are going to organize all this and just hope everybody will get into it.

That leaves the fourth alternative which is to build on the system we now have. The system we now have works for most Americans. Most Americans are insured under a system in which employers pay for part of the health insurance and employees pay for part of the health insurance and it's worked pretty well for them except for the laundry list of problems that we talked about. But most Americans are covered under it. What are the problems with doing this? Well, first of all, if you just pass an employer mandate and did nothing else there would be a ton of problems in doing it, because the most vulnerable businesses would have the highest premiums, and a bunch of them would really be in deep trouble. No one proposes to do that. In other words, an employer mandate itself
would not be responsible unless you also had
significant insurance reforms, a long period of phase
in, and a limitation on how much the premium could be
for very small businesses or businesses with very low
wage workers that obviously are operating on narrow
profit margins.

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

Now it seems to me that, all this will be
discussed and debated in the Congress and the
governors will be a part of it, the first decision we
have to make is whether we can fool around with this
for another ten or 20 years or if the time has come to
Just consider this one fact, if health care costs had been held in check, that is to inflation plus growth since 1980, state and local governments would have on average 75 percent more funding for public school budgets. In fiscal year 1993, states spent more on Medicaid than on higher education for the first time. State spending on Medicaid is expected to jump from 31 billion in 1990 to 81 billion in 1995, if we don't change this system.

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

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

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

Let me say one last think about this. I think if we do this right it will restore our sense of individual and common responsibility. I will say again, I do not believe anybody should get a free ride on this deal. I think we have all, at least I've been part of it, have made a mistake in trying to say that people should pay absolutely nothing for their health care if they can afford to pay something. People ought to pay in proportion to what they can afford to. But I think that the system we have is so riddled with those who don't have any responsibility at all that it is chocked full of loopholes. Let me say again, everybody who says, well, this is just too complicated, this is too much trouble, and it's too hard to think about, ought to consider the consequences of doing nothing. Doing nothing means more people lose their coverage and those who don't will pay too much for their coverage. Doing nothing means that all those uninsured or underinsured Americans will be covered by vast outlays by state and local and federal governments. The rest of us will pay more at the doctor's office, the hospital, and our own businesses. Doing nothing means insurers will continue to be able to charge prices that are too high
to those who don't have the good fortune of being a very large buying cooperatives. And that the paperwork burden of this system, I will say again, will continue to be a dime on a dollar more than any other country in the world. We cannot sustain that sort of waste and inefficiency. More than 60 cents of every new dollar going into the Federal treasury over the next five years, under our reduced budget, will go to health care. After we had a $54 billion reduction in Medicare and Medicaid expenses over the estimated cost under the previous budget. Twelve to 15 percent added costs very year for large businesses, 20 to 30 for small businesses, no wage increases for millions, indeed tens of millions of workers and continued fear and insecurity. Policing this system against incompetence will be left to a flawed system of bureaucrats, of insurance oversight and malpractice that rewards things that don’t deserve to be rewarded and ignores legitimate problems.

Now, let me talk about this jobs issue one more time. If you just impose a mandate and did nothing else, would it cost jobs? Yes, it would. Any study can show that. That is not what we propose. If you reform the insurance system and all these big employers that are paying way too much now, and all
these small employers that are paying way too much now, wind up with reductions or no increases in the years ahead, that is more money they are going to have to invest in creating new jobs in the private sector.

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

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

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

    I'm convinced that the biggest problem we
have got right now is the fear of the unknown and the
exaggeration into the unknown of what, in fact, is
already known. To say that we are talking about some
untried, untested thing ignores the experience of
Hawaii, and ignores the experience of every other
country that we are competing with. Ignores what we
know about how our private sector could actually
manage the problem better in some ways than Germany
and Japan have managed it, and basically is rooted in
our -- somehow our lack of belief that we can overcome
all the etiological divides and the rhetorical barbs
and the fears that are gripping us.

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

I want to close by telling you a story. When
the Pope came to Denver and I was given the
opportunity to go out there and meet him and have a
private audience that I will remember and cherish for
the rest of my life, we arranged for a young girl to
come there and just stand in the audience. All she
did was have the Pope put his hand on her head and say
a word of blessing. This child is 13 years old, she
is from Wisconsin and her father, we met in the course
of the campaign. She was born with a rare bone
disease which caused the bones in her body to break
continuously, so that by the time she actually came
out of her mother’s womb she already had about more
than a dozen bones break in her body. Just a few
years ago, anybody like that could never have grown up
and had anything like a normal life. They just would
have been helpless, just continually crumbling. Now,
this girl has gone to the National Institute of Health
Care every three months for her entire life, and even
though she is just 13 years old, if she were here
talking to you, she would speak with the presence and
the maturity and the command of someone twice her age.
And she looks a little different because the bones in
her skull have broken, the bones in her legs have
broken, the bones in her back have broken, but she can
walk and she can function and she can go to school,
and even though she’s only four feet tall and weighs
only 60 pounds, she can function. And she asked her
father to take her to Iowa so she could help people in
Iowa to fight the flood. And she went to Iowa and
loaded sand in the sandbags knowing that any one of
those bags could have broken her leg above the knee,
could have put her away for a year. She said, I
cannot live in a closet. This is something that’s
there, I want to live, I want to do my life, I want to
do what other people do. And I was so overcome by it
I brought the girl to see me and then we just quietly
arranged for her to be there when the Pope was there.
I say that to make this point: I asked her why in the
world she would have done that, why she would have
risk literally breaking her body apart to be there
with all these big, husky college kids fighting this
flood? And she said, because I want to live and it’s
there and I have to go on; I have to do things. If a
child like that can do something like that, surely to
goodness we can stop wringing our hands and roll up
our sleeves and solve this problem. And surely we can
do it without the kind of rhetoric and hair pulling
bull that we hear so often in the Nation’s Capitol.
We can do it.

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

GOVERNOR ROMER: Thank you very much, Mr.
President. We will adjourn immediately. We will have
a governors only session with the President to continue this discussion. That will be at the second level of the assembly hall. The meeting is now adjourned.
CERTIFICATE

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

LINDA J. MARTIN, CSR

Linda J. Martin
Oklahoma Certified Shorthand Reporter
Certificate Number 00295
Exp. Date: December 31, 1994
THE NATIONAL GOVERNORS' ASSOCIATION

1993 ANNUAL MEETING

TRANSCRIPT OF THE PLENARY SESSION, held in the Tulsa Convention Center, Tulsa, Oklahoma, on Tuesday, August 17, 1993, and reported by Karla E. Barrow, Certified Shorthand Reporter in and for the State of Oklahoma.

HICKERSON & ASSOCIATES
CERTIFIED SHORTHAND REPORTERS
616 SOUTH MAIN, SUITE 204
TULSA, OKLAHOMA 74119
GOVERNOR ROMER: I would like to call this session to order. The first thing I'd like to do, I'd like to, at this time, depart from our agenda for the purpose of recognizing someone who is well known to everyone in this room. He's not aware that I'm doing this, and since I rarely get the opportunity to surprise him, it's a special pleasure for me to ask that you join me in applauding Ray Scheppach, the Executive Director of the NGA, on the occasion of his tenth anniversary with this organization. Ray, come up here.

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

RAY SCHEPPACH: Thank you.

GOVERNOR ROMER: For those -- I'm sure everyone knows the great skills you need to have in
order to accommodate all the various points of view in
this association.

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

Let me say that that coalition worked with us
very, very effectively in the last year in the
development of our policies on deficit reduction and
on health care reform, and it was a very interesting
process to see us go through an accommodation of each
others' views and a position which we were able to
maintain on health care and deficit reduction through
many months.

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

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

And as this country has become more
urbanized, as we have become more complex in the way
in which we govern, we have a very interesting but
understandable reaction on the citizens, and that is
government has become too big, too distant, too
costly, too bureaucratic, and we need to reach out and
find ways that we reinvent government not only to do a
better job, but to re-engage our citizens in a meaningful way, where they feel this government, at the local, the state and the national level, is their government.

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

Governor Hunt, I think raised a very interesting possibility yesterday, and there may be variations of that. And for those of you who might not have been here, he was suggesting that there ought to be a structured way that we could have that conversation with Congress, between the administration, between the state levels of government and the local levels of government.
So in introducing this subject this morning, I honestly believe we can never get to our other agendas, which are deficit reduction, health care reform, education reform, unless and until we get people believing that government can work for them, until we get the credibility gap closed to some degree.

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

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

Representative Hamilton.

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

GOVERNOR ROMER: Pull the mike close, Arthur.

REPRESENTATIVE HAMILTON: Distinguished Governors and guests: It is a privilege to be here. We are pleased to be a part of this discussion about reinventing government. The state legislatures have been involved in changes like teleconferencing,
getting our meetings outside of our state capitols, printing up text books so that young people will understand what their government is all about. We believe that we share a mutual responsibility in demonstrating that government is capable of solving the problems that our citizens face.

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

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

Thank you, Governor.

GOVERNOR ROMER: Thank you very much. I'd
next like to ask Commissioner Todd, of the National
Association of Counties, to share her views with us.

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

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

Some of the solutions that we perceive
include the following: First of all, recognition that
David Osborne's book on reinventing government was
written about the laboratories, the communities, the
cities and counties, and the ways that they are
handling the unique challenges of governments in their
communities.

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

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

I would also add that we appreciate the fact
that you, Governor, over the past several months have
extended the hand of friendship and cooperation to our
organization. We appreciate it, and I want you to
know that you have an open invitation, as does
Governor Campbell, to attend our conferences, and we will be extending some invitations to you to participate in our discussions on governance, because we are working now informally with the cities, the counties, the school boards, and our other local governments to discuss the governance issue, but we also will want to ensure that the states, the governors, and the federal, in the long run, are working together towards the mutual satisfaction of us all.

GOVERNOR ROMER: Thank you very much.

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

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

At the local level of government, we've been kind of reinventing things, particularly under the stress of a withdrawal of federal support over the last decade. We've been moving toward privatization of services, public private partnerships, reaching out to the citizens, community oriented policing being one
example, but adapting computerized systems to make
information more available to citizens. So in a
variety of ways, we've been attempting to adapt to our
changed environment, among which are reduced revenues.

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

If we do move in a collaborative way to
reinventing government, since that's likely to work
best if we have a specific area of concern to work at,
it may be that a broader perspective on the
difficulties facing families might put in front of us
a priority that I think would be recognized by most of
MAYOR SAVAGE: Good morning, Governor. Let the public.

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

GOVERNOR ROMER: Thank you very much.

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

MAYOR SAVAGE: Good morning, Governor. Let me first of all say how very proud Tulsa has been to be the host city for this very distinguished meeting. It has been our honor for Governor Walters to have brought the Governors Association here, and we have welcomed you and we hope you will return to our city. Reinventing government, for the City of Tulsa, and I'm going to speak really from two
perspectives; one from the City of Tulsa's perspective, and also for the U.S. Conference of Mayors, really means, essentially, that we're talking about making government more efficient, more responsive, and more accountable.

Specifically to Tulsa, we changed our form of government in 1990 from a commission form to a strong mayor form, with the impact of that being the strengthening of the role of the mayor as the chief executive officer, and the consolidation of many, many functions throughout the administrative branch of government. Our council became our legislative body. That has enabled us to cut positions, to consolidate procedures, to take a look from the very top, uppermost level of the organization all the way throughout. We've undertaken utilization studies in our police and fire departments, which have been enabled us to, in effect, increase the numbers of officers on the streets, closed some fire stations, redeploy those individuals, and to ensure that we don't reduce the amount of dollars that go into our public safety budgets. But to make these kind of expenditures and to continue with these kinds of changes, we must have the ability to be released from some of the federal mandates.
Last week, the U.S. Conference of Mayors, joined by the National Association of Counties, the League of Cities, the International City/County Management Association, formally launched a nationwide effort to bring an end to unfunded mandates. The U.S. Conference of Mayors has hired Price, Waterhouse to determine the cost nationally of unfunded mandates as part of a nationwide effort to educate the public.

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

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

We find that as a possible solution to this situation, that local and state governments need to be
at the table together, which we are today, and we're
very, very pleased to be here, but we need to be there
with the federal government when new regulations are
being drafted, and we need to be included in the
debate before they are passed by Congress.

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

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

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

Thank you for the opportunity to meet with you today.

GOVERNOR ROMER: Thank you, Mayor Savage.

Next is Governor Jim Edgar of Illinois, the President of the Council of State Governments. Governor Edgar.

GOVERNOR EDGAR: Thank you, Governor Romer.

And let me say, on behalf of the Council, we appreciated very much being included when you convened
this further historical gathering in Colorado Springs right after the election.

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

We also, as an organization that’s very strong at the multistate level, the regional level, we think very often, particularly in today’s problems, many of the solutions are more multistate than just
being solved by one state. We’ve tried to emphasize that because of our regional strengths.

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

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

GOVERNOR ROMER: Before I call on the next
one, just to review what we did in Colorado Springs at the New Governors' Conference, we set up a conversation with this coalition on the issue of deficit reduction and health care reform, and that coalition worked over a period of months in a very effective fashion, and I appreciate you identifying that.

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

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

I'd like to direct my remarks to two issues. First, the relationship with states, and then secondly the question of mandates that's been spoken about. I think that whenever one speaks about the question of reinventing government, one always goes back to the work of David Osborne or some of the work that was started with Demming and others in the total quality management movement, and one of the central points of all of that work is the need to empower those who are
closest to a problem or concern to solve that problem. We believe it's important that local governments be empowered by removing bureaucratic controls or procedural constraints which are essential to freeing creativity in organizations to solve problems. Local governments, as our state governments, are laboratories of democracy, and as such, we think this country has created the strongest system of local government in the history of the world. We encourage even further strengthening by further strengthening of the principles of home rule, and the opportunities for strong professional management in local governments so that we can, in fact, unleash that creativity in local government.

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

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

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

Number one, where policies are designed to improve the physical quality of life for people, they should be based on valid, scientific evidence. Unfortunately, we believe that many mandates have no such scientific testing or analysis.
Point two, even if a science suggests that
the policy change would benefit citizens, the second
question is at what cost. We would argue for a
significantly greater cost benefit analysis to make a
determination about implementing some regulation or
mandate. Is it really necessary that every public
water supply in every community in this country be
tested for a pesticide that's only sold in the state
of Hawaii?

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

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

Point five, there is some mandates which we
believe uniquely or disproportionately affect local
governments. The Americans for Disabilities Act may
in fact be a good example. Local governments are
clearly not opposed to equal access for disabled
Americans, but public facilities, swimming pools, recreation centers, airports, bus systems, so totally dominate what local governments do that we believe local government would be disproportionately affected.

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

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

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

We've produced a document, frankly, I'd call your attention to it, that is 96 pages long. It is, I think, an excellent document, and reviews all four of
the priority areas and represents the inventory and survey that we made of the nation's governors on excellent programs that are under way.

Let me comment on just a few examples.

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

Management systems reform would be the second area that I would touch on. We, of course, talk a lot about quality management systems, and we cite those in Arizona, Arkansas and New York. Human resource management reform in Florida and Iowa are important examples, particularly some of the pilot programs of
Lawton Chiles is advanced. We talk about some of the innovations in Oklahoma. We’ve advanced some personnel and purchasing reforms unsuccessfully. We did advance a compensation plan called the Oklahoma Pay Plan, which has received some note and has been very successful for us.

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

I would close by saying if we draw any conclusions from our work, that we were impressed by a few things that are obvious, and maybe some things less obvious. We were certainly impressed by the fact that it takes a strong commitment from the governor and from the executive branch. And when we say strong commitment, we talk about including it in your language, including it in your goals for your cabinet, including it in your talks with your agency heads,
talking about it constantly. I do in my state, and I think it takes that to make any progress at all.

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

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

The last thing I would mention is that it strikes me, as I listen to these presentations, that one of the most important elements, and we talked with the Vice President about this a bit when he visited with us, is to confront and talk frankly about the natural tension between the executive and the legislative branches, and the fact that as we ask for flexibility in order to try to do things more efficiently, oftentimes, that is interpreted by
legislative bodies as opportunities for abuse. And I think rather than let that tension lie under the surface, we ought to elevate it, talk about it, and hopefully come to terms with our other public policy making bodies so that we can, in fact, reinvent government.

Thank you, Mr. Chairman.

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

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

I'll say a word about privatization and human services reorganization. In the state of Michigan, under Governor Engler, in the area of privatization,
developed an innovative idea called the Perm System, whereby every manager has to rate every program under his or her jurisdiction each year and recommend that one of four things been done with it. Either that it be privatized, that’s the "P", eliminated, that’s the "E", retained in current form, that’s the "R", or modified in specified way, that’s the "M". I think it’s a very healthy exercise to go through because if the manager has 110 programs and they come back and say they should all be retained in their current form, it might lead you to suppose they’re not scraping very deep.

We had a little bit of a more disorganized approach in Massachusetts. We told everybody to privatize everything unless they could justify it in its current form. We have privatized quite a lot. We got a better price, in some instances, and better services in some instances. We privatized prison health care, and we got accredited by a national body which is going to help us on insurance premiums. We closed seven or eight state hospitals and put the patients in the community based settings. Most patients’ families think that’s superior care. It’s a less intrusive form of care, and the patients are not warehoused in these antiquated, red brick buildings
that we previously had been paying to heat all winter
long, even though the occupancy rate was only 18
percent, so that was a reform crying out to be done.

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

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

We drew up a manual with a checklist for all
the things you’ve got to worry about in your request
for proposals. I’ll just mention one touched on
briefly by Governor Walters. I made a mistake in not
getting the public employee unions on board early
before this process started, and this is something that David Osborne and Ted Gabler told me was a big mistake when we testified before the Joint Economic Committee on this topic.

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

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

There are a number of models in Florida. Governor Chiles is turning his state's $8 billion system right side up by empowering the communities at the local level to own and manage their own delivery system. They're getting away from the top
down hierarchical structure, which was happening throughout government, and as it's happening throughout industry these days.

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

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

Other programs I just mentioned are in Ohio, the Family and Children First Cabinet Council. In New Mexico, under Governor King, the creation of New Mexico's Children, Youth and Families Department, and lastly, the massive restructuring under Governor Campbell of the entire state government in South
Carolina. Thank you, Mr. Chairman.

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

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

In my own state, I know the federal government operates day in and day out. I manage a state government that operates day in and day out, and yet quite often, we never really talk to each other except upon problems, as they arise. And yet the state government then extends itself down into the local area, and I have thought, for example, of an
institutional method of forcing governments to deal with each other, such as take one day every six months and order every state employee in a certain area of the state to sit down on that day with every other governmental official with whom they deal, and the leadership of the private sector with whom they deal for an accountability session. I'm trying to think about ways in which structurally we can force this intercommunication.

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

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

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

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

Number one, in Delaware, let me just say, since John Engler has received so much publicity on programs he's had in this state, I have to give Governor Carper his just due, also. But in Delaware, we've started a commission looking at the way the government structures, looking at ways of cutting back that government, and looking for ways to make improvements in our state operation. Our study that we need to become involved in, I think, collectively, is studying the purpose for the existence of government bureaucracies in many areas. The working group must be put together, including all of us, to look at the issues that need to be resolved long-range, but we also have to take a second step, and that is to immediately start as a group working towards and lobbying for changes as of today with the health care reform act. Look at the bureaucracy and the red tape and the problems that we may face in our individual states, cities, counties, and what may come
down to us. We collectively should start to forge
together and should start to develop now an initiative
to restructure and to reinvent government so that we
do not have the bureaucracy and red tape facing us in
the future that we currently have on our
shoulders from those who have served us in the past.

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

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

    We, in the various states, have already begun
to look at reinventing government. There are
initiatives out there in all of our states. We need
to collectively now work towards the betterment of
government for all of our citizens. It’s not easy,
it’s a complex issue, but we need to do it.

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

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

GOVERNOR ROMER: Thank you. Commissioner
Stroger.

COMMISSIONER STROGER: Thank you, Governor.
I appear here as an exhausted rooster. We have new
leadership in the person of Barbara Sheen Todd, who is
very able, but when you’ve been there, you always have
a few comments that you think will make life better
for the new leadership and for all of the participants
here, and I’ve been there, starting with you in
Boulder, working cooperatively in regards to deficit reduction and improving the health care system, while also impacting on deficit reduction.

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

We all are, and particularly a person like me who lives on a day-to-day basis in an area that crime is rising at a pace that's alarming for anyone, we are concerned with curbing crime. But when you mandate, give us no funds, that we have more jails, the jails are built with certain specifications. As a matter of fact, some of these jails have better gyms than our high schools. More money is mandated for prosecutors, probation officers necessary, and when we, at the local level, come in and suggest to the state
legislators and governors that probably if we put some of these dollars up front, that we may not need to have all of these sophisticated jails, we may not need to have more correctional officers, and we probably can reduce some of the dependences on more police officers. So the dialogue that we're sharing here must be an honest dialogue in terms of both the politics and the government.

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

In conclusion, I would like to also state
GOVERNOR CAMPBELL: I don't want to make a long comment, I just want to observe something. Everybody is talking about reinventing local governments, but the financial mechanism to run local government have been here as long as we've had America, and you cannot run local governments on real estate taxes any more exclusively. So we have to look at that and rethink and redesign a new system to finance your local governments.

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

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

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

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

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

GOVERNOR CARLSON: Thank you, Mr. Chairman.
I would like to, first of all, commend the panel. I
think their discussion is extraordinarily thoughtful.
And all of us, as governors, have our own war stories.
I don't think there's a single state that hasn't
created some kind of a commission or some kind of an
effort to bring about cost efficiencies, et cetera.
Through the bulk of our lives, we have all lived through decades that are dedicated to slogans. Everything from the New Deal now to the New Democrat, and the whole concept of reinventing government outcome based, and we have our own lingo to carry that out.

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

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

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

I think we have a tremendous opportunity in 1994 as governors and as leaders to take back to our
legislative bodies a whole series of propositions which allows them to share in the responsibilities and the outcomes of government, and that will then compel us to focus on this whole exciting agenda on how we can better manage our ships.

GOVERNOR ROMER: Governor Edgar.

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

I would urge that this organization, along with the other organizations here, look at areas where they could work together and stop duplicating or stop competing. And I particularly like Mayor Fraser's idea about trying to identify maybe one issue. I don't think we're going to solve all the problems of government here, but maybe we could identify an issue,
as we did on the deficit, or perhaps the mandates that Carroll talked about, or the family problem, and as a group, try to take on that as a project, and that would allow us, one, to meet together and enter into, I think an unofficial dialogue that’s just as important as what we talk about specifically, and build a better working relationship, and urge our staffs to try to come up with a list of projects that maybe we could work together on or eliminate because somebody else is doing it, but not let this opportunity pass us by.

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

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

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

So first of all, mandates. Do you really want to do something? When you all were here and when
I’ll long be gone, the next bunch will be sitting at a board there and they’ll be talking about mandates. Everyone knows that’s one of the basic problems that we have. Our senators and others don’t want to give up their power, no one likes to do that, so why don’t we concentrate on mandates.

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

And then no one has talked about the good things that government employees do. We’ve talked about redesigning and cutback, and let’s get away with bloated government and all the rest. If you were on the other side and you were working hard to help to solve the mentally disabled, the poor, the
elderly and so forth, how would you feel if every time you looked around we’re going to take your job away from you. So somewhere along the line, it would be nice if we would talk about the state employees, the federal employees, and the rest and the things that they do. This is not in keeping with redesigning government, but it’s something that I feel very strongly about, and I try to tell our people, I tried to save your job. I’m not trying to knock you out of a job. I’m going to try to find a way that you may be able to do it better, but I’m not going to try to find a way for you to be knocked out of a job.

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

So my few minutes that I have, in summary, as they always say, I wish I’d be here 10 years from now. I’ll be looking down from someplace, either up or down, but I’ll be looking to see the board there, and
you’ll be doing the same thing unless we really get after the mandates and keep the pressure on, and the same thing with red tape; nice talk, a lot of good intentions, but it’s not going to work unless you have an action committee that goes out and sees that it’s happened.

Thank you very much, Mr. Romer.

GOVERNOR ROMER: Thank you, Governor Schaefer.

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

GOVERNOR ROMER: Yes.

GOVERNOR McWHERTER: I’d like to say amen to that.

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

GOVERNOR FORDICE: Thank you, Mr. Chairman. I wanted to comment first that I think Commissioner Stroger probably hit on and we haven’t reacted to it much, one of America’s largest problems, and that is the fact that many venues, particularly local municipalities, have run out the usefulness of property taxes and there needs to be some way, other than that, to finance local governments. Some have to depend entirely on property taxes, and I think he’s right that that method has, in many places, outlived
It's not sexy really to do bridge work. Its usefulness. In rural areas, if property taxes get high enough to where a farmer stumbles on a crop one year and loses his farm, then they become confiscatory and something needs to be changed somewhere, I believe.

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

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

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

COMMISSIONER TODD: Governor Romer?

GOVERNOR ROMER: Yes. Commissioner Todd, Governor Nelson, and then Governor Voinovich, and then we need to cut this off because we need to go on to our policy. Go ahead, Commissioner Todd.
COMMISSIONER TODD: Very quickly in response to you, you've heard build it and they will come? Give us the money and we will build it, okay? And basically, in most communities such as ours in Florida, we have local transportation boards, many counties and cities who have taken the initiative, but they have, within their framework, priorities, and I would really, in the spirit of cooperation, make a direct communication, as governor, and it would impress the heck out of them if you were actually to contact them, because very rarely do local officials hear from their governors.

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

I want to just provide a very brief summary of what one county official, as representative counties, thinks we need to be doing in the direction of this entire discussion. I am very pleased, Governor, that you governors believe that we need to join together on this issue of unfunded mandates.
Let's realize, first of all, that unfunded mandates exist on the state level, as well as on the federal level, and we, at the bottom, the cities and the counties, are like the little -- the dog at home. The guy that works has a problem with his boss, he takes it out on the wife, the wife takes it out on the kids, the kids take it out on the dog, the dog takes it out on the cat, the cat eats the fish. We're the fish, and we kind of would like to get up there and get rid of that little syndrome, and I'm delighted to know that you want to join us.

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

Secondly, on the issue of governance, which I personally believe is the real heart of the whole problem, we need to do an assessment as to where we want to go and what our people are saying, what our public are saying. The governor over here from Minnesota was talking about the need to involve the people. When I go back to my office and I find a list of telephone messages saying please, Commissioner Todd, don't increase my gasoline tax by four or five cents, then I know they don't understand what in the heck is going on. So we need to involve them in the process. We need to do a national assessment of where we are, and then after we do that assessment, I believe that this body, your leadership, our leadership, the cities, need to sit down, not just at a one time meeting, but we need to roll up our sleeves and we need to carve out a plan, a direction as to what we want to do, and then put those ideas forth. And it's not going to take a day, it's not going to take a month, it may take a year, it may take longer, but I believe that that's what we have as a responsibility for our nation. Thank you.

GOVERNOR ROMER: Thank you. Just two more brief comments, and then we need to move on. Governor
Nebraska goes to schools. So in this dialogue, we

GOVERNOR NELSON: Thank you, Mr. Chairman.

I want to thank the panel members today for a very
informative explanation of the problems at the local
level and your concerns.

The one area that we have not addressed at
the local level is what I would call the property tax
issue, which is the biggest tax of all. While a lot
of it would relate to county commissions, as well as
local mayors, 80 percent of it in the state of
Nebraska goes to schools. So in this dialogue, we
need to bring school administrators and school board
members, as well, because the reinventing of
government is not limited to municipal governments,
but also must be addressed by school folks in the
process of changing things.

When I return, we're going to have a
conference, we're going to schedule a conference not
totally unlike what we've had today with the panel,
but bring into the midst school administrators and the
school board members, as well, because in the whole
process, and a little later I'll be giving a report on
the education goals, the whole process of school
reform is not limited to substance of school and
education, but also relates to financing education.
I'm not talking about the equity issues of financing, but changing the way that things are being done so that we get the best educational bang out of the educational dollar that goes into the financing. So I hope that we can add people from the school side as well, because I think it can help the entire dialogue.

GOVERNOR ROMER: Thank you. Last comment, Governor Voinovich.

GOVERNOR VOINOVICH: I'd like to congratulate you, Mr. Chairman, for getting all the various local and state government people together in Colorado. I'd like to congratulate you for inviting this panel here today.

As a former mayor, county commissioner, state legislator, when I look back at my activity with Don Schaefer and the NLC, when we really got things done in this country we collaborated. We, at that time, back in '84 and '85, had the consortium of the state and local governments, and we were able to respond positively to the '86 tax reform bill when they tried to eliminate tax exempt financing. We were able to deal with Congressional response to the San Antonio Garcia case, and several other victories. And I really believe that if we work together and define one or two things that we go after, we can make a
difference. We can deal with the mandates, we can
deal with some of these other projects, but
individually, going off on our own, we’re not going to
get the job done.

GOVERNOR ROMER: Thank you very much. I
would like to invite the panel to stay. We have a
very interesting agenda. Senator Dole is coming, and
you may have other activities or duties, if you do,
but if you don’t, stay, enjoy this proceeding this
morning, and I want to thank you very much for coming.

Humor always gets you in trouble, but there’s
great, great communication and symbolism in
Commissioner Todd when you said we’re just the fish,
you know, the local government, I tried to take that
seriously. I went through goldfish, sunfish,
dolphins, humpback whales, sharks, piranhas, and I
just guess we need to have more communications of what
kind of fish local government is, okay?

Let me then turn to the policy positions,
they are in front of you. And I would like to ask
Governor Edgar, Chairman of the Committee on
Economic Development and Commerce to move his
committee policies en bloc, and discuss them briefly.

GOVERNOR EDGAR: Thank you, Mr. Chairman.
The committee adopted the following policy
resolutions, and I'd like to make a motion that they be adopted. New policies adopted were on economic growth and development incentives; work force development programs; closing of military bases; banking regulations and the credit crunch; state policy and national science and technology. We also reaffirmed existing NGA policies on tourism and on enterprise zones, and we approved a resolution reaffirming the governors' support for the North American Free Trade Agreement, and its side agreement on environment and labor. Again, I would move the adoption of these resolutions.

GOVERNOR ROMER: Is there any discussion of that motion? All in favor say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no. It is adopted.

I'd like now to call on Governor Florio, Chairman of the Committee on Human Resources to move his committees' policies en bloc. Governor Florio. Governor Carlson, are you going to move that for -- fine, we'll take the next one and we'll come back.

I'd like now to call on Governor Sullivan, Chairman of the Committee on Natural Resources to move his committee policies en bloc.

GOVERNOR SULLIVAN: Mr. Chairman, the
Committee on Natural Resources recommends the adoption of two new policy positions; one on Superfund, and one on transportation conformity.

With respect to transportation conformity, I would note that the position is identical to the one reported out by the Committee on Economic Development. In addition, the committee recommends amendment to the existing policy statement on energy and reaffirmation of the existing policy statement on research technology and innovation, and I would move the adoption of the recommendations of the committee.

GOVERNOR ROMER: Second? Is there any discussion of that motion?

GOVERNOR ENGLER: Just a comment, Mr. Chairman.

GOVERNOR ROMER: Comment? Governor Engler.

GOVERNOR ENGLER: Mr. Chairman, I haven't had a chance really -- I was just starting to mention this to Governor Sullivan, and there is a point, though, that I wanted to raise because in reading this, this is old policy, so it isn’t something new today, but it's old policy, and I think we do need to review, and I want to mention it because in the -- under improving energy utilizations, 1.3.2, there’s a statement that says to improve energy utilization, the governors
support the following measures, and then it goes on to say increased vehicle fuel efficiency through means such as raising the corporate average fuel efficiency standards and CAFE standards.

I think if we look at where we’re headed with some of the incentives that are now being put forward under the Clean Air Act, some of the pollution prevention activities I know the Great Lakes governors are debating, this is a little bit of a throwback to the command and control approach, and I think it has some competitive affects, which actually work against us and work against the American industry, and I think there’s substantial scientific evidence working against the environmental cleanup.

I just want to raise the point and say this is something that we ought to take a look at in the coming year, because I think that ought to be dropped out of here at a future meeting. At least I have no problem with increasing fuel efficiency, but I think the CAFE approach is the wrong approach.

GOVERNOR SULLIVAN: Mr. Chairman? May I just make this suggestion?

GOVERNOR ROMER: Yes, go ahead.

GOVERNOR SULLIVAN: There was another piece of that energy policy relating to externalities that I
had some concern about. We’re reaffirming old policy, and what we went through and made some changes to adopt it to the Energy Policy Act of ’92, I would say to Governor Engler that it seems to me the committee -- it would be appropriate for the committee to review both that and the externalities, which is one that I raised, and at the same time, I think it’s appropriate to reaffirm the existing policy with the changes, as the committee did.

GOVERNOR ROMER: Thank you. Any other comments? All in favor of the motion say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no. The motion is adopted.

Now I’d like to call on Governor Carlson, who is the Vice Chair of the Committee on Human Resources to move his committee policies en bloc.

GOVERNOR CARLSON: Mr. Chairman, thank you. The Human Resources Committee considered a number of policies and resolutions, and wishes to present them to the full body for its consideration. The committee developed an improved policy in the areas of welfare reform; work force development; reauthorization of the Elementary and Secondary Education Act; Fair Labor Standards Amendments; school link service integration;
and community services. It also approved a resolution under the impact of immigration on state correction costs. Mr. Chairman, these were adopted by the committee, and I move their adoption en bloc.

GOVERNOR ROMER: It has been moved and seconded to adopt them en bloc. Is there any discussion or comment? All in favor of the motion say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

I'd like now to ask for a motion and a second on the adoption of the Executive Committee permanent policy on federalism and resolution on health care.

UNIDENTIFIED GOVERNOR: So moved.

GOVERNOR ROMER: It's been moved and seconded. Is there any comment upon those on that motion? All in favor say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: All opposed say no.

I'd like to grant Governor Weld a moment of personal privilege to make a comment that he was not permitted time to make yesterday. Governor Weld.

GOVERNOR WELD: Thank you, Mr. Chairman.

This relates to the resolution that Governor Richards discussed a little bit relating to how escheat monies
are handled in the various states. I think she said
she was going to circulate a legal brief for everybody
to look at in a couple of months, and I think Governor
Carper and Governor Cuomo and I will probably
circulate a legal brief on the other side, but I just
wanted to warn everybody to watch out a little bit on
that issue. There's a huge federalism issue buried in
that dispute about how to handle escheat money, and if
the bill supported by Governor Richards were to pass,
all of the financial institutions in your states would
be subject to regulation by the regulatory officials
of all 49 other states. We think the bill is of
doubtful constitutionality, indeed the Supreme Court
said so in the decision that this bill was trying to
overrule in Congress, and it would be unconstitutional
for reasons that go against our interests, not in
favor of our interests. It would be a stretching of
the commerce clause.

The other point that Governor Carper touched
on briefly, which I don't even reach, is whether this
is an appropriate type of resolution for the NGA.
It's true that Carper and Cuomo and I make out best
under the current law of escheat because we've got a
lot of financial institutions in our states, which may
or may not be fair, but Governor Carper and I were
discussing this, and it lies in our mind that we don’t have any natural resources like oil and gas in our state. So we’re going to get Mike Castle to file a bill next year, if this sort of thing comes into vogue, so our fingerprints won’t even be on it, requiring oil and gas states to share their revenues with other states that don’t have any, and the same goes for states that coastline and thus tourism revenues and lots of trees and lots of logging revenues. I know this will be fought out in Congress, but maybe the NGA isn’t the best place.

GOVERNOR ROMER: Thank you. I thought we should have time and space for that nonpartisan, nonbiased comment upon an issue with great neutrality, and where it belonged.

GOVERNOR CARLSON: Mr. Chairman, he still wants the national convention in Boston next year; is that correct?

GOVERNOR ROMER: Now, I would like to ask for a unanimous consent to suspend the rules to allow Governor Tommy Thompson to offer a resolution honoring the late George Mickelson. Do I have agreement to -- unanimous consent? I do have. Governor Thompson.

GOVERNOR THOMPSON: Thank you very much, Mr. Chairman. And I also would like to just say, at the
outset of my remarks, thank you for your leadership this past year. It’s been well done, and I certainly appreciate it. As a partisan republican from Wisconsin, you did a nice job.

GOVERNOR ROMER: Thank you.

GOVERNOR THOMPSON: Yesterday, and previous days, both you, Mr. Chairman, and Governor Carroll Campbell have spoken so elegantly about our late departed friend George Mickelson, that I thought it was important for us, as a body assembled here, to pass a resolution so that his lovely wife, Linda, would be able to have it, because all of us who have served with George Mickelson, I certainly had the distinction of coming in with George Mickelson, he was an outstanding individual. He was a giant of a man, not only in size, but in compassion and ability.

The resolution is in your packet, and quickly, it says, "Governor George Mickelson really loved being Governor. He loved South Dakota and her people, and they loved him. As his dear friends and colleagues, we want South Dakota and the nation to know that we also came to love and respect Governor Mickelson as a dear friend, and for his strong commitment to making South Dakota and the nation better for all of us. As co-chair of the NGA’s task
force on health care, Governor Mickelson worked
tirelessly on a bipartisan basis with us and the First
Lady to help create a health care system that would
bring affordable, quality health care to all
Americans. It was especially important to him that
rural Americans have access to quality health care
under any system that may be put in place. In his
health reform efforts, he spoke and acted unfailingly
on their behalf. Our heartfelt affections and prayers
also continue for his wife, Linda, his children, Mark,
Amy and David. The memory of Governor George
Mickelson is an inspiration to all of us."

Mr. Chairman, I would ask unanimous consent
that this resolution be adopted and a copy be sent --
the original copy be sent to his lovely wife, Linda.
And I also would like to ask that Governor Dale Miller
be allowed an opportunity to say a few words.

GOVERNOR ROMER: Recognize Governor Dale
Miller.

GOVERNOR MILLER: Thank you, Mr. Chairman. I
do want to express my appreciation and the
appreciation of the people of South Dakota for your
time that you’ve given to recognize and pay tribute to
our former governor, the late George Mickelson.
Truly, he was a man of great character and great
capacity and great capability. I know that you miss him here, as we miss him much in the state of South Dakota.

I just want to express our deep appreciation to you for all the things that you said about him and for the help that you’ve given us in the state of South Dakota in this time of tragedy and transition. Thank you so much. We appreciate it a great deal.

GOVERNOR ROMER: Thank you very much. All in favor of adopting this resolution say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no. The resolution is adopted.

Now I’d like to recognize Governor Wilder for some comments on the resolution that he has agreed not to submit, but wants to discuss. Governor Wilder.

GOVERNOR WILDER: Thank you, Mr. Chairman. The resolution that I had proffered was relative to limited criminal access to handguns, and quite frankly, the resolution might not have gotten out of the committee, and I’m quite certain it would not have stood the muster of three-fourths vote requirement for unanimous consent here today, but I want to stress the fact that timeliness is not the issue, because all of that had been complied with.
But I don't think we, as the nation's governors, can ignore an issue that the nation's people constantly, survey after survey, poll after poll, tell us that they want some help in limiting access of handguns to criminals. I know what the prophets say, I know what the opponents say, and I know they told me in my home state of Virginia, never, ever will Virginia pass any bill limiting handguns, and last December they said I was crazy. Well, I heard that four years ago, too, when I even thought to run for Governor.

But I want to stress the need to pass the Brady Bill. The President has called for it. It's languished in the Congress for several years. We know the effects of it. Every day we see something happening, some tragedy, some celebrity status called into play in North Carolina just several days ago where some youngsters are accused of needlessly taking the life of some person. There's not a governor here that can't spell out a horror story. And all I want to say, Mr. Chairman, is that there's going to come a time when we'll just have to stand up and fight for those things we believe in.

We need to encourage our Congresspersons to do that, and I know the awesome array of power that
exists in that high tech lobby effort that will be
unreeled against them, but I happen to believe those
words were not just couched for a civics lesson or to
be recited on the 4th of July, "Government of the
people, for the people, by the people." They are
real, and that's what we listen to today. How can
we bring government closer to people? How can we rid
bureaucracy? How can we make our effects known? I
know of no better way than to say, simply, enough is
enough.

I should hope when we return to our various
jurisdictions, we would encourage our Congresspersons
to vote for the Brady Bill. And not only that, but to
look past the Brady Bill at the Toriselli Bill, and to
understand that the people are becoming more cynical
because we refuse to act. They can't vote. They have
no capacity, no forum, no way. The only way they can
express their frustrations is through us, so it's very
little wonder to me that on occasions we hear that
frustration put in another form, and that is of term
limitations, or that is throw the rascals out, or that
is it doesn't make a difference because they're all
the same.

I know that brevity is something that will be
enjoyed today, and Mr. Chairman, I thank you for those
few -- for the few moments, but I can't stress enough how serious I am about this measure. I know you are, too, but I think it's something that ought to be voted up or down so that the people will know where we all stand. Thank you.

GOVERNOR ROMER: Thank you very much. Just for your information, I have called a special session of the legislature in Colorado the first week in September to ban all handguns in juveniles under 18. In a recent poll done by a television station, 500 sample in Colorado, indicated 91 percent support for that bill. There is a sea change occurring in this country on this issue of violence and handguns, and you might want to observe what happens in Colorado and see if I'm still alive.

We now have a report from Governor Nelson on the goals panel, and then we're going to interrupt our program and take Senator Dole next. Governor Nelson.

GOVERNOR NELSON: Thank you, Mr. Chairman. I am proud this year to have served as the first post Charlottesville Governor to chair the National Education Goals Panel. This year, we've really focused on three major themes. One is continuity; the second is broadening the mission; and the third is to move forward and step up the pace of the process.
With respect to continuity, we, this year, demonstrated, perhaps to the amazement and to the pleasure of most folks in the nation, that this was truly a bipartisan effort; that it could survive the transition from one presidency to another, and that it continued to pursue the goals of local control in this arena of educational reform.

We instituted this year a shared management process with bipartisan pairs of panel members, governors and Congressional representatives, as well as representatives from the White House to oversee the staff and the panel's work in each one of the six goal areas. We anticipate even more, I think solid footing, as the goals and the panel and the improvement process are given statutory authority this year, with goals 2,000 to Educate America Act. We favor, and this association is on record, as well, of favoring the Senate version of that bill, and we have some things and kinks to work out with the House version.

When it comes to broadening the mission, it's clear that educational reform must occur at the classroom level, not at the State House level, not at the White House level, not on Capitol Hill, but at the local level. So we're going to continue to make
the public more aware of the goals process and the
need for local involvement.

We have to introduce this fall the latest
1993 goals report on the progress that we've been
making in this very important area. In addition, we
intend to implement an aggressive communication
strategy on the critical importance of achieving the
goals, and on the need for national standards
reflecting what all children should know and be able
to do.

We, in effect, are taking the show on the
road, moving it outside the beltway so that those who
are directly affected can see that it has direct local
import and is not something that is coming from the
top down, as many had feared.

When it comes to moving forward and stepping
up the pace, we believe that the highlight of the
panel's ongoing works in the area of measurement,
assessment, and standards based curriculum and
instruction form, we will show that we've been able to
adopt a definition of citizenship for standards and
assessment purposes. We specified this year criteria
for common and consistent school records data. Seems
like a small thing to accomplish, but it's a
monumental job, and I think it is a tremendous
accomplishment. And we outlined, as well, an agenda for collegiate assessment so that as we try our best to make reform and excellence in education from K through 12 come into place in America today, that we not leave it there, that we go to post secondary education, as well, and that we’re going to be able to pursue an excellence agenda for collegiate work as well. We also initiated the development of criteria for the review and approval of performance standards in academic subject areas.

In conclusion, let me say that the panel is going to be in experienced hands this year. It’s going to be announced at the conclusion of this meeting today that Governor Jock McKernan, from Maine, will be the incoming chair of that panel.

I’m thankful for the leadership that’s been provided by Governors Campbell and Branstad, who are the outgoing members of the panel, and I’m delighted to have Governor Romer re-up his term with the panel. With his energy and experience and contributions to this very important area, I look forward to continuing to work with him. We’re also delighted to have Governors Leavitt and Edgar joining as new members.

So what we intend to do is continue the process on a bipartisan basis so that educational
reform will come from the bottom up, rather than the
top down, and it will be America's effort to educate
Americans, and then it will be done at the local
level.

I thank you very much for this opportunity to
give you a brief report.

GOVERNOR ROMER: Thank you. I want now to
turn the chair over to Governor Campbell, the vice
chair, who will introduce Senator Bob Dole, and also
recognize Governor Finney for a brief comment.

GOVERNOR CAMPBELL: Thank you very much,
Governor Romer. Before I formally introduce and
present to you our next speaker, I'd like to call on
the distinguished Governor of Kansas, Governor Finney,
for some remarks.

GOVERNOR FINNEY: Well, Governor Campbell,
it's indeed a great privilege to join you in this
introduction of our distinguished guest. I have had
the opportunity to work with him in government for
over 40 years, and time and again he has demonstrated
his will to consider the state of the nation and its
future first.

He is my friend, and I am proud to join hands
with this great Kansan in a partnership for progress.

It is my greatest pleasure to join you as we introduce
Obviously, he is from Kansas, as has so proudly been expressed by the Governor of Kansas. He has served as the Senate Majority Leader and the Senate Minority Leader, the Chairman of the Senate Finance Committee. He was a member of the House of Representatives, and he’s been elected to his fifth term in the United States Senate.

He’s known for his effectiveness as a consensus builder and his commitment to deficit reduction, and they’ve earned him the admiration of republicans, independents and democrats alike. Scripps Howard News Service has called Senator Dole a legislator par excellence, and I think that that is a very apt description. He is one of only 15 Americans to have ever served as Senate Majority Leader. The Congressional Quarterly says it is against his
performance and ability to use power that Senate leaders in the foreseeable future will be judged.

During the Second World War, Bob Dole was a platoon leader in the legendary Tenth Mountain Division and he was wounded. He was twice decorated for heroic achievement. His decorations include two purple hearts and a bronze star with oak leaf cluster.

He’s married to Elizabeth Hanford Dole. She, of course, is the President of the American Red Cross. And Senator Dole has a daughter, Robin, who resides in Washington.

On a personal note, before I introduce him, I served with him a long time ago, almost 20 years, on a committee, and I invited him to come to a barbecue at my farm at that time. That is the only time the whole time I lived on a farm that I had a traffic jam in the pasture because people couldn’t get in to find a parking place to listen to him. So he commands respect wherever he goes, and I am proud to introduce to you my friend, Senator Bob Dole.

SENATOR ROBERT DOLE: I want to thank Governor Campbell, and I certainly want to thank my good friend Governor Finney. We’ve been, like many of you, working together the past few weeks on the flood problems, and I want to say right up front, I know
many are -- I understand Minnesota and Iowa may be in
for another dose, and I think it's fair to say that
there's been total bipartisan cooperation when it
comes to that particular issue, and it will continue.

I agree with some of the governors that it's
always more difficult when the T.V. cameras go away
and they stop reporting on the floods to get some
people's attention, but I think you've gotten their
attention in Congress, democrats and republicans, and
any of us who come from those nine or 10 states
understand full well just what a tragic circumstance
it's created for thousands and thousands of people in
all of our states. So I would just say to those -- I
know you've probably talked about this, but that's one
area where I think we can have bipartisanship.

And I'm very proud to be here, and I know
you've heard from my former colleague, Vice President
Gore, and your former colleague, President Clinton.
I've watched and listened and read President
Clinton's, the text of his remarks. And I know
there's a lot of rhetoric in Washington, maybe some
bull in Washington, and some of it comes from both
sides, so I guess that will never change, probably
not. In a free country there will always be ideas,
and there will be different ideas, and they'll come
from democrats and republicans and people who aren't members of either party.

I also want to join the President in recognizing the tragic loss of Governor George Mickelson, a friend of mine and a friend of Governor Miller's, obviously, but a friend of everyone in this room, and someone who had, I think just an unlimited future in government and politics because he really cared about people and he really wanted to make a difference, and that's precisely what he did as Governor of South Dakota. So I certainly want to join you in that.

Now, I know governors, some governors left the Senate and became governors. Some Governors were Senators. Others of you may be joining us in the Senate, and we welcome you if you come. And there are a lot of people that talk in the Senate and we can talk at length in the Senate. Some do. I think Senator Thurman has a record of 22 hours and 41 minutes. He is seldom asked to deliver an after dinner speech, but there's no end to what we can talk about and how long we can talk in the United States Senate. And I think I'm not going to talk too long.

But I think we do share a lot of common concerns, and maybe some people -- you all have a
loyal opposition, I don’t care what your party is, there’s a loyal opposition. I happen to be a member of that loyal opposition. I’ve been referred to as Mr. Gridlock, but I’ve got an honorary degree lately and they now call me Dr. Gridlock, and that’s very flattering and I’m very proud of it. But there are differences in political parties, and we all understand those differences. And you work with republicans and democrats in your state legislatures, and as a former state legislator, I know that a lot of times there are a lot of good ideas.

In fact, I remember a few years back when Elizabeth and I were in Gdansk, Poland, meeting with Lech Walesa, who was then still just an electrician. He told us the definition of a communist economy was a hundred workers standing around one shovel. He said what Poland needed, he said, was a hundred shovels and a hundred workers. As the issues of our day are debated in Washington, and I just say particularly in the Senate and the Capitol, I think we’re better off if we had a hundred -- than just having a hundred senators around one idea, we have a hundred senators with a hundred good ideas. That’s what makes for competition. That’s what makes for better legislation. So whether it’s health care, whatever it
may be, I think there could be a lot of good ideas. Some have come from democrats, some have come from republicans, and we hope we can work it all out.

But I think that our concern is rooted, my concern, your concern is rooted in our mutual interest in seeing the federal government focus on its most fundamental responsibilities, and that's to ensure domestic tranquility and provide for the common defense and promote the general welfare and secure the blessings of liberty for ourselves and our children, and generations yet to come.

But I think you know, in fact, you've told me so, members of both parties, that too often in the federal government we lose our focus and we try to dream up new ways to involve Washington by federal mandates into the daily lives of the states, and your citizens. And I noticed on Sunday, I don't remember who made the statement, but one of the governors declared, the problem we've got are members of Congress who don't have a clue what's going on in the states and who consistently try to solve their problems by pushing the burdens and responsibilities back to the states. End of quote. Now, I do have a clue, but I certainly don't have all the answers, but I think that statement probably sums up the
frustration of some of the governors with some of the mandates. The latest motor voter legislation; maybe you’re all for it. I didn’t get many letters from governors. In fact, I offered an amendment that it wouldn’t take effect until we sent the money with the mandate, and it was defeated. And every time we have a federal mandate, somebody is going to stand up and offer an amendment that we send the money with the mandate or it doesn’t take effect.

We’ve also had mandates on small business; your John Motley here yesterday. Family leave, we’re now reading in the papers that many employers are not going to hire number 50, they’re going to keep it at 49, because once they hire number 50, then the Family Leave Act triggers in, so a lot of jobs and a lot of opportunities, in my view, because of another mandate, are never going to happen.

So there are some areas where I think we certainly agree. I agree with the governors. It doesn’t make any difference what party we’re in. We just don’t believe in unfunded mandates, and I’m certain you don’t agree with unfunded mandates, so I think we have to do a better job of fulfilling our fundamental responsibilities.

And this is the decade of the nineties, and
it does present us with a unique opportunity to do just that. If we want to secure the claim, and I think the claim ought to be what we can call the American century.

It wasn't too long ago for some of us, some of you it's been a long time, but in 1941, just as World War II was about to commence, it was Henry Luce who declared that this was the American century, and he was right in two ways. America was a large, powerful force for good and for freedom in the great struggles of our century, and the American way of democracy and freedom and the capitalism has been the model and dream of people everywhere oppressed by tyranny. But this destiny has never been inevitable, and as we stand here today, it's not assured. Our experiment in government, our contributions to science and technology, our pioneering of industry and mass production do not, in themselves, guarantee that we will live up to the promise of the American century.

Our duty now, those of us who are privileged to serve in public office, regardless of party, those of us entrusted by the citizens with the general welfare of America is to secure that place in the history of this century, and to leave our United States prepared for what might become known as
America’s millennium.

Much remains to be done. I hear people talking about the year 2000. We’ve still got seven and a half years left, and I think there’s a lot we can do in the seven and a half years. I think President Clinton certainly shares that view.

There must be a new commitment to the most basic principles upon which America was founded, a government secure in its future by providing security for its people, and too many have come to look at government not just to secure the blessings of liberty, but to also hand them out. And yet it’s ironic that the American people have grown more cynical about government as the government has grown larger. Maybe Vice President Gore, with reorganizing government or reinventing government, maybe we can start downsizing like every other business in America, but it’s not going to be easy. As the government promises more and more, the people have come to respect government, state government, local government, federal government less and less. So as the challenges ahead are great, it just seems to me that our commitment is going to have to be greater if we’re going to go back and win the confidence of the American people.
Now, I didn't come -- I talked to Carroll Cambell, just to give you a legislative update, you probably keep a closer eye on some of the federal legislation than we do, particularly if it affects your state, but I want to touch on two or three matters that certainly are important, in a very broad way and a very brief way. Yesterday, President Clinton, in effect, sort of raised the curtain on health care. He didn't raise it all the way. He didn't tell us everything, but he at least got the attention of the American people, and now we're on this course of how are we going to proceed with health care. And in my view, it's probably the most important issue that we'll consider in Congress maybe since Social Security, so it's a big, big issue that affects everyone in this room, everyone everywhere in America directly or indirectly, and how do we come to grips with it, how do we make it work, and that's precisely what the President talked about yesterday.

I certainly agree with President Clinton that reforming our nation's health care system, it should be a bipartisan effort. I said very clearly it's got to be bipartisan or it's not going to work, because in this case, I don't think it's a partisan issue in the sense that republicans are somewhere and democrats
are somewhere else. We have different democratic
groups supporting different plans. We have different
republican groups supporting different plans. So to
make it pass, you've got to have the broad cross
section of republicans and democrats, and certainly
more than 50 percent of each, but you've got to have a
pretty good cross section to really make it work.

I think there's much we can agree on. Just
about everyone agrees on the primary goals of health
care reform. I know you passed a resolution that
Governor Wilson submitted, and we're going to be
looking at that carefully because I think it does
reflect the view of probably every governor here.

We want to reduce health care costs,
certainly we all agree to that. We want to ensure
that everyone has access to affordable health care.
We want to create a fair insurance system so people
don't have to worry about being rejected when they are
sick or when they change jobs. We want to maintain
our present high quality of care. Let's don't throw
out the good in America, because we still have the
best health care delivery system in the world.
Although we fall behind in infant mortality, but we
have pretty raucous life-styles here, too. We don't
do quite as well on longevity for men and women, and
there may be reasons for that. Maybe that's part of
the life-style. But overall, we do a good job, and we
don't want to throw it out, we want to keep it, we
want to preserve it, because people around the world
would like to emulate it.

We also want to improve access to rural and
inner cities. Some of us live in rural areas.
Kansas, for example, we all have a lot of rural areas.
Is managed competition going to work in Russell,
Kansas, where we have three doctors and a small
hospital? Maybe so, maybe not. Is it going to work
in Philadelphia or somewhere else in the inner cities
where it's more difficult to attract providers of
health care? So we need to make certain of that.

We also need to fix medical malpractice laws
to get the bad lawyers out of the doctor's office, and
to get the bad doctors out of the practice of
medicine.

While we agree on the goals, we lack a
consensus, and I don't think that's really all that
bad. Again, go back to my Polish story there.
There's going to be a lot of ideas. The President has
raised the curtain. He will raise it a little higher
in September in a joint address to Congress, and then
maybe legislation will be introduced, and then the
hearings will start, and then there will be a lot of ideas of how to change it, how to make it work, how to make it better, so I don’t think it ought to get set in concrete right now and say this is the plan, I won’t change anything. If you change anything then count me out. If we do that, it’s going to be a long, long winter and a long year next year.

But the President does raise some genuine concerns for health care consumers and providers, taxpayers, businessmen and businesswomen, and, yes, state governments. Our primary concern centers around the role of the federal government as a regulator, and especially the prospect of the government imposing employer mandates.

If federal regulations mean one size fits all health care policy, there may be fewer opportunities for states to test approaches on their own, just as you’re doing now in many, many states. So often, as you know, it’s the states that are in the major -- are the major innovators in developing new solutions to old problems.

In the view of Senate republicans that are working on a proposal of our own, employer mandates would damage the economy and hurt those that need the help most; new hires, small businesses and low income
workers. And that's not to suggest that we don't agree that we need to look at how best to share the responsibility between the public and private sectors on providing access, but like the administration, we also believe we must build on our employer based private insurance system wherever possible.

Make no mistake about it. All of us still have a lot to learn on this issue. Besides that, we haven't heard from consumers and providers and business or governors at Congressional hearings, and I think it's going to be very extensive. It ought to be. We ought to go across the country, we ought to hear everybody we can before we start making decisions. So hopefully that's something we can work on, overcome our differences and approach. But -- and let me just say as the republican leader, in my view, bipartisanship is not just picking off enough republicans to get the bill to pass. That may be a victory, but it's not bipartisanship. And it may be more and more difficult in this case, because I've got a feeling that many of my democratic colleagues may have different views on health care, too.

Let me just touch briefly on education, because next to health care, I think it's probably one of the paramount issues of our time. Again, states
ar lighting the way, and Washington must not try to
derail your efforts. The six educational goals you
devised in a bipartisan way, and I’ve listened to
Governor Romer and Governor Campbell and others on
C-Span and others talk about education, they did an
outstanding job, in a bipartisan way, set the
national agenda for change in education for the rest
of the century. They are based on the need for a
community by community, school by school effort by
parents, teachers, the localities in the states.

But those goals are jeopardized, in my view,
by a bill making its way through Congress. The House
version seeks to reverse local control of our schools
and impose what are called national delivery
standards, which would be overseen by a National
Education Standards and Improvement Council. In a
nutshell, rather than concerning ourselves with
whether our students are actually learning, the
federal government could dictate class size, the
number of computers per student, possibly even the
textbooks to be used. That bill even prohibits any
federal money from being used for national testing to
determine if these new federal standards were doing
any good. In my view, it’s a prescription for federal
control and ruination by Washington, and we need
bipartisan help in making certain if that bill passes, or if it keeps to move, that it has a lot of drastic changes, because I think it's moving in the opposite way. I'd rather move toward an initiative like California's Proposition 174, which would provide vouchers to parents so they could decide where to send their children. This competition in the field of education would certainly bring us more results than anything Washington might mandate.

Another thing that ties in I think perfect where I think you're again going to see a lot of bipartisan support is on crime, and criminal legislation at the federal level. How can we expect our children to learn when so many of our schools and streets have become battlegrounds. The American century cannot tolerate a violent crime rate that has increased 500 percent in the last 30 years. We cannot allow the young, the poor, the elderly, or any other American to be terrorized by criminal predators.

Two weeks ago, the republicans unveiled their crime package. The House and Senate republicans coming together, which is not always easy to do to get the House and Senate republicans, or the House and Senate democrats to come together. And the President followed up last week with his proposal, and there's
one major difference between the two that should be of interest to governors of both parties. And this is a provision in our bill, and we hope we can work together and get into hearings and make it a bipartisan bill. To keep career criminals off the streets, the republicans plan to provide three billion for prison construction, and two billion of that would be used to construct 10 regional prisons for both federal and state offenders. Those prisons would be available to states that adopt truth in sentencing laws, mandatory minimum sentences, pretrial detention, and victims' rights laws. Furthermore, our proposal has a billion dollars which would be used for matching grants in states for prison construction and operation. I'd say one more thing. We pay for our bill. It's not going to be charged up to the deficit. We pay for it. We've got a way to pay for it. We do it by cutting federal government and taking a little out of university research. I know some of the presidents won't like that, but I think it's very important to the universities that we get a handle on this.

Now we've got another problem called domestics, extended beyond the America to our borders. And again, we're a very generous country, we're the
land of opportunity, but we’re not the land of unlimited resources and we can’t allow our generosity to be compromised by an unchecked influx of illegal aliens who swell lines for public assistance and put new burdens on our state and local governments, as pointed out in California, Florida, New Mexico, Arizona, Texas, and wherever you are on the borders areas in particular.

As I said, John Motley was here yesterday and talked about small business. Of the five million employers in America today, four-and-a-half million have fewer than 20 employees, and they’re in our states of North Dakota, Kansas, other small states; in fact, all states.

During the economic debate, we were told by some of the experts, and we’re not experts, that about 42 percent of the corporate filings, tax filings, were Subchapter S corporations, and about a 70 percent of the small business people created -- about four percent of all the small business that created 70 percent of the jobs in America, and we’re concerned whether it’s health care, whether it’s more taxes, whatever it is, that we may be taking away job opportunities. Maybe it’s mandates, maybe it’s something else, so I hope that we can work together
and make certain that we're out there trying to 
increase jobs, increase activity through tax 
incentives, through growth proposals, trying to make 
it work, and not trying to put people out of work.

    I noticed coming in that there's a group 
of -- bipartisan group of governors supporting the 
North American Free Trade Agreement, and I believe 
that's an issue that should have and will have, maybe 
in this case you'll have more republican support in 
the Senate than democratic support, I know it's a 
tougher issue for democrats for a number of reasons, 
but in my view, we ought to move with it, and we ought 
to move with it very quickly. I read one report today 
that said the President was going to focus on really 
two things at the end of this year, really three, I 
guess, reinventing government, but on North American 
Free Trade Agreement and health care. And my view is 
if we don't move on that fairly soon, it may become a 
victim of the 1994 election, so I would hope that we 
can work together on this.

    You understand probably better than anyone, 
as well as anyone, at least, how important the 
American economy and the international economy are 
linked, and they are linked. You know how important 
foreign markets are for the products made in our
states, for jobs and for local economies, and I know
many of you go on trade missions, some of you have
offices overseas because you understand the importance
of this to your states in creating jobs. And I talked
to Mickey Cantor, I think he's done a good job
negotiating the side agreements. I think the side
agreements are going to be helpful, and it's our view
that that's one thing we can move on very, very
quickly.

I believe, as I've said, that we're ready to
go, and if we fail, there's going to be a couple of
new terms develop, maybe borderlock or maybe tradelock
instead of gridlock, because this is an opportunity,
and if we don't take advantage of this opportunity, I
think many Americans don't understand it right now,
but once they understand it, and if we fail, the
winners are going to be Japan, Korea and the European
community, so I think that's another one.

I would just close with an area that I talked
to Governor Campbell about briefly, he's been on a
foreign trip, and I would just say if there's been one
hallmark of the American century to date, it has been
our leadership on the world stage. To the benefit of
all the people of our states, the United States has
led in times of war and times of peace, whether under
democrat or republican administrations. And since World War II, Americans have sought to bring our power and our influence to bear on the side of freedom and democracy.

During the Cold War, the United States stood at the helm of the North Atlantic Alliance, guiding her allies through difficult decisions, keeping a unified front against the vast military mind of the Soviet Union, and American leadership and unity paid off. Eastern Europe was freed of its shackles and the Soviet state crumbled. And remember this number, and you probably know it better than I do, today, more than 500 million, that’s 500 million people are free today largely as a result of the unswerving leadership of the United States of America. These new states are building democracies and market economies with U.S. technical and financial assistance and, of course, inspiration. They are going to be markets of the future; maybe it’s Poland, maybe it’s the Russian Republic, maybe it’s Armenia, maybe it’s Bulgaria, maybe it’s some other eastern Europe or former Soviet bloc country. And we can’t stand on the sidelines and say well, if they develop democracy and they become good customers, we want our share of the market. It doesn’t work that way, as all of us know. We have to
compete for it. We may have to spend a few dollars
for it, but I'd much rather spend a few dollars
encouraging democracy in the former Soviet Union and
in eastern Europe than worrying about another conflict
10 or 15 years down the road that might endanger our
children or our grandchildren, or another arms race in
addition. Keep in mind there are a lot of positive
things that can happen, too, one being market
opportunities for people in our states.

So many of these countries are already new
markets for our products. We find -- in fact, Governor
Finney was there not long ago, there are new markets,
there are new market opportunities. And now that the
Cold War is over, there are of those of us who would
like to give -- there are some that would like to give
up America's leadership role around the globe. The
term multilateralism is no longer used to describe a
meaning of implementing foreign policy, but to some
it's an excuse for abdicating U.S. leadership.

We've already seen the effect of this new
multilateralism in war ravaged Bosnia here and
Srebrenica. While the United States hesitates from
afar, the United Nations and the European communities
have been engaged in diplomatic hand wringing. As a
member state of the United Nations, Bosnia is an
independent nation. It's a member of the United Nations, it's a member of the state of the United Nations, it is being gobbled up, defenseless because of an arms embargo which violates the the very principles of the U.N. Charter.

The arms embargo was imposed in 1991 on Yugoslavia. There isn't any Yugoslavia any more. In my view, the arms embargo is illegal. It's my view, it's the view of a lot of legal scholars, and if we can't help in any other way in Bosnia, at least we ought to lift the arms embargo. If that threatens any U.N. troops, take them out, take them out and give the Bosnians a chance to defend themselves, if nobody else in the world will come to their rescue.

We have resolutions that are passed and letters are sent, and we do the same in the Senate, maybe you've done it in the states. We send mediators to Geneva to ratify on paper the aggression on the ground in Bosnia. And if Lord Owen and Stoltenberg get their way, the Bosnians will surrender 70 percent of their country while the United Nations bureaucracy and the European Community hail the new peace and pat themselves on the back. Any such settlement will not only be an invitation to the brutal dictator in Belgrade, and I want to make a distinction between the
Serbian people and the Serbian regime, because there is a distinct difference, it's going to give him more power to tighten his grip on the suffering Serbian people and begin full scale ethnic cleansing against Albanians and Kosovo. It's also going to be an invitation to other dictators who would be aggressors who are lurking in the shadows of the former Soviet Union and elsewhere. How many thugs around the world will RSVP to that invitation? How many of these thugs have access to nuclear or chemical weapons?.

There is no substitute for U.S. leadership, and make no mistake about it. If there will not -- you know, we have to continue it. It doesn't mean we have to police the world. It doesn't mean we have to send ground troops everywhere, but on the other hand, we cannot allow the principles of international law and order to be violated with impunity and watch silently as regional instabilities grow unchecked, or if we put false hope and high expectation into flawed institutions, especially the United Nations, the blow to bureaucracy, and it is a blow to bureaucracy in the United Nations, is incapable of taking swift, efficient and effective action even in matters where human lives are not at stake.

Furthermore, the United Nations does not
stand for the same values and principles the United States stands for. U.N. Secretary General Boutros Boutros-Ghali is obsessed about being in charge rather than getting things done. Most recently, he demanded the United States wait for his permission before NATO takes any action in Bosnia. The last time I checked, the American people did not elect Boutros Boutros-Ghali to run U.S. foreign policy. And while it may be tempting to toss things into his lap in view of the many domestic problems we have and challenges we face, we need to remember that American strength is derived not only from our economic power and military muscle, but from our leadership abroad.

It is this leadership, so skillfully exercised by republicans and democrats since the Second World War, which provide us with the leverage we have in international institutions and negotiations, whether carried on by diplomats or issues or trade issues. Whether it's our global leadership, which has made the world safer, in my view, and more prosperous, not just for our citizens but citizens for other countries, and as I said, we've got 500 million new people out there that have a little taste of freedom largely because of our unending support.
So I would just suggest that 2000 is seven
and a half years away. A lot of things we can do
together to fulfill the promise of the American
century, and that we doesn't just mean Congress, not
just those we in Washington. It means states
legislators, it means governors, it means people up
and down the political ladder, and the job is not
going to be easy.

President Clinton pointed out yesterday
there's got to be some responsibility for the
individual. The government can't do it all; never
could do it all, can't do it all now. So I guess you
look at ratings, and Congress is at rock bottom, where
we've been for a long, long time, and the people
aren't certain we can get the job done. Do we have
the will in Congress or do your legislatures have the
will to make the hard decisions, to bite the bullet,
to make the decisions that have to be made if we're
going to finish out this American century and call it
what we like to call it, as one of great progress.

So I'm very proud to be here today to speak
for my republican colleagues in the House and the
Senate, not just for them, because I think in many of
these cases it's not really that partisan. And I
would just say to some of my democratic colleagues,
you keep scores on some of these things, I think so far this year we’ve approved 253 nominations President Clinton wanted without any -- some of them without even debate. We’ve passed about 250 some pieces of legislation that President Clinton wanted, much of it without even debate. So I would say when you hear the term gridlock, keep in mind that, you know, gridlock might be in the eye of the beholder, and we tried to do everything we can.

And I would just close with a comment that my friend the Majority Leader made, Senator Mitchell, when I was trying to push the Bush budget through Congress. He said why is it bipartisan for the President to demand that his plan be adopted, but partisan for the other party to demand that their plan be adopted? Do we live in a monarchy? Is the President a President or is a king? Are we required by some law to accept whatever the President proposes without any opportunity for discussion, debate or suggestion, or constructive alternatives? And that’s the way it works in American politics. That’s the way it works for every governor here. You’ve got to go back now and argue with democrats and republicans in your legislature. The President has got to put up with us. But the bottom line is it many times leads
to better legislation. Will we have fundamental differences? We're going to have differences; just have to vote and see what happens.

But I would just say to everyone here, as I started, we're prepared on the republican side of the aisle in the Congress of the United States, to extend the hand of cooperation to you as governors, and certainly the President of the United States, to make America a better place.

Thank you very much.

GOVERNOR ROMER: We have a few minutes for questions or comments. Governor Miller.

GOVERNOR MILLER: I would like to thank the Senator for being here and giving us his position on so many issues. I suspect, like most others, I listened with some acuity in the area of health care, and I listened as you gave the President advice that he not set his ideas in concrete, which I think is good advice.

Many members of the republican Senate caucus wrote the President recently indicating that you would not support an employer mandate, and I wonder if that's in concrete or is that subject to negotiation?

SENATOR ROBERT DOLE: The original letter said under no circumstances. We changed that wording
to strongly disapprove, so I think the point is that
certainly we’re going to talk to the President about
any issue. We can’t say, well, we’re not going to
play. We haven’t even started to discuss health care
yet. My view is there’s going to be a lot of changes
in the next several months. I don’t imagine it will
pass until sometime maybe in the middle of next year.
I may be wrong, but the answer is yes, we have
flexibility if the President has flexibility.

I think the thing that would bother us is if
they would just start off and say this is our plan,
and if anybody tries to change it, then tell us, well,
you’re not being cooperative, you’re being partisan
again. But you can’t have it that way either. I
think we have to be open.

GOVERNOR MILLER: I can’t speak for everybody
here, but I think that the President indicated that
degree of flexibility in our meeting yesterday, and
certainly helped all of us closer in a bipartisan
spirit.

SENATOR ROBERT DOLE: Because I know you
have. I just give the example, one example of Pete
Stark from California, a very powerful member of
Congress, Chairman of the Health Subcommittee on Ways
and Means. I think he has 86 democrats signed up for
for a totally different plan, so this is an area I think we really need to reach out to each other, democrats and republicans, and work it out.

GOVERNOR ROMER: Governor Jones.

GOVERNOR JONES: Senator Dole, as you addressed health care, difficult not to be able to look at the person you’re speaking to there, as you addressed health care, you spoke of universal access, but did not speak of universal coverage. Do you believe that we can solve the health care problem without providing universal coverage for those 37 to 40 million people that do not have it?

SENATOR ROBERT DOLE: I think you’ll find, and again, I see around the corner there, but I think you’ll find in our republican principles, which we published before the recess, I also believe we need to cover, whether it’s 35, 37 million. We know that many of those -- we know that in America, everybody can get medical treatment now. It’s not a question of getting treatment, it’s a question of being covered, and we share the view that we should cover everyone. You know, we could always stumble on, how do we pay for it, and I think that’s going to be the problem. But we may have to phase it in. I think the President says five to seven years. That may be the right
number of years, because it's going to be very tough.
Some people are going to lose benefits, some are going
to gain benefits, but somebody has to pay for it, but
we share that view.

GOVERNOR ROMER: Governor Walters.

GOVERNOR WALTERS: Senator Dole, welcome to
Oklahoma. We are honored to have you here and sharing
your views with us.

I was very interested in your remarks and
your call for bipartisan effort, particularly on
health care reform, and I think that's welcome to all
of our ears. The governors here, democratic and
republican, are intent on solving this problem, hoping
that the spirit of optimism prevails over the spirit
of pessimism, and that we can, in fact, solve this
problem.

I think all of us, even those of us not in
the United States Congress, feel a little awkward
about the recent economic debate in and that so often
it was reduced to very simple, in fact
oversimplifications and characterizations.

My concern, as we enter the health care
debate, as the curtain is raised as you said on the
details, that there would be that temptation to do the
same about employer mandates. I think the President
was very clear here yesterday saying that no one is suggesting employer mandates in a vacuum; that it would be accompanied by insurance industry reform, there would be limits on premiums for small business and low wage earners, and phased in; that it would have a number of other facets to it. And there’s also the problem of if not that, well then what, and is it single pay is it no mandates, is it individual mandates.

So my encouragement, I guess to all of us who have participated in that debate is to avoid the early oversimplifications. I’m sure at times it will come to that, that would cause the American people to automatically associate that with something bad, because it may not be. We don’t know yet fully, but it may be the proper option, and I appreciate your willingness to keep an open mind about it and approach it in a bipartisan way.

SENATOR ROBERT DOLE: I think it’s fair to say that an employer mandate is going to be pretty hard to sell with the republicans and democrats, and increased payroll taxes. I mean, I won’t go back in the economic debate, and I think John Motley pointed it out fairly well. You know, the small business people, they’ve had the family leave tossed on them
and this mandate that some of them can’t afford, and
now that we’ve had the economic package, which will
hit a lot of Subchapter S and proprietors, and I’ll
give you one example. I was in Abilene, Kansas, to
dedicate a new Russell Stover ground breaking
ceremony. It’s a Subchapter S corporation. It’s
going to cost that company $6 million, and I didn’t
say it, the guy that had me invited to the ground
breaking said, I could have put this $6 million into
another plant somewhere. So, you know, I understand
that very well, and we’ve had a group working on
health care for three years headed by Senator Chaffey
of Rhode Island. We think we’ve got a pretty good
position, and we certainly want to work with President
Clinton.

GOVERNOR ROMER: Let me have two more
comments, and then we need to move on with our agenda,
and it’s Governor Lowry and then Governor Thompson.

GOVERNOR LOWRY: Thank you, Mr. Chairman.
Thank you, Senator, for your excellent statement on
NAFTA. I commend you very much on that. It’s very
important to our country, and commend your leadership
on that.

And yes, you mentioned on health care that
many of the states were moving ahead. In the state of
Washington, we moved ahead, as have many other states. One major obstacle by the federal government is the ERISA law that really interferes in the states' abilities to go ahead with our health care plans. And I would like you to comment on that, and would hope that it would be that there could be change in the ERISA law to give our states the abilities to move ahead.

SENATOR ROBERT DOLE: Well, I know Hawaii has had some success with ERISA because their plan was implemented before, so they got a partial waiver. They still need additional help, as I understand it. We've got to get over that hurdle or it's going to take away a lot of the opportunities.

In my view, in fact, some of us even worry about implementing a big, big health plan in all 50 states until we've seen it work in a few places. We'd like to have some experiments in two or three states. That may not happen, but I think there is a commitment to take a look at ERISA and see what we can do.

GOVERNOR LOWRY: Thank you.

GOVERNOR ROMER: Governor Thompson.

GOVERNOR THOMPSON: Thank you very much, Mr. Chairman. I'd just like to welcome you, Senator Dole. You're always -- it's always so pleasurable to
hear you speak and to hear your insight into the issues. I am a fan of yours, and I'd like to congratulate you again for your leadership in the United States Senate. And I, too, know that you're working very hard on a bipartisan basis on health issues because I met with you and Representative Michael, along with Carroll Campbell, and then Senator Chaffey has already got a developed plan. I don't think that -- you know, when the questions have been asked so far, have indicated, you know, are you going to be supportive, you already are supportive, you are going to advance the plan, I know that.

All I would like to ask you, is there anything that we can do as governors to assist you in your efforts and the President's efforts to achieve bipartisan accord on the health bill, and also on NAFTA, something that's very near and dear to my heart and to members of this organization. I think about 40 to 42 governors are fully in support of NAFTA, and we want to be helpful to get it passed because I personally think it's probably the best thing we can do to create jobs and economic development in this country, and much more so than the stimulus plans that have been advanced. This will create jobs. This will advance economic opportunities, and we would like to
see what we could do to help in that regard.

SENATOR ROBERT DOLE: As I said, I've been working, I think Mickey Cantor does a good job, we've become pretty good friends, I've been working with him, and my own view is we ought to hopefully start on that very soon. We hope to get started in September, because it's going to take a long time. I know it's a very tough issue for Congressman Gephart and some of the others, but in this case, this may be the way government ought to work, maybe we can pick up the slack on our side where they're going to have a shortfall on their side, but a lot of people don't understand that. They've been sold this bill of goods by Ross Perot and others that that sucking sound is going to be jobs coming out of America; that people can move their factories -- of course they can move their factories now. In fact, one moved back to Michigan, right, John, General Motors?

GOVERNOR ENGLER: A thousand jobs.

SENATOR ROBERT DOLE: A thousand jobs. One moved back to Connecticut. We can compete, even though the wages are different. So we certainly think what could happen to that bill? If it lags over into next year, it could get caught up in the '94 election cycle, which would make it very difficult. I know
there are 41 or 42 governors who support it, some with
different degrees of enthusiasm. But I think if you
look at Canada and Mexico, our first and third largest
trading partners, in our little state, as the Governor
knows, it’s big, big, we do a lot of trade with Mexico
in our state of Kansas, so it’s important to us, and I
think it’s important to most every Governor.

GOVERNOR ROMER: Governor Campbell.

GOVERNOR CAMPBELL: Senator Dole, we want to
thank you for being with us today and thank you for
the message that you’ve brought, and the willingness
to work with us as we try to come to some conclusion
on the proposals concerning the health of our citizens
in this country, and we’ll look forward to working
with you throughout the next year on this and many
other subjects. We appreciate you being with us.

GOVERNOR ROMER: Next I would like to
introduce Eli Segal. Eli Segal is assistant to the
President and is Director of the Office of National
Service. Mr. Segal has a distinguished career, which
spans politics, business and the law, and we’re
looking forward to his presentation on the Clinton
National Service Program. I wish you would please
join me in welcoming Eli Segal.

ELI SEGAL: Thank you, Governor Romer. For
me, an opportunity to talk about National Service is
only enhanced by the honor of being introduced by Roy
Romer, a friend, a comrade in arms in political wars,
a true public servant, and a special advocate of
National Service, both as Governor of Colorado and as
the Chair of the NGA, with Governor Campbell, has been
another very strong supporter as we’ve moved our
initiative forward. If that isn’t enough today to
speak at an NGA event in the home state of Governor
David Walters fills me with pride.

I’d also like to say a word today about Bob
Dole. I welcome Senator Dole’s call for
bipartisanship. Senator Dole, I’ve learned, is a
passionate advocate of National Service in principle.
He supported a precursor of our initiative in 1990,
and he’s been enthusiastic about it throughout his
career.

National Services, we’ve developed it, I’m
happy to report is not a new unfunded mandate, but
it’s a welcoming partnership with substantial Senate
and House republican support. That Senator Dole has
not endorsed our bill yet is a personal challenge to
me and my colleagues as we move forward.

This meeting today takes its spirit from a
radical notion that people of both parties and a wide
range of political views can sometimes agree on a few
things. It's a radical notion we'd all love to see a
little more of in Washington.

Since you all came to Tulsa, you've engaged
in dialogue about some of the nation's central
challenges; NAFTA, reinventing government, and that
thousand pound gorilla, the national health care.

Today, in contrast, I wish to discuss with
you not a problem to be tackled, but a tool to be used
by every one of you. For most every problem, National
Service is a bipartisan delivery system to change.

One of our House floor leaders, republican Steve
Gunderson, of Wisconsin, said that our legislation
combined the idealism of the democratic party with the
pragmatic realism of the republican party, or as your
President has said, National Service is the American
way to change America.

National Service, as we envision it, will
enlist substantial commitments from tens of thousands
of young Americans to improve our communities through
service; tutoring our students; helping to immunize
our babies; cleaning up our parks; joining patrols of
our streets; and doing the other hard and necessary
work each of you would list as needed in your own
state, and these volunteers work primarily through
local nonprofit organizations, not a new Washington bureaucracy. In return, these young people receive
the minimum wage while serving, and an educational
benefit of nearly $5,000 after they’ve finished a year
of service.

Let me tell you why I think National Service
should matter to you today, after all you’ve heard in
the last few days. First, it’s a powerful agent of
change. It will be fueled by one-and-a-half billion
dollars in new federal funds over the next three
years, with at least a billion of those dollars
flowing directly through your states.

Second, it’s an opportunity to attack the
prevailing cynicism, not only to government, but
towards the idea that Americans can and will help each
other. Its promise was summed up in President
Clinton’s inaugural address. There’s nothing wrong
with America that can’t be cured by what is right with
America.

And third, National Service is a popular idea
with historic potential for you and your constituents.
From the Civilian Conservation Corps in the 1930’s to
the Peace Corps in the sixties, and the National
Service in the nineties, part of what’s right about
America is the way we rise to a challenge. National
Service challenges everyone. It challenges our young to serve. It challenges our service providers to new standards of effectiveness. It challenges our private sector at a time when we all know about economic austerity, and let me be frank, it challenges each governor to shape the service efforts in his or her state.

When I started chatting with President Clinton about National Service in January, he gave me some clear guidelines which has raised with me ever since we’ve chatted in the last seven months. First, I was to work with the states. Second, we would design a plan which supplemented, not supplanted existing programs in the states. Third, we were to send federal funding sometimes on the basis of population, and sometimes on the basis of competition among the states. And fourth, perhaps most important, we would proceed on the basis that we needed to support your efforts with knowledge, with know how, and with money.

Now that we are hopefully on the eve of final passage, we hope as soon as we return to Washington in September that will happen, and with an NGA endorsement for the concept, we’re turning to you. We know and appreciate that your approach to the service
will be as varied as your states are. At the federal level, we’ll set some priorities and standards, but not mandate a particular blueprint for your programs.

To begin this process, we’re asking each of you to set up a state commission on national and community service. Each commission must be bipartisan, and it should be broadly based; young and old, business and labor, government officials, representatives of the nonprofit world. These commissions are a critical structural element to enable the federal flow of funds to programs in your states.

Because these commissions are going to be so important, I’ve come to Tulsa today for two reasons. First, I’d like to ask you to decide who in your staff will help put this process in motion, and second, I’d like to ask you to invite them to call me personally this month so that we can begin working together on your state’s behalf. We understand the federal government must avoid asking you to shoulder new responsibility without paying the freight. Let me assure you on what has become fashionable, what is at Bill Clinton’s heart and soul, this will not be another unfunded mandate; therefore, as soon as you establish your state commission, we’re going to fund
the bulk of its administrative costs as much as 85 percent in the first year alone.

National community service programs already exist in many states, and we understand that in reinventing government, we must take care not to reinvent the wheel. For this reason, already existing state commissions, corporations, or other administrative bodies that are broadly representative can qualify as alternatives to the required state commissions.

We know that many state legislative requirements and schedules may not permit immediate action; therefore, the legislation also provides for an extended transition period during which they may designate existing agencies to administer the program.

In essence, our goal is to establish a market, a market for quality programs. One that sorts out which programs produce tangible results in communities, and frankly, which do not, then market model means that National Service isn't -- let me make sure you understand this, it's not an entitlement. All programs must compete for funding on the basis of their ability to achieve results. A good national service program will be one designed to have a clear, positive impact on the unmet needs of your...
Programs will not receive federal support unless they can raise a portion of their own funding from businesses, from your foundations, from your civic groups, and from the cities, towns and states of our country. This is one way that we'll ensure that service programs grow out of their communities instead of being transplanted from Washington. If a program is funded, it's got to produce. The acid test has got to be results, not rhetoric; good performance, not good intentions.

We're going to ask health programs how many infants were immunized. We'll ask education programs, how many at-risk teenagers finished high school, and we'll ask environmental corps, how many public parks were retrieved from weeds and drug pushers. Program results will be rigorously examined each year. A program that works will be expanded. A program that doesn't work will have its funding cut off. In this time of scarce resources, National Service is a new opportunity to show that your government can be soft hearted and hard headed at the same time.

But the ultimate test of National Service is simply this: Americans need to embrace it, both for its educational benefits and for the way the
experience meets pressing needs and enhances the lives of those who serve. Americans must alight in national service because they're going to have to pay for it. And if it's not working, we won't have to wait for a major GAO report to tell us so; but if it is working, if the very sight of a team of diverse corps members hard at work sends shivers of inspiration down the spines of passersby, then National Service will be woven into the fabric of American life. But National Service is not going to work without our friends here today.

Let me finish the story I love to tell about the great Civil Rights worker, Fannie Lou Hamer. She used to tell the story of a wise old man and two little boys who thought they were just oh so very, very clever. They decided that they'd fool the old man by catching a small bird and cupping it in one boy's hands. They were bringing it into the old man and they'd say, old man, we have a bird in our hands; is it alive or is it dead? Their plan was that if he said the bird was dead, they would release it and let it fly away. If he said it was alive, they would crush it and show him the dead bird. But when the boys brought the bird to the old man and asked him that question, he simply answered, it's in your hands.
In many ways, the fate of National Service is in your hands. That fact, frankly, fills me with hope.

I appreciate being welcomed here today, and I look forward to us acting together to make National Service work for your states, and, therefore, work for our country as well. Thanks very much.

GOVERNOR ROMER: Mr. Segal will be available for any of you who have questions or comment immediately following our adjournment.

I'd like to ask Governor Doug Wilder to come to the podium. Governor Wilder.

The people of America bestow on governors unique powers and responsibilities that are essentially reserved for presidents of nations in most parts of the world, and this responsibility binds us together in a personal, unique and bipartisan way, usually for life.

Governor Wilder has already distinguished himself in American history, as well in our own hearts. He's a bronze star veteran, a distinguished attorney, and a hard working leader in the National Governors' Association. He will be missed, not forgotten.

We want to wish you the very best, Governor Wilder, and we have a presentation that I'd like to
GOVERNOR ROMER: Thank you very much, Governor Wilder, Governor of Virginia, for outstanding leadership and dedication to the vision that has guided the Association since its founding in 1908. We have a picture of the Governors' Association in 1908.

GOVERNOR WILDER: Thank you.

GOVERNOR ROMER: Governor Sullivan, could you give us a brief update on the Indian gaming issue before we adjourn here?

GOVERNOR SULLIVAN: Mr. Chairman, just very briefly, very quickly, let me say that the task force on Indian gaming and other interested governors met to review the status of negotiations last evening. I think it's fair to say that there are concerns that the negotiations and the proposals do not, at this stage, adequately address all of the concerns, and certainly the two main issues, on scope of gaming and process. We're going to communicate with the parties, continue the discussions, which are scheduled to continue next week, and hopefully either make progress or take another direction.

GOVERNOR ROMER: Thank you very much, Governor Sullivan.

Now I'd like to call on Governor Weld to give
us some information about our next annual meeting.

GOVERNOR WELD: Thank you, Mr. Chairman. The next annual meeting is in Boston, July 16 to 19 of next year, and we look forward to welcoming you, and we will show you, I promise, a lobster bake and clam bake with all the trappings, the potatoes and corn buried in the seaweed, the best that New England has to offer; the Sox, if they're home; the Boston Pops; New England Aquarium; some of the best shopping in the world, bring your wallet.

Governor Campbell and I have agreed to divide up the responsibility for this meeting. He will be in charge of substance and I will be in charge of the parties, so we're both going to be doing what we do best.

GOVERNOR ROMER: At this time, I'd like to announce the NGA 1993 Awards for Distinguished Service to state government and the arts, and as you know, these awards recognize outstanding contributions to public circles on behalf of state officials and private citizens. As I announce these 1993 winners, I ask governors, if they're present, to come forward if their award winner is announced.

First, California. I would like to announce the state official is Mr. John Ramsey, chief executive
officer of the California Major Risk Medical Insurance Board. His award is for first time innovations in health care for the uninsured, for managed competition that are a model for the nation, and for cost effective health insurance for small business.

John Ramey and Governor Wilson.

Next is Major General Edward Richardson of Hawaii, and John, if you'd come up. Major Richardson is the adjutant general and director of Civil Defense, and this award is for his distinguished service in response to Hurricane Iniki in 1992.

Major General Richardson and John Waihee.

The next award is from Idaho. It's Mrs. Marilyn Shuler, the Director of Idaho Human Rights Commission. The award is for over 30 years of leadership in tackling inequities until positive change occurred. Mrs. Marilyn Shuler.

Next is from Maryland. It's Mr. Bishop L. Robinson, Secretary of Public Safety and Correctional Services for long-range planning, boot camp innovations, and state of the art computer identification systems. Mr. Bishop Robinson.

The final winner in the state official category could not been with us today. He's from Massachusetts, Mr. Kevin Smith, Undersecretary of the
Executive Office or Administration and Finance for his achievements in reinventing government for better service with less cost, in low income housing, capital budgeting and interdepartmental coordination, and I’m sure Governor Weld will take that award to the awardee.

Next, the private citizen award winners. The NGA also honors private citizens who give of their special talents and resources to serve their states. Almost always their services are volunteer and without pay.

The first of our five distinguished citizens is from California. It’s Dr. E. Grace Payne, Executive Director of the Westminster Neighborhood Association of Los Angeles, and this award is for 20 years of service and hope to the young people of the Watts neighborhood, as a fund-raiser, cheerleader and spokeswoman for thousands in her neighborhood.

Next, from Illinois, Mr. Park Livingston, former President, University of Illinois Board of Trustees. The award is for 50 years of service to the University of Chicago and the Illinois Medical Center. Much of this service has been on a pro bono basis.

Mr. Park Livingston.

From Iowa, Mr. David Fisher, Chair of the
Governors’ Committee on Spending Reform for over $200 million worth of enacted common self-savings in the Iowa budget through better efficiency in government. Mr. David Fisher. I wanted to ask if he was on loan.

Next, from Ohio, Mr. Robert Van Auken, Chairman of the Operations Improvement Task Force for leading the largest private sector management audit of Ohio state government in history. The task force made over 1,600 administrative and legislative recommendations that are well on the way to millions of dollars of savings. Mr. Robert Van Auken.

Finally, in the private citizen category, from South Carolina, Dr. Jack McConnell, Director of Volunteers in Medicine Clinic for creating this nonprofit, volunteer operated medical clinic to provide free health care for the area’s poor. Nearly all volunteers are retired medical personnel. Dr. Jack McConnell.

Then in the arts area, each year NGA gives awards for distinguished service to the arts, both for artistic production and support of the arts. Our winner for artistic production is Kentucky Educational Television, KET, for providing statewide instructional programs to all students and teachers in Kentucky. Accepting the award is Ms. Virginia Gaines Fox,
executive director of KET.

For arts support, there are two winners. The first is Chubb Life America of New Hampshire for its creative statewide success in creating public private partnerships in the arts. Accepting the award is Mr. John Swope, CEO of Chubb Life America. Mr. Swope.

The final winner in the arts category could not been with us today. He’s from North Carolina, Mr. Charles Kuralt of CBS News, for supporting the arts during his 35 years of broadcast journalism.

Now, Governor Campbell, you have a presentation.

GOVERNOR CAMPBELL: Thank you very much, Governor Romer. You know, Roy and I have worked closely together for the last three years, always in a calm and reasoned way, never a difference of opinion. I say that facetiously, of course. Roy and I have worked together seriously for the last few years in the establishment of the goals panel, co-chairing the National Council on Standards and Testing, fondly known as NCEST, and every time we get too close to each other, as a republican or democrat, somebody reminds us of that.

Over the last year in this organization, I have been proud to work with Roy Romer as the
chairman. He's done an outstanding job. Roy and I have gotten to the point where we can practically finish each other's sentences when we hold joint news conferences, and so it's been a good working relationship.

There's one thing I'll tell you. Roy is a man that is committed to moving ahead. He's a man that's committed to making progress, and he's a man who's word is his bond, and he's a man who can work with you to arrive at consensus. And I have had the privilege of Roy and myself having opposite positions, finding a middle ground, both agreeing, and that was that, and I never looked back and he never looked back.

Roy's drive and energy have made the last year a truly productive one for the National Governors' Association, and Roy, on behalf of all of us, I just want to say we really appreciate it.

On behalf of the NGA and the nation's governors, I am pleased to present you with some gifts. First, a gavel, your gavel, and I'd like to take a minute to read the inscription on this taleidoscope that we're giving you, whatever that is, before I give it to you. If I can read the inscription, the inscription says, "Governor Roy
Romer, a man of extraordinary vision," and I think that says it all, Roy. And I'm going to hand both of these, the gavel and the talidescope, and I want to tell you, just on a personal basis, you've been a good friend, and I'm going to miss working with you.

GOVERNOR ROMER: Thank you very much. Thank you very much. I want to thank you for the privilege of having the opportunity to do this job. It's a fun job, but I think all of you know that we operate here not just on issues, but we operate also in relationships. One of the things that happens in the governors' association is that when you work together, even though you differ or sometimes even because you differ, you develop a strong personal relationship, and it's because we all have a similar craft, and that craft is to try to work out what people value in our own states.

And as I close the year, I want to thank all of you for your help. I particularly want to thank Carroll, because he was of great assistance to me, both in support and in criticism, which I appreciated. And I particularly wanted to thank the staff, and there's one particular staff member I want to underline, and that's B.J. Thornberry, who helped me, as you well know, be successful in this year.
We had the right agenda. It was the agenda that America needed to address, and it was deficit reduction, health care reform, education reform, and reinventing government.

I want to be very brief, but there's a couple of thoughts I just want to share with you as I close. You can't do this job without learning a lot, and today, we were focusing upon the highest level of central government; federalism, federal mandates. But as I walk away from this year's experience, there are two things on my mind. One is regardless of how much we talk about the highest level of government, I think that ultimately we, as governors, and all of us in public office are going to have to go to the lowest common denominator of public activity, and that is the family. As I approach my job as Governor, I am most impressed with the importance of our trying to make the family function better, no matter what its form.

And the final comment I would make is that I am struggling personally to bring a word back into my political conversation, and the word is moral. Our forefathers used that word a great deal when they talked about public policy. They said politics is based upon morality, and I really believe that. Unfortunately, in our era, moral has been ruled out of
our political conversation because it usually is interpreted to mean abortion or homosexuality. We need to get away from that. I think we need to bring moral back into our political conversation. Moral in the sense of being responsible for our own actions. Moral in a sense of be willing to be members of a community. Moral in being willing to be disciplined and have self-control so that we don’t do violence against another. Moral in a sense in which we really truly think about what is fair and what is just, and that it’s not good enough just to get it for ourselves, but we do need to get it for all that are in our community.

As I close, I just want to thank you for giving me the opportunity to continue my growth curve. And also I want to thank you, David Walters, for an excellent, excellent way in which you have held this convention, and my colleagues, I still will be around. Thank you.

I now need to call on the report of the nominating committee. Governor Carlson.

GOVERNOR CARLSON: Mr. Chairman, after proper deliberation, the nominating committee is delighted to announce the following for membership on the Executive Committee. Governor Miller of Georgia, Governor
Engler of Michigan, Governor Voinovich of Ohio, Governor Richards of Texas, Governor Caperton of West Virginia, Governor Thompson of Wisconsin, Governor Romer of Colorado. And we further recommend that the vice chairperson be Governor Dean of Vermont, and Chairman of the National Governors' Association be Governor Campbell of South Carolina.

Mr. Chairman, I move the report.

UNIDENTIFIED GOVERNOR: Second.

GOVERNOR ROMER: All in favor of the report say aye.

GOVERNORS: Aye.

GOVERNOR ROMER: Opposed, no.

Governor Campbell, I turn over to you the gavel of this Association. Thank you very much.

GOVERNOR CAMPBELL: Roy, thank you very much, and, again, thank you for the splendid job that you did.

Governor Walters, thank you for hosting us. It's been an outstanding gathering, and I can't remember when I enjoyed anything more than the show and the presentation last night. It was just tremendous, and I think all of us want to tell you that we'd come back anytime.

John Waihee, I was delighted to see that the
storm approaching your state has been downgraded. We’ve watched it with some fear, having had some experience ourselves, and we’re delighted to see that.

I’d like to first make an announcement on behalf of the southern governors. When we met in Charleston a year ago, we said that if there happened to be any leftover funds that we had raised for that conference, that we wanted to put them to a good use. Well, we have decided that the good use is to go to the Red Cross to help with the disaster relief that is so needed in many of our states that were flooded and hit this year, so the Southern Governors’ Association will be presenting a check for $25,000 to the Red Cross to assist in this effort.

You know, among the first achievements of the 20th century was a new speed record for crossing the Atlantic. The oceanliner, Lusitania, in 1908, set the record on a trip from Queenstown, Ireland to New York. The Lusitania covered the nearly 3,000 miles in four days and 15 hours. If you think back in that same period of time, at the same time that Orville Wright was busy perfecting the technology which allows us to cross the Atlantic in less than four hours, because those were the architects and the engineers that pioneered a new technology and materials which
allowed skyscrapers to define the landscape of this
great nation of ours. Henry Ford introduced the Model
T, which began our love with the automobile, and also
in 1908, something else happened. The governors of 46
states and the territories of Arizona and New Mexico
forged a partnership which today is known as the
National Governors' Association. Now, the reason I
say that is because historians are going to note the
impact that our grandfathers and fathers had on the
growth and development of human kind during this
century.

It's our generation's task to lead the nation
with confidence and enthusiasm into the 21st century.
People are ready for progress; they're hungry for
change, and they're tired of gridlock. They're
frustrated with government, they're eager to solve the
national problems that inhibit our growth and affect
every American, and they're looking for answers. And
it's our responsibility, our strong responsibility to
show governments at all level how to do more with
less, to provide the services Americans need without
huge tax increases, without arbitrarily throwing money
at problems, and without creating intrusive government
programs. It's a tall order.

If we're to be successful, we must work in
partnership with the people; the people in business, the people in government, the people in the service to our fellow citizens and our fellow citizens. I don’t believe there’s one among us who thinks that government alone can solve every problem.

We’ve developed programs and partnerships in our states which have led to tremendous progress in recent years. The National Education Goals came out of this governors’ association. The Family Support Welfare Reform Act came out of this governors’ association. The Act for Better Child Care came out of this governors’ association, and the widespread state based health reform plans, which should be the underpinning for national reform, and dozens of other areas stand as testimony to our effectiveness in partnerships. We have a record to stand on and to build on, and as Chairman of the National Governors’ Association, I’ll work with you this year to create federal, state and local partnerships and public private coalitions to address important issues and to foster more flexible and responsive government at all levels.

My agenda is outlined in a little blue hand out that each of you have in front of you, and I won’t take the time to go into it, but it’s called
Partners for Progress, and it is something that I think is important. We have to have partnerships in order to have progress.

I'll create three new teams to address the domestic issues topping today's national legislative agenda; health care reform, education and welfare reform. These will not simply be committees or study groups, they will be leadership teams to exert hands-on influence over national policy.

In health care, we must use the strength of our partnership to ensure that there's a clear national framework in support of our state level health care reforms rather than federal mandates that we can no longer afford. As a matter of fact, we should join the cities and the counties and state legislatures in seeking a moratorium on mandates until we can assess where we are in mandates and what the cost is for each and every one.

In education, we must hold the nation to our commitment to national education goals; accountability based on performance, that's what we have to do. And this will help us rise above the educational mediocrity that has become our standard in recent years.

In welfare reform, we must develop alternatives that value work over dependency. Our
welfare systems must move people towards self-sufficiency by requiring something in return for meaningful assistance from the government.

I’m also asking the standing committees of the National Governors’ Association and the state management task force to create partnerships to help us reach important policy goals. I look to the Human Resources Committee to identify ways to achieve integration and coordination of services for children and families.

As a member of Congress in 1983, I pushed through a pilot program for the country to streamline human service delivery systems in several states. The one-stop shopping initiative was a novel idea at the time, and it angered many bureaucrats who were used to categorical funding streams. Friends, everything doesn’t fit securely and neatly into a single category. Coordination of services is imperative today because the federal government isn’t sending us the money, and we can’t ask our taxpayers to do any more.

I’ve asked the Natural Resources Committee to work with the private sector in local and state governments to examine the impact of federal environmental mandates. States have a proven track
record of leadership in environmental protection. More often than not we can find ways to protect the environment that are more cost effective than those that come from Washington, and I will encourage the responsible use of scientific risk assessment and cost benefit analysis in environmental decisions instead of emotion. I think we had better deal with reality on all fronts.

Today the world is focused on the potential of the so-called information highways in which telecommunications and computers will bring the global community into closer proximity than ever before, and I'm asking the Economic Development Committee to explore national policy options in state level activities in telecommunications. I'm asking the State Management Task Force to concentrate on applied technology as well. There's a tremendous power to be harnessed in information exchange among the private sector, universities, governments and others, and I support the continued development of any network which will encourage the free flow of information, especially at the state level.

We're already in an age in which children in a classroom in Montana will interact with their counterparts in Alaska. We can use technology to
restructure our human services network programs through items such as a debit card that replaces food stamps, cuts out fraud and saves money, and we can use technology to improve communications among governors' offices to make sure we have the latest information on legislative and other issues of state and national concern.

We, the governors of these United States and several territories, must increase our involvement in national policy issues. If we're to be told to implement or to follow the recommendations of or abide by certain policies at the state level, then we have an obligation to get involved with the development of those policies at the national level.

This will be the guiding principle of my term as chairman of this distinguished organization. Our Partnership for Progress will elevate the Association to new levels of national impact, and our success will be the first step towards putting our national destiny back in its rightful place, in the hands of the people.

As I said, I want to thank you for the honor of being Chairman and for the opportunity to work in partnership with my friend Howard Dean. I consider him to be one of the bright, shining lights in this
Association, and a person that is committed to public service in the best sense. We look forward to working with all of you as we face the challenges to confront us all.

With these words, I'm going to close this session, and immediately say we're going to have an executive session for those Executive Committee members that are here. Thank you very much.

(Proceedings Concluded.)
CERTIFICATE

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 17th day of August, 1993.

KARLA E. BARROW, CSR
CSR No. 113

HICKERSON & ASSOCIATES
(918) 584-7559