

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

1994 WINTER MEETING

PLENARY SESSION

Washington, D. C.

Tuesday, February 1, 1994

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NATIONAL GOVERNORS' ASSOCIATION

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1994 WINTER MEETING

PLENARY SESSION

J. W. Marriott Hotel
1331 Pennsylvania Avenue , N.W.
Grand Ballroom
Salons II, III, IV
Washington, D. C.

Tuesday, February 1, 1994

9:25 a.m.

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P R O C E E D I N G S

GOVERNOR CAMPBELL: If everyone would go ahead
and please take their seats we'll get started.

I want to welcome everyone to the closing plenary
session of the 1994 National Governors' Association winter
meeting. As throughout, we have a busy agenda this morning
so we'll get underway immediately.

We're delighted to introduce Senator Daniel
Patrick Moynihan, the distinguished Chairman of the Senate
Finance Committee.

As we all know, Senator Moynihan has had a long
and distinguished career in public service and has played a
key role in the development of welfare reform legislation.

We remain grateful to you, Senator, for your
efforts on behalf of our states during the development of
the Family Support Act. That Act took place in 1988 and it
has helped us immensely and we look forward to working with
you this year as we move toward further reform.

Senator Moynihan will make brief remarks this
morning and then we invite you, Senator, to stay with us for
the state presentations on their activities designed to
strengthen and restructure their welfare systems and to

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1 participate at any time you would like during those
2 discussions. We felt that an open and free flowing format
3 would probably serve all of us very well.

4 Ladies and gentlemen, I present to you Senator
5 Daniel Patrick Moynihan.

6 (Applause.)

7 SENATOR MOYNIHAN: Thank you, Governor Campbell,
8 and good morning, governors. May I say that what would
9 serve the Senate most would be for me to be brief and to
10 then commence to listen.

11 Governor Campbell was generous enough to refer to
12 the Family Support Act of 1988, which I would like just to
13 run through in terms of two facts. The first is that this
14 was our basic redefinition of what we call or have come to
15 call welfare.

16 The Aid to Families with Dependent Children
17 program began in 1935 as the Aid to Dependent Children in
18 1940. It began as a widows' pension. We would describe a
19 typical recipients as a West Virginia miners' widow, with no
20 intention that the person involved would ever leave that
21 situation and with the expectation, in respects to
22 widowhood, that in time survivors insurance would come into

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1 play and the program simply would go away.

2 For a period after the war it served as a form of
3 interim support, on income insurance, for mothers with
4 children whose marriages had dissolved or one thing or
5 other. It tended to be a transitional thing also and not
6 really requiring a great deal of attention any more than
7 unemployment insurance seemed to require that.

8 Then there began to be a change in family
9 structure and you had a large number of persons coming into
10 the system early in life with young children and not much,
11 if any, economic experience and thus the present situation.

12 The statute was in need of redefinition, which
13 we did in 1988. We said this is a reciprocal arrangement.
14 It is not meant to be a permanent one. Society has a
15 responsibility to help the mothers and dependent children
16 involved and, in turn, there is a mutual responsibility to
17 help yourself through the jobs program to get out into the
18 regular economic mainstream: point one.

19 Point two is that this never could have happened
20 without the governors, without the states. We won't get
21 into any fuss about this, Governor Campbell, but in the
22 1980s there was a certain withdrawal of the federal

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1 government from a lot of activities and the states resumed
2 them. That's what federalism is meant to do. I think
3 Lowell Weicker down there would recognize that.

4 States began to innovate in this area. We had
5 the good fortune to have the Manpower Development Research
6 Corporation following the programs and we had a database on
7 which to design a new program. It could not have happened
8 without two governors, the then-chairman of the Governors'
9 Association -- your predecessor, sir -- then-Governor, now
10 President Bill Clinton, and, in a bipartisan effort, then-
11 Governor and now Representative Mike Castle. They worked
12 very well together. We had the kind of support from home
13 that made members, Senators and Representatives feel
14 comfortable here in Washington.

15 The bill passed as near as makes no matter. It
16 was a unanimous bill and President Reagan signed it with
17 great eclat in 1988, followed by about what we expected,
18 which was some measures of small, steady success. We didn't
19 make great claims and we probably ought not to do now.

20 We have had a problem of not funding the program
21 at the levels it needed. And we have a problem of recession
22 that came along just as we were thinking jobs. And we had a

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1 problem of resistance in the organizations.

2 Most welfare offices in most parts of the country
3 no matter what you do are basically places which certify
4 eligibility to receive government monies and that's about
5 where it begins and goes on indefinitely. Even so, we begin
6 to see ourselves with a new national consensus about time
7 limitations. I don't want to underestimate the difficulty
8 that this can involve. You will know more about it than we
9 do here. Some of you are already trying it.

10 There is also a condition of a new cadre -- is
11 that the word? A new generation of welfare recipients who
12 are, to a singular degree, single mothers. The
13 Congressional Research Service has just given us a report on
14 this that tells us the simple increase in the number of the
15 population of never married mothers accounted for 71 percent
16 of the families receiving AFDC during the two years. The
17 President observed in the State of the Union message that in
18 a decade or so we may be at the point where half the births
19 in our country are non-marital. If that is the case the
20 central social problem will be the successful transition of
21 these families from dependency to independence, which is
22 what you are about.

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1 We want to help you. I can say to you that we
2 can have both a health care reform bill and a welfare bill
3 this year. The governors made an extraordinary success with
4 the President yesterday. I have to tell you this: it's very
5 refreshing when a President says "Oh, don't believe any of
6 that stuff. It's just getting along and humoring the
7 Congressional Budget Office." You made far more progress in
8 one day yesterday than we've made in the last six months.

9 We can do health, we can go on to reform welfare,
10 to change welfare in the directions you desire. Now it's
11 for you to tell us. Last time we were very careful, very
12 explicit and I think to a very considerable degree we were
13 able to respond.

14 Thank you, gentlemen.

15 (Applause.)

16 GOVERNOR CAMPBELL: Thank you very much, Senator.
17 I am sure we will rise to the occasion and respond again in
18 some detail.

19 I'd now like to turn the meeting over to Governor
20 Carper and Governor Engler, who will lead a discussion on
21 state initiatives for welfare reform.

22 Senator, as I said earlier, we ask you any time

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1 that you feel you want to pop into it, offer advice or ask a
2 question please do so.

3 Governor Engler.

4 GOVERNOR ENGLER: Thank you very much, Mr.
5 Chairman, and thank you, Senator Moynihan, for joining us
6 today.

7 The President also deserves recognition for
8 reiterating his commitment to welfare reform as recently as
9 his State of the Union Address and promising legislation up
10 to the Hill this spring.

11 This session this morning will focus on welfare
12 reform activities that have been undertaken by the
13 leadership team, as well as other governors. And the
14 leadership team welcomes new Governor Allen. And Governors
15 Bayh and Cuomo also will be joining us. And Governors
16 Schafer, Miller and Weld are also part of that team.
17 Governor Carper, my co-chair, will follow me to the podium
18 in just a moment.

19 There is considerable discussion in America -- as
20 recently as this morning USA Today carried an article about
21 ending welfare for single women having children. The debate
22 is a vigorous one nationally and it has impacted Capitol

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1 Hill and certainly it's impacted the Administration. That's
2 why there is a debate.

3 I was delighted to hear Senator Moynihan say this
4 morning that it is possible to deal with both welfare reform
5 and health care reform. They are certainly issues that are
6 linked. And the reason that so many people are on public
7 assistance and choose to remain on public assistance often
8 surround that health care question.

9 But we're going to focus this morning on what's
10 being done to end welfare as we know it and break that cycle
11 of poverty.

12 We have on your desks a side by side comparison
13 of some important information. What we have in terms of the
14 legislative bills that are currently pending, the American
15 Public Welfare Association proposals. They've been part of
16 a coalition that's been meeting with the President. The NGA
17 chairs the task force, which involves so many of the outside
18 groups, involving state legislators and the Conference of
19 Mayors and so on.

20 But when the President asked us to form a task
21 force he specifically mentioned some elements that would
22 need to be in any new welfare reform plan. A highlight of

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1 that was making work pay. And this morning what I want to
2 do is highlight some of the things we've done in Michigan
3 and then open it up, as Governor Carper will, to other
4 governors. Because I think that is the fundamental issue
5 with welfare reform, making work pay. Work is key to any
6 welfare. The first day that someone goes to work it brings
7 them that much closer to the last day they're dependent on
8 the state.

9 The basis of our program in Michigan has been
10 work. In 1992, after receiving more than 20 waivers from
11 the federal government, we were able to implement the
12 Strength of Michigan Families Agenda. A follow up report is
13 on your desk because it's one year later and the successes
14 I'm going to talk about are now successes that we hope to
15 add to.

16 The basis of making work the replacement for
17 welfare comes through a social contract which is a
18 requirement we ask everyone to sign up for. The premiss is
19 that if you're going to be on public assistance longer than
20 90 days, without waiting a year or even two years, we're
21 saying you have to be giving back. No longer do we simply
22 just hand out a check and say that's good enough. We're

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1 saying we'll help but you have to help yourself. You have
2 to do that by working, participating in job training or
3 community service for 20 hours per week.

4 The result of this voluntary program right now is
5 that two-thirds of our 200,000 parents in Michigan on ADC
6 are participating. For many of long term participants it's
7 the first time they've been asked to contribute. This is a
8 session -- it's an orientation, literally, for every
9 applicant and then we're going back on a caseload that's
10 been long term on relief and working with those.

11 One of the changes that we're asking for in the
12 future is to make this social contract mandatory so that we
13 can begin to sanction the remaining 31 percent that are not
14 participating.

15 Making work pay means in part the work has to
16 become a better deal. We certainly think, as governors, our
17 policy strongly reinforces the concept that work is
18 desirable and necessary.

19 We sought to eliminate some of the disincentives
20 that act as barriers to work. We tackled the income
21 disregard. Income disregard in Michigan has been changed as
22 a result of one of the waivers we received. We allow a

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1 recipient to earn the first \$200 and keep 100 percent of
2 that so there is a direct incentive. We have chosen not be
3 raising benefit levels. We've said look, we'll remove some
4 of the barriers so you can go earn money to increase your
5 financial support. Above \$200 is 20 percent of the
6 remainder of the earnings remains with the recipient.
7 That's a continuous disregard while someone is on
8 assistance, the goal being to move someone off of
9 assistance.

10 As a result of that change we now have 50 percent
11 before that were working. We're now up to 25 percent.
12 That's just 16 months later. That's some 50,000 families.
13 The national average is eight percent. And the average
14 earnings have been in excess of \$400 so we've very pleased
15 with that.

16 We now seek to go further with waivers that we're
17 talking to the Administration about that would allow us to
18 use the Earned Income Tax Credit and advance that monthly so
19 we could reinforce the work as it's being done, not force
20 the recipient to be a taxpayer who has got to keep track of
21 this stuff and at the end of the year wait for a big check.
22 We think that's a way of really enhancing what the purpose

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1 of the Earned Income Tax Credit is. We know employers can
2 do that today but it's often a cumbersome process and these
3 are families, at least those on public assistance, where
4 we're already sending a monthly check. So we think
5 administratively this could work. We feel we've got strong
6 commitments from the Administration to approve that waiver.

7 Other barriers to work involve such federal rules
8 as limit the hours that two parent families who work can
9 work. That didn't make any sense. If we're encouraging
10 work why do we limit the hours? We waived that. And that
11 is not only keeping some families together, ending the need
12 to divorce in order to qualify for benefits, but it's also
13 reinforcing work.

14 There is much more that can be done. One of the
15 other incentives to encourage work involves food stamps. We
16 think for working parents that we should look at cashing out
17 the food stamp benefits so that also reinforces work. I
18 know there have been different experiments. In fact, other
19 governors have received waivers on food stamps. We're
20 looking to slice it a little bit differently and saying that
21 if you're working we're going to try to reinforce that.
22 That's our policy.

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1 And the results of this are wonderful when put in
2 a human context. I use an example of a woman from Muskegon,
3 Michigan, named Betty Houston. Here's a mother of six;
4 she'd been receiving ADC for more than 20 years. About nine
5 months ago she was asked under the social contract to enroll
6 in a program. This was a program that built upon the job
7 bill, Michigan called it the Edge Program. We put her into
8 training and she got her nurses aid certificate, got a part
9 time job. She was able to keep some of that money under the
10 changes we made. She's now studying to become a registered
11 nurse. She's trying to move up.

12 And we gave her a recognition because she's not
13 only doing those things. She's also a volunteer in our
14 social services office teaching orientation sessions to
15 other public assistance recipients about the importance of
16 working and using her own life story. She says "I feel like
17 she won a million dollars. Like I won the Lotto. This is
18 all for me. I don't have to share it with anyone. It
19 sounds selfish but it's something I've accomplished." And
20 she's really starting to turn things around. And, of
21 course, the long term benefits on those six children in that
22 family, that's what this is all about.

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1 There are a lot of stories like this around the
2 country. There's a lot of innovation but it's at the state
3 level.

4 Senator Moynihan, I think the one challenge that
5 I think we have as we deal with this is that the innovation,
6 the energy, the change, the reform is taking place out in
7 the states to the extent the states can be free to design
8 programs that fit the unique circumstance of those states.
9 We think that really does open the way for meaningful
10 welfare reform across the country.

11 Let me introduce Governor Carper. We're going to
12 hear from other states who are doing exactly that. With
13 more flexibility and freedom from Washington we think that
14 can be accelerated. Governor Carper will moderate the
15 session with other governors and their stories.

16 (Applause.)

17 GOVERNOR CARPER: Thank you very much, John, for
18 getting us started.

19 As Governor Engler has mentioned, there are
20 really four elements to welfare reform, as the President has
21 outlined. One of those is to have limits on the amount of
22 time that one would be eligible for welfare benefits. A

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1 second component is to make work pay. A third component is
2 to ensure that non-custodial parents are making a
3 contribution toward the support of their children through
4 better child support enforcement. And, fourth, to give each
5 of us in our states, whether we're from Ohio, Illinois,
6 Maine, Kansas or whatever, the opportunity to experiment and
7 to learn from one another.

8 I want to applaud the President for putting this
9 issue back on our agenda. I had the opportunity in 1987 and
10 1988 to work in the House while Senator Moynihan was doing
11 great work in the Senate on welfare reform. We do enjoy a
12 better system today, certainly than we had five or six years
13 ago and, Senator Moynihan, you are a principal reason for
14 that. We are pleased that you are here and we look forward
15 to working with you once again as we tackle this difficult
16 issue.

17 One of the great things about the NGA, Senator,
18 as you probably know, is that we learn from one another. We
19 can learn some of the things we're doing well and we learn
20 things that we're not doing well at all.

21 One of the four elements that I mentioned in the
22 President's initiative is that of child support enforcement.

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1 That's one of the areas where I think we're doing a good job
2 in my state and we would be pleased to share with you a
3 little bit of what we've learned. I'm going to start out by
4 talking for a minute or two about our work with respect to
5 child support enforcement in Delaware and I'm going to
6 recognize a number of other governors, starting with
7 Governor Weld, and then go around the table to hear from
8 other governors.

9 Senator, we're going to have an opportunity to
10 tell you about what's going on in Massachusetts, in Georgia,
11 Indiana, Wisconsin and to give you the opportunity, maybe,
12 to respond as you wish to each of those points.

13 We talked about child support enforcement in
14 Delaware. We focused in three areas, really. One of those
15 is paternity determination. We also focused a fair amount
16 on collections. We talk about paternity determination. The
17 national average for paternity determination is just under
18 50 percent. In Delaware we've managed to raise that to
19 roughly three-fourths, 75 percent.

20 We have established through the help of our
21 public health folks in Delaware a clinic where a gal who
22 comes in for prenatal care also has explained to her the

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1 opportunities and the advantages of helping us to determine
2 who the father is of the child that she is about to have.
3 And we see steady increases as a result of paternity
4 determination flow out of that in other initiatives. They
5 have now taken us to about 75 percent, three out of four
6 pregnancies, births that have occurred to a gal who is
7 eligible for AFDC. We know who the fathers are and are able
8 to go after that person for child support.

9 With respect to collections, we've increased our
10 collections each year for each of the last 10 years. In the
11 most recent fiscal year we saw our collections rise by
12 another 11 percent. As a result, roughly 20 percent of our
13 welfare costs in Delaware are offset by childhood support
14 enforcement collection.

15 The other thing which most of us have had the
16 opportunity to pass along to you are a number of new
17 initiatives that we'd like to do in Delaware. When I did
18 that in Delaware last Thursday we talked a good bit about a
19 new welfare reform initiative in our state which uses an
20 innovative teen parent process where we work with the
21 teenage mother and the child in order to break the cycle of
22 dependency. Working on both of them at the same time.

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1 The last thing I would mention is how we worked
2 with computers. The person who runs child support in
3 Delaware has a computer background, has majored in computer
4 science in college and to a great extent she has empowered
5 the people who work there to do a better job.

6 What we tried to do is develop computer linkages
7 between that agency and also with the other aspects of our
8 welfare reform system in order to make our case processes
9 more efficient and more customer friendly. We hope to
10 continue to make some strides in those areas. We'd be
11 pleased to share what we've done with anyone who is
12 interested.

13 Let me stop there. And I indicated that we're
14 going to go to Governor Bill Weld, the Governor of
15 Massachusetts, to briefly highlight some things that have
16 gone on in the Massachusetts program. I'm going to ask each
17 of our governors to limit their time to roughly two minutes
18 to make the presentation so we'll have an opportunity for
19 some give and take with Senator Moynihan.

20 Bill Weld, from Massachusetts.

21 GOVERNOR WELD: One thing we've done for the past
22 couple of years is to have the 10 most wanted poster program

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1 where we would post the 10 highest owing deadbeat dads in
2 post offices around the state. That's gotten a lot of
3 publicity for the duty of child support, particularly when
4 we nabbed a Red Sox pitcher who had fallen behind on child
5 support payments. Not a current one.

6 (Laughter.)

7 GOVERNOR WELD: Last month a statute passed which
8 very much increased the power of our revenue department in
9 child support enforcement. We went and made willful non-
10 payment of child support a felony, a five year and \$10,000
11 fine felony.

12 We required hospitals to undertake measures to
13 establish paternity on day one. I have noticed on the
14 occasion of my wife's numerous deliveries she'd be on the
15 ward and there would be children, kids who were the fathers
16 of babies in the cot next to her in the ward. They would
17 come in and day one they would be all interested. Day two
18 they would be a little bit interested and day three they
19 wouldn't be there. The interest flags that quickly.

20 When you get the Social Security number on the
21 birth certificate on day one and you make the idea take root
22 that these young men are going to be paying for these

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1 children until the children are 18 years of age you not only
2 help on the money end but I think you may have an impact
3 ultimately on the problem of children having children
4 because there may be this idea of responsibility that will
5 attach.

6 We also enabled our revenue department to pull
7 professional licenses of flagrant non-payers of child
8 support, to withhold the drivers license of someone guilty
9 of non-payment and we opened up access to credit card
10 records, labor union records and utility records so that we
11 can trace the money flow and establish that someone has the
12 money to pay support.

13 We think that when these obligations are
14 discharged more than they are now that's going to get up to
15 7,000 families out of a total of 100,000 in our state,
16 enable them to leave AFDC altogether.

17 The other thing that's going on in our state --
18 there's a bill that's not yet law but when we went around
19 our state over the last two years we heard a lot of AFDC
20 mothers say if they just had health care and day care they
21 would go get a job. We proposed to reconfigure our welfare
22 system to abolish the cash grant entirely and put all the

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1 money into health care and day care and say to the
2 recipients 'You go get a job. If you don't have a job in 90
3 days that's it. It's all over.'

4 So this is a very radical change in the system,
5 moving away from the cash grant altogether. But we're
6 taking them at their word. Philosophically this is based on
7 the idea that there is no substitute for work itself -- not
8 thinking about work, not talking about work, not even
9 training for work. This is a little bit controversial
10 because a lot of these jobs are going to be minimum wage
11 jobs. They're going to be low end jobs. But a job gives
12 you a reference and it gives you work habits that no
13 training program can do. That's the theory.

14 Question: what if the jobs just aren't there? We
15 project that only 5,000 jobs will have to be community
16 service fall back jobs out of a total of 50,000 families who
17 are going to move off the AFDC rolls into work as a result
18 of this program. I think that's an exciting idea and one
19 that may be worthy of consideration around the country.

20 GOVERNOR CARPER: It gives us a lot to chew on.

21 Senator, would you like to comment or respond?

22 SENATOR MOYNIHAN: Only to say that I very much

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1 agree with Governor Weld and with Governor Engler. What
2 we're talking about here is the children, that's easily
3 lost. We have a generation come of age with no experience
4 of the real world and you might as well deny them public
5 schools if you deny them that contact and that issue is upon
6 us. I think that you all are addressing it. And if at
7 times it sounds like we're requiring people to do things
8 well, we're requiring them to do them on behalf of the
9 children.

10 GOVERNOR CARPER: Thank you, Senator. Thank you,
11 Governor Weld.

12 Governor Weld has already mentioned the notions
13 of limiting welfare benefits. I understand in Wisconsin
14 that Governor Thompson and his administration are very much
15 interested in a similar kind of initiative and I recognized
16 him for a couple of minutes to share some of his thoughts.

17 GOVERNOR THOMPSON: Thank you very much, Governor
18 Carper.

19 Let me thank Senator Moynihan for being here. I
20 am a great admirer of his leadership on this issue and I'm
21 very happy that he has a gentleman from Wisconsin, Paul
22 Hoffman, on his staff.

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1 But we have been looking at welfare reform time
2 limit of benefits for seven years and we've been very
3 successful. We have led the nation as far as taking people
4 off of welfare. When I came in as governor seven years ago
5 we had a caseload of 100,000 cases. This past week we
6 dropped down below 78,000. We have a 20 percent reduction
7 when the country has gone up by 30 percent. We've taken
8 more people off of welfare in the last seven years than the
9 rest of the country combined.

10 The second thing: we've saved \$45 million a month
11 of checks going out in AFDC, down to \$35 million. So we're
12 saving over \$10 million a month in checks.

13 But when you start out you usually have to pay
14 more. We started a learn-fare, requiring kids to stay in
15 school. If they don't stay in school, if they have three
16 unexcused absences we take away a portion of the welfare
17 check.

18 Secondly: we got very tough on individuals who
19 weren't paying their child support checks. We started a
20 program called Children First. We called the non-custodial
21 parent in, usually the father. We give him a choice: go to
22 jail or get a job. They were given 30 hours of non-

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1 compensated community work and after about 10 days we're
2 finding that they usually find a job and start paying child
3 support. And in the counties we've tried that and it's gone
4 up by 130 percent.

5 A third thing we've done is that we've gotten a
6 very comprehensive jobs program in every one of our
7 counties. We were the first state to draw down the national
8 share and have continually done that since. We started this
9 year and we're the first state to get a waiver on time limit
10 for benefits.

11 We set up the program so that it's passed the
12 legislature on a bipartisan basis. In fact, the Democrats
13 in our legislature have gone further. They've outlawed AFDC
14 as we know it by January 1st, 1999. It was led by an
15 individual in my state that was on welfare. It doesn't
16 work. Democrats, Republicans and people that are recipients
17 believe the system doesn't work.

18 Anything you can do to change it that requires
19 people to be on welfare, for the parents to work 100 hours
20 is ridiculous. They set up another house so they can get
21 welfare benefits, so it doesn't work. A system that doesn't
22 reward initiative and individual responsibility is bound to

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1 fail in our society.

2 Our time limit of benefits is based on two years.
3 After that no community work. We will continue the food
4 stamps for the children, the day care, the medical
5 assistance and housing assistance but the cash benefits will
6 be eliminated after two years. We are confident that we
7 will succeed based upon our past record and I think we will.

8 I would recommend that Senator Moynihan, push as
9 far as you can. You can't save the existing system.
10 Anything you do will be a big help. So congratulations.
11 Keep moving, Senator.

12 GOVERNOR CARPER: Thank you, Governor Thompson.

13 Let me just say we've been joined by a fellow we
14 haven't seen for a while, Governor Casey, of Pennsylvania.

15 (Applause.)

16 GOVERNOR CARPER: Senator Moynihan has to be back
17 on the Hill in just a few minutes. Would you like to make
18 one comment?

19 SENATOR MOYNIHAN: On behalf of this conference
20 I'd like to welcome Governor Casey. I have to go back and
21 vote.

22 And again, the first hearing of the Senate

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1 Finance Committee on the President's welfare bill. I think
2 Governor Thompson made that connection very clearly in your
3 proposals in Wisconsin. Health care reform will make it
4 possible for us to move towards dissolving this whole AFDC
5 system much more rapidly.

6 The thing I would like to leave with you is the
7 thought that I think you all did wonderful work yesterday
8 with the President. The moment is at hand to do both these
9 things. They are connected and they can be done. We'll be
10 after you in the spring time. I see Governor Rossello over
11 there. We go across the oceans, across the continent. We
12 are ready and it could not be more clear to us that we will
13 learn what to do from the states. You teach us, we'll pass
14 the bill.

15 (Applause.)

16 GOVERNOR CARPER: Well, governors, Governor
17 Thompson already has talked about some of the
18 experimentation that's been going on in their state. That's
19 certainly the case in Georgia. One concept there is to
20 refocus the goals of the welfare system from entitlement to
21 one which instills a sense and understanding of mutual
22 responsibility. Well, I'm going to call on you to tell this

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1 group some of the things you're doing in Georgia.

2 GOVERNOR MILLER: Thank you very much, Governor.

3 The first thing I want to say is we can end
4 welfare as we know it only if we question what we know about
5 it. And until very recently the debate over welfare was
6 angry, empty because both sides treated welfare recipients
7 as a people set apart who could not be judged by the same
8 rules of behavior as other segments of our population. Now,
9 if you're a welfare recipient and you heard yourself
10 described as either helpless or shiftless you might have
11 trouble staying motivated and keeping your dignity.

12 The key to welfare reform in Georgia -- and we've
13 accomplished a lot -- The key to welfare reform in Georgia
14 is that we are trying to treat the recipients like everyone
15 else, as normal citizens who are down on their luck for a
16 while but who can stand on their feet when given a chance.
17 That's why we have enacted a work requirement for able
18 bodied recipients who do not have young kids. Why we are
19 proposing community service after two years on the rolls.

20 That is why we have enacted and gotten a waiver
21 on one of the more controversial reform measures, the so-
22 called family cap which eliminates automatic increases in

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1 AFDC benefits when additional children are conceived after
2 two years on the welfare rolls.

3 And I want to say we did not get at that family
4 cap to punish welfare mothers for having children and, no,
5 we did not believe that most welfare mothers had more
6 children to get a few extra dollars a month. The family cap
7 was based on the simple observation that other families do
8 not get an automatic pay raise from their employers every
9 time they have an additional child. Other families have to
10 weigh the financial consequences of bearing children before
11 they are conceived. And treating welfare families as
12 different means you think they are too helpless or too
13 shiftless to live by the same rules that everyone else lives
14 by.

15 Now, you can use whatever term you want to use.
16 You can call it mutual obligation or you can incorporate it
17 into a social contract document that people sign when they
18 go get AFDC but the principle is much simpler than that.
19 What it is is just plain common sense. It's based on common
20 sense more than any social theory. If you treat people
21 equally then those who pay taxes for welfare and those
22 receive benefits from welfare can at least respect each

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1 other and therefore respect themselves.

2 GOVERNOR CARPER: Thank you very much.

3 (Applause.)

4 GOVERNOR CARPER: I had one or two governors
5 raising their hands and there are four governors who are
6 going to be recognized under our previous arrangement to
7 make presentations. And if there is any extra time to
8 recognize other governors we'd like to do that. I don't
9 know if we'll have time.

10 Governor Walters, of the state of Oklahoma, I was
11 reading in the papers that you have gotten a waiver with
12 respect to connecting AFDC eligibility with school
13 attendance and we'd like very much to hear what that's
14 about.

15 Governor David Walters.

16 GOVERNOR WALTERS: Thank you.

17 I will be just very brief because Governor
18 Thompson has already mentioned Learn Fare. We've joined a
19 small number of states that now have a waiver to link AFDC
20 receipt to school attendance. We are anxious to see how
21 this works and we're looking forward to implementing it. It
22 starts tomorrow. It's a three year program. It operates in

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1 one rural city and one urban city. It covers a few thousand
2 kids that are in the program.

3 The interesting thing as I go back looking at
4 this is we talk about the social contract and mutual
5 responsibility is how remarkably tentative we are. This is
6 a very tentative program. If they miss 20 percent of school
7 after two formal warnings then our human service staff meets
8 with the family and talks about additional services and then
9 with two weeks of attendance they are reinstated. And if we
10 reduce the rolls -- in our case we reduce it a very small
11 amount, that amount for one child -- I don't want to be
12 ungrateful for this waiver because we're very pleased to
13 have it and we should have been more aggressive in our
14 original response but my sense is that part of what slows
15 all of us down is that we are so terribly tentative. We can
16 not make the time limitation of benefits preconditioned on a
17 guaranteed job because that just means we're not going to
18 have time limited benefits. It simply isn't going to work
19 that way. We don't guarantee jobs elsewhere so in some
20 small cases a Learn Fare situation is very similar. We're
21 looking forward to putting it in place and making it work.

22 Let me mention two other things very briefly.

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1 One of our Chambers of Commerce organized a program in
2 Oklahoma. What they do is contract with businesses, they
3 bring welfare mothers in in the morning and do piecework for
4 the business. They give them some work training and work
5 record. The money they make off of this employment they use
6 to pay for the mother's education in the afternoon. In six
7 months they have a work record, they have some money and
8 they have an education. It's a great program. We're
9 looking for ways to expand it.

10 One final comment on Bill Weld's notion of the 10
11 most wanted list. We've now assigned our state bureau of
12 investigation, some of the agents in that, to help run down
13 that list. So it's a permanent assignment of their
14 responsibility. We have a similar list and we advertise
15 this a lot so they know we're going to come get them if
16 they're not paying their child support. So we've tried to
17 take that one more step.

18 Thank you.

19 GOVERNOR CARPER: Thank you, David.

20 Joan Finney. We'll have time maybe for a minute.

21 GOVERNOR FINNEY: On behalf of the procedure of
22 the 10 most wanted list we're running those on the

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1 television and, of course, in the malls and the shopping
2 centers. We've more than doubled our collections by this
3 method in Kansas.

4 Thank you.

5 GOVERNOR CARPER: We've heard from just four,
6 five or six states maybe. I suspect we could go around the
7 table and each of us could add to what we are doing
8 especially well.

9 Again, we look forward to, as Governor Engler and
10 I have, the opportunity to work with others on welfare
11 reform. We look forward to taking some of these good ideas
12 and sharing them with the administration and Senator
13 Moynihan and others on Capitol Hill as we try to craft not
14 just state policies but national policies to grapple with
15 this important issue.

16 Let me turn the gavel back to Governor John
17 Engler and than you all for your participation.

18 (Applause.)

19 GOVERNOR ENGLER: Thank you, Governor Carper. We
20 have a little bit of time left before we move on to the next
21 session. I think that we have Governor Ed Schafer for a
22 quick comment on some things going on in North Dakota.

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1 GOVERNOR SCHAFFER: Yes. Thank you.

2 In North Dakota we tend to take the welfare
3 programs to a level beyond the one stop shopping concept and
4 actually bundle the maintenance, food, energy and housing
5 needs into a single cash payment or minimum income, if you
6 will. Beyond the food, energy and housing the program will
7 encompass such items as aggressive child care support
8 programs, a strategy for universal employment and training
9 services, child care during the receipt of income
10 supplements, transitional child care and transitional
11 medical care.

12 To deliver the program we are going to develop a
13 social contract concept with time limited benefits that are
14 established in the contract spelling out the obligations of
15 this public agency as well as the program participants. We
16 intend to provide a case management program as a pivotal
17 function in assessing employment needs and the employability
18 of the recipient. Obviously, this would have the advantage
19 of one case manager per family. The definition of a family
20 will be based not on the number of parents or the type of
21 disability but based solely on need. The eligibility of
22 benefits, single payment levels, income disregarded to

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1 encourage employment and maximum benefit levels will be
2 correlated to appropriate percentages of the poverty level.

3 To deliver this we see a three tiered benefits
4 system. To provide benefits on a short term or mid term and
5 a long term basis, depending on the individual client's
6 circumstances. The short term tier -- the program would be
7 for up to 24 months during which participants would work
8 towards self sufficiency. Individuals would be provided an
9 income supplement, child care assistance, medical benefits,
10 vocational and other training and employment counseling. If
11 employment hasn't brought the individual to a minimally
12 acceptable level at the end of 24 months community
13 employment would be made available to allow the participant
14 to earn further income supplements.

15 The mid tier of the program, from 24 to 42
16 months, would be geared to individuals determined to require
17 a substantial investment in time and effort in overcoming
18 the employment barriers. Again, the community work
19 experience will be made available to those unable to find
20 work with a reduction in benefits over time.

21 The long term portion of the program would be
22 designed to assist individuals with whom employment is not

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1 feasible or for whom an undetermined time and effort must be
2 expended before gainful employment is achieved.

3 If any of our members would like further
4 information we'd be glad to supply it. Thank you.

5 GOVERNOR ENGLER: Thank you.

6 Governor Leavitt, for a question, then we're
7 going to hear from Governor Dean.

8 GOVERNOR LEAVITT: Governor Engler, many
9 governors may be interested in our single parent employment
10 demonstration project. The bottom line on it is that we've
11 increased by 50 percent the number of AFDC families who have
12 secured employment. The way we've done it is we have paid
13 \$100 less per month to those unwilling to participate in
14 either some employment or educational improvement. And for
15 those who have we pay \$40 a month more. We've simply
16 devised the right incentives and in the first year it has
17 increased by 50 percent the number of those who are moving
18 on to employed status.

19 GOVERNOR ENGLER: Thank you.

20 Governor Dean?

21 GOVERNOR DEAN: First of all, I think it's
22 terrific that so many governors have done so much on the

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1 benefits. I think that will help spur this on a national
2 level.

3 I signed two weeks ago a time limited benefit
4 bill which essentially says that 60 percent of the people on
5 welfare in the state will be required if their on the
6 program for more than 30 months. If they have children
7 under the age of 30 months they must work 20 hours a week.
8 If they can't find a job in the private sector we will give
9 them one in the public sector. If they don't work, as in
10 Wisconsin, we essentially removed discretionary cash and use
11 voucher payments for fuel, housing and so forth. If they
12 have children over 14 they are required to work over 40
13 hours a week. We also combined this with getting rid of the
14 100 hour work rule that allowed them to keep discretionary
15 income. It's going to be interesting.

16 There are two other groups: there is 20 percent
17 of the population that stays in the system as it is and 20
18 percent of the population gets all the benefits. The work
19 requirement is seven years. It's a seven year waiver. At
20 the end of seven years we'll find out if all of this works
21 or not. It's an interesting program and I see that many of
22 you have done similar kinds of things in your states.

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1 GOVERNOR ENGLER: Thank you, Governor Dean.

2 Governor Caperton.

3 GOVERNOR CAPERTON: We have just had approved a
4 program which will take 175 federal programs and make
5 funding available as one program to the recipient. What we
6 are doing is setting up family resource centers, with three
7 difficult parts of it. the first is that we will now not be
8 categorical but will take an application of the total family
9 and have 175 programs that can help work with the needs of
10 the families. So we really looked at the family rather than
11 fitting into some particular program. We are retraining the
12 applicants so that they are much more broad based and don't
13 fit into just one category.

14 The complicated part is being able to take 170
15 programs and be able to take the financing from those and
16 reallocate them in one way. We're doing that. Indiana is
17 also doing that program. We're very excited about it.

18 GOVERNOR ENGLER: Thank you.

19 Governor Roberts.

20 GOVERNOR ROBERTS: I think as we have listened
21 around the room today and around the table we've clearly
22 looked at a number of the concepts of how we deal with

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1 welfare reform. I think Zell Miller's comments today about
2 attitudes are important. We've talked about a number of
3 other social programs in the last few days and the effect of
4 poverty, the effect of family breakdown and I think we have
5 been very clear that that's an important component in
6 dealing with other things, like alcohol and drugs and crime.

7 In Oregon, where we worked on our welfare reform,
8 we have been so successful in the last two years that when
9 we started our budget on July 1 we were taking 600 young
10 women a month off welfare in a state that has only barely
11 three million people. We are now taking 800 off, more than
12 we had planned. As a result our case loads dropped
13 dramatically enough that we were able to make cuts in our
14 budget during the interim.

15 And I think that's the kind of thing we're
16 looking at. If we can change family values, if we can
17 change work values, if we can make stability in those
18 families and still have a savings in government to do more
19 with the prevention we all know we need so desperately. I
20 think it's that combination we've been looking for. And I
21 think around the table today we're hearing those success
22 stories.

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1 GOVERNOR ENGLER: Governor Nelson and Governor
2 Wilson and Governor Sundlun.

3 GOVERNOR NELSON: Thank you, Mr. Chairman.

4 I think what we're seeing here is the true sense
5 of the states being the laboratories of democracy to try a
6 number of different things to achieve similar goals.

7 It's pretty clear that the public welfare or
8 social services system started out to be a safety net; it
9 turned out to be a spider web. And what was intended to be
10 transitional became generational. The only way to break
11 through the cycle is to do things in different ways. One of
12 the best ways to normalize the working relationship between
13 people who can work so that they will work is to be able to
14 bridge them into the private sector.

15 One of the ways we have identified in connection
16 with time limits on payments is also to continue to provide
17 some benefits for a period of time once they enter the work
18 world. For example, until the health care issue is resolved
19 many people won't work because when they leave the welfare
20 system they lose their Medicaid and they are not going to
21 qualify for their employers health program for six months or
22 so waiting period. So you've got more disincentives.

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1 We're going to continue to provide some of the
2 benefits such as Medicaid and child care for a period of
3 time, for another two years. We call our program the Two
4 Plus Two, to recognize that the best way to normalize is to
5 be able to bridge people into the work world.

6 I am intrigued by Governor Dean's suggestion that
7 if we can't get something in the private sector we'll look
8 at the public sector. We're going to take that message back
9 as well.

10 GOVERNOR ENGLER: Governor Wilson, to bring it to
11 a close briefly, I've been told by Governor Campbell.

12 GOVERNOR WILSON: Mr. Chairman, the point I was
13 going to make is that we've heard a great deal in the last
14 few days that clearly establishes a linkage between teenage
15 pregnancy, illegitimacy and the kind of welfare dependency
16 that we're trying to break.

17 I note that several of the states have done what
18 California has done. We are determined to get these young
19 women back into school. Get them to finish school. We
20 provide, literally, a cash bonus to those that return and
21 maintain a C average. Because if they don't go back to
22 school, if they drop out, have a baby and never go back to

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1 school our experience has been that they will have more
2 babies, that they are trapped in dependency for years and
3 years. If they do go back they are very likely not to have
4 another child until they graduate, the learn some marketable
5 skills and have some realistic hope of being able to
6 participate in the workplace.

7 I think it is just imperative that we re-stress
8 that linkage. That we try to prevent through all kinds of
9 prevent programs that unhappy cycle that otherwise is going
10 to leave them trapped for years.

11 GOVERNOR ENGLER: Thank you very much, Governor
12 Wilson, and thank all the governors.

13 GOVERNOR THOMPSON: Could I ask one question? I
14 may be out of order but can I ask one question?

15 GOVERNOR ENGLER: All right.

16 GOVERNOR THOMPSON: First, you and Governor
17 Carper have done an excellent job. But I think what would
18 really be helpful for the National Governors' Association is
19 have our Association compile all of the waivers that have
20 been given to every governor on the subject, all of the
21 pilot programs that all of us have tried, put it into a
22 compilation and mail it out to all the governors so that

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1 they would have the expertise of what other states have done
2 and they can try it and apply for these waivers. Then we
3 can take this pamphlet or book which has got great ideas and
4 give it to Senator Moynihan and use that as a structure for
5 reforming welfare. I think it would be a great service to
6 this organization.

7 GOVERNOR ENGLER: I agree with that. And I think
8 with the unanimous consent of the organization we'll ask Mr.
9 Scheppach to see that the staff gets that done. That's an
10 excellent point.

11 (Applause.)

12 GOVERNOR CARPER: Governor, before you do I think
13 they've already done it.

14 GOVERNOR ENGLER: That's a side by side analysis
15 of the proposals up on the Hill. What Governor Thompson is
16 asking for is all the existing waivers and all the different
17 pilot programs, many of which have been discussed today.

18 GOVERNOR CARPER: I think that may have been done
19 as well.

20 GOVERNOR ENGLER: Thank you. We'll just stop at
21 this point.

22 I think the point of the governors' discussion

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1 this morning, for those on Capitol Hill who are watching, is
2 that the laboratories for change are at the state level.
3 The Administration and the Hill need to understand that. We
4 need the tools and the flexibility to get the job done. And
5 there's going to be national welfare reform and it's going
6 to be led by the states. The national policy has to allow
7 that.

8 Thank all of you for your participation.

9 (Applause.)

10 GOVERNOR CAMPBELL: Governor Engler, Governor
11 Carper, thank you very much for an outstanding presentation.
12 I don't think that there is any question that the governors
13 are innovating in this area. And, quite frankly, we can
14 learn, as Governor Thompson has pointed out, from each
15 other.

16 I'll give you one waiver. They approved the
17 waiver for me, Governor Engler, and that particular waiver
18 was that we can grant birth control assistance to people on
19 welfare. Not 60 days, but two years. So there are a lot of
20 things going on.

21 We also had another that I think is important and
22 I wanted to call to your attention. We contracted through a

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1 bid process with the Citibank Corporation and we're using a
2 debit card for our foodstamps. The first year savings is
3 estimated just in the cost of mailing, not in the fraud part
4 or anything else, just in the cost of mailing of \$3 million.

5 So there's a lot going on out there and we can
6 learn from each other. And if we do we may be able to give
7 Congress some things that they can put together.

8 You know, the winter meeting traditionally is
9 devoted to developing policy and a broad consensus on issues
10 before Congress which impact states. This year, of course,
11 is no exception. We've covered everything from health and
12 welfare reform to un-funded mandates, crime control, safe
13 drinking water and education and we adopted a very important
14 health policy. And I think that we've made some progress in
15 making our views known in Washington.

16 But if you look at the budgets and the State of
17 the State messages of probably every governor you will find
18 hard choices reflect one priority and that is strengthening
19 the family, just as many of the national issues that we care
20 about do the same thing.

21 You know, most families go through the day
22 without thinking much about government but those of us in

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1 government really shouldn't go through a day without
2 thinking about a family because when you look for the root
3 cause of all of these problems that we're dealing with you
4 find one thing and that's the deterioration of the family.

5 Trends prove my point. In South Carolina alone
6 the number of children who live with never-wed mothers is
7 projected to increase by 8,000 children per year for the
8 next several years. These disturbing trends reflect the
9 increasing dissolution of the primary family unit, the
10 increasing number of children born with drug and alcohol
11 related syndromes and the rising number of children being
12 born to unwed numbers and an increasing number of babies
13 being born to teenage mothers, not to mention those that
14 have been exposed to alcohol and drugs.

15 These trends dramatically contribute to a growing
16 pool of families and children who are all at high risk of
17 becoming dependent on public assistance.

18 In the past fluctuations in the economy were
19 closely associated with increases and decreases in the
20 welfare caseload. Today -- and this is disturbing -- that
21 is not the trend. Today, even though our economy appears to
22 be in a significant upswing, there is not a corresponding

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1 reduction in public dependency. Today the impact of the
2 economy has been overwhelmed by the impact of social trends
3 reflecting family breakdown and a change in values and
4 responsibilities that we've traditionally associated with
5 having children.

6 There is a message here. The very fabric of our
7 society is under siege and unless we take some steps now to
8 begin the long task of changing these trends the society
9 that we bequeath our grandchildren will be far different
10 from the one on which our achievements have been built.

11 That's a choice that is ours to make. We, in
12 government at all levels, should refocus. We should bolster
13 family financing, help educate children and improve public
14 safety and support those in need so they won't always need
15 support. Pocketbook pressure is the major stress on
16 families. The government doesn't help matters with big
17 programs and bureaucracies. We need to look for financial
18 relief to strengthen families.

19 At the federal level the increase in the Earned
20 Income Tax Credit is a way to do this and I compliment the
21 President for his support in that endeavor. In our state
22 we're approaching it a little differently. Over the years

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1 we've indexed retirement and other outlay programs of the
2 government to inflation. If state and federal governments
3 had done the same 20 years ago for the tax deduction that
4 parents take for their children that tax break would be
5 close to \$8,000 today instead of in 1993 it was \$2,350.

6 Well, the cost of raising children has
7 skyrocketed. I've asked my legislature to double South
8 Carolina's tax deduction for children under six, where the
9 most pressure comes and where families generally break up
10 the quickest.

11 And we need to dramatically restructure our
12 welfare system that sends contradictory messages to
13 recipients, who can arguably be said to actually promote
14 dependency. If you're on welfare with children and you go
15 to work in a job that pays you \$14-15,000 a year and you
16 have two children you don't have any deductions except your
17 children and your head of household. You pay Social
18 Security and you pay Medicare and then you pay taxes. And
19 when you net it out it's worth more to stay home with the
20 children because the government hasn't increased the
21 personal exemption for children enough.

22 Government has done a lot to cause some of our

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1 problems. This morning, though, I am pleased to have the
2 opportunity to introduce someone I've known for quite some
3 time that has joined us. I am pleased to have the
4 opportunity to introduce the Republican leader of the United
5 States Senate, a man who has long been a friend and a
6 supporter of states. Senator Dole has a distinguished
7 record of public service that spans four decades and can be
8 matched by few. He has been the Senate Majority Leader,
9 Chairman of the Senate Finance Committee, a two time
10 candidate for President, his party's nominee for Vice
11 President, a member of the House of Representatives, the
12 Chairman of the Republican party, a state legislator and a
13 county attorney. He is a decorated war hero. He was
14 wounded in World War II and twice decorated for heroic
15 achievements.

16 Senator Dole has a long record of cooperation
17 with the National Governors' Association. He has always
18 been available to governors when we have sought consultation
19 on critical issues. As Congress looks this year at issues
20 crucial to the states -- crime legislation, health care,
21 welfare, education reform and, hopefully, new and better
22 ways for states and Congress to cooperate -- I know that we

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1 can count on Senator Dole to keep an open mind and an open
2 door.

3 Ladies and gentlemen, the leader of the loyal
4 opposition, a tough, common sense conservative, Senator Bob
5 Dole.

6 (Applause.)

7 SENATOR DOLE: Thank you very much. It's an
8 honor to be here to speak to the governors. I'm happy to
9 see Governor Finney here and particularly to see Governor
10 Casey here, another example of the great medical technology
11 we have in America. The best system in the world. I'm very
12 proud to have known him and am happy with his recovery.

13 I know that President Clinton will be here or I'm
14 not going to talk until 11:30.

15 (Laughter.)

16 SENATOR DOLE: But I know he'll be here later.

17 But in any event I'm going to keep my remarks
18 short because today, as Senator Moynihan may have said, we
19 have the first hearing on health care. We've already got
20 all kinds of speculation in the newspapers and everywhere
21 else and I'm certainly pleased to read what the governors
22 did yesterday, or last night, whenever it was, sort of

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1 coming together on some principles.

2 But keep in mind, we're just having the first
3 hearing today and, as many of you know, if you happen to be
4 a legislature, as I look around, either state or federal,
5 normally you have a few hearings before you put the package
6 together and I assume it will follow that pattern this year.

7 And, having been Chairman of the Finance
8 Committee at one time and having been on the committee for
9 some time and knowing that committee has a great deal of
10 jurisdiction it seems to me it's going to be a while before
11 we really know precisely what will happen.

12 But we had an opportunity last night, those of us
13 on the Republican side, to spend a couple of hours with the
14 Republican governors and the only matter we discussed was
15 health care. I think all of us on the legislative side left
16 the table having learned a great deal.

17 First I'd like to speak about health care because
18 it is an issue of great importance. I would point out that
19 on the Finance Committee there are 11 Democrats and nine
20 Republicans and those who are governors understand ratios on
21 committees and what it means. It's a very good committee.
22 It's a well balanced committee. There's not a lot of

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1 partisanship on the Senate Finance Committee. At least I
2 haven't noticed it over the 20-some years I've been on the
3 committee.

4 So most of the bill will come to the Finance
5 Committee and I think everyone involved has learned a lot in
6 the past few months. And I think we're going to learn a lot
7 more in the discussions. And I salute President and Mrs.
8 Clinton for starting the national health care discussion and
9 putting health care on the agenda. And I think there are
10 pretty good possibilities that something may happen this
11 year.

12 As I said earlier, I think one fact that
13 sometimes has been overlooked, and many of us have been
14 recipients of all kinds of health care over the years --
15 I've become the prostate pin up boy in Washington, D.C.

16 (Laughter.)

17 SENATOR DOLE: I learned about prostate cancer,
18 which I didn't know much about and now I know a lot about
19 and it's too late. As I look around if there is any male
20 governor here over 50 you'd better go down and see your
21 doctor and get that little PSA test. There are other tests
22 too but I'll mention only the blood test.

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1 (Laughter.)

2 SENATOR DOLE: So I am very alert to health care
3 and health problems. Last year in the state of Kansas, for
4 example, as the governor knows, we had a Bob Dole screening
5 booth at the state fair. We screened 3,000 men for prostate
6 cancer and I'll bet about 10 percent of those men are going
7 to find out they've got an elevated PSA. It may not mean
8 that they have the problem but at least it ought to alert
9 them. Because, like any other cancer, early detection is
10 the name of the game.

11 We started these screening tests in 1992 at the
12 Republican National Convention in Houston. There wasn't
13 much else going on there.

14 (Laughter.)

15 SENATOR DOLE: So we decided we may as well take
16 a little blood. So we did that.

17 (Laughter.)

18 SENATOR DOLE: The Democrats took the rest of it.

19 (Laughter.)

20 SENATOR DOLE: So many of us understand some of
21 the problems that people are faced with and we understand
22 that we need to find a solution.

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1 But he's going to stick by the fact that we do
2 have the best health care delivery system in the world and
3 we ought to be proud of it. I heard somebody on TV say
4 'Well, Germany has a better system.' Well, I don't know. I
5 don't see many Germans or many people from Kansas going to
6 Germany. Maybe I've missed something but I see a lot of
7 people from other countries coming to the United States.
8 So I think they do have a good system but ours is pretty
9 good too.

10 But it's not perfect. It's bureaucratic. It's
11 expensive. And sometimes it's unfair. But I believe there
12 is a growing consensus among Republicans and Democrats, as
13 evidenced by your unanimous vote yesterday, that we can
14 improve our health care system without destroying the
15 quality and choice Americans expect and without giving
16 complete and total control to the federal government.

17 All of us know that the federal government is
18 into health care now. Medicare and Medicaid, VA, Public
19 Health Service, Army hospitals, CHAMPUS, you name it. So
20 when I go out and people say 'We want the government in
21 health care,' I say 'Where have you been?' Some of these
22 people who say that are Medicare recipients.

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1 We've got to understand that the government is
2 into health care. But we want to take the next big leap.
3 The next 60 percent, as I understand, or one-seventh of our
4 economy. That's where I think we have a lot of discussion
5 that's going to be forthcoming.

6 SENATOR DOLE: As I said in my response last week
7 -- I didn't bring my chart. I had a lot of copies. The
8 President may come here with a chart today. They had one in
9 my office in the paper yesterday. So there are a lot of
10 charts. We'll see what happens.

11 But I don't think this debate ought to be the
12 President's health care plan or nothing. There are many
13 proposals on the table on both sides of the aisle, Democrats
14 and Republicans, plus a lot of great ideas in this room that
15 we ought to take a hard look at. Some have good ideas and
16 some have bad ideas. And I look around at Lawton Chiles,
17 he's had to put together budgets and I know he has to put
18 together sometimes ideas from both sides. No one party has
19 a lock or monopoly on good ideas.

20 For example, many of you have concerns that our
21 proposal does not preempt ERISA. I know that's very
22 important to governors. On the same end you also have

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1 concerns with the Cooper bill, which leaves states totally
2 responsible for the costs of acute care when it comes to
3 Medicaid. As I learned last night, that can be a lot of
4 money. Millions and millions and millions of dollars.

5 So there are a lot of things in all the bills you
6 don't like. If you can tell by reading the newspapers, the
7 President seems to be flexible on global budgets and
8 mandatory health care alliances and I think these issues --
9 the mandatory alliances, the global budgets, price controls
10 -- are all going to be debated, of course. Employer
11 mandates are all going to be debated amongst the country.
12 And, I might add, as a Republican, that every single
13 Republican proposal -- And the call to action we passed
14 yesterday resolved the problem so dramatically decided by
15 the President last week -- and the report is in today's
16 People -- that people took bankruptcy to avoid some other
17 debts.

18 But in any event, every single Republican
19 proposal addressed the concerns expressed by the governors
20 and they should address the concerns expressed by the
21 President. We heard about the couple who lost their
22 coverage when the husband lost his job. And let me repeat:

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1 Every Republican bill solves that problem.

2 In fact, we could have solved that problem
3 probably three years ago had we passed a then-pending bill
4 by Senator Bentsen, from Texas, now Treasury Secretary. It
5 passed but it was dropped in conference. It passed the
6 Senate. And that would have addressed it two years ago.
7 Many of us have gone now to take a look at Senator Bentsen's
8 bill. It had 27 co-sponsors, Democrats and Republicans. A
9 wide range of co-sponsors, including many of the sponsors
10 who now have their own health care plans. And we're taking
11 a look at that for some possibilities.

12 And the President talked about those 81 million
13 Americans with pre-existing conditions when he talked the
14 other night and their problems are solved by each Republican
15 bill or part of the old Bentsen bill as well.

16 So my view is -- maybe I don't understand it but
17 my view is unless there's a bipartisan bill there may not be
18 any bill because I don't find anybody -- and the President
19 may have a better count than I do, he probably does have --
20 but I don't know of anyone who has enough votes to pass
21 anything right now, whether it's the Cooper bill -- the
22 Cooper bill has a lot of House co-sponsors but only has two

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1 sponsors in the Senate. So we've got all kinds of bills.
2 Phil Gramm has 11 co-sponsors. Don Nickles has 25. Chafee
3 has 23. That adds up to more than we have, of course. It
4 means that some of us have co-sponsored more than one bill,
5 which is not unprecedented, just in case the winds should
6 shift.

7 (Laughter.)

8 SENATOR DOLE: At any rate, there are a lot of
9 good ideas out there and we'd like to put together
10 something. Many of us have been involved in putting
11 together bipartisan approaches. We haven't sat around and
12 done nothing the past 20 years on health care. We've done a
13 great deal. In fact, I've done a great deal more than I
14 ever thought of in reading the Washington Post series the
15 past few days to see what Henry Waxman did on the House
16 side. A lot of that I apparently slept through or something
17 but I didn't know we'd done all that. But we've done a
18 great deal in health care. Maybe we've gone too far and
19 we've pushed too much of the burden off on the states.

20 I would just say this, if I could give any
21 advice: First, to Mr. Magaziner, who hasn't been here long:
22 toughen up a little bit. Don't call everybody liars because

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1 they don't agree with what you say. He sort of had a little
2 attack yesterday. But it's going to be a long year and you
3 have to take a lot of heat in this business, as every
4 governor knows and as every legislator knows. And don't go
5 around calling people liars because they do not agree with
6 everything that you may have put together.

7 I still believe the Democrats and Republicans can
8 come together on a bill this year. It won't look like any
9 one bill out there now but I hope it's going to have the
10 strongest elements of all the different packages and we can
11 put that together. And they may not turn the system upside
12 down, as envisioned by some, but I think it will make a big,
13 big difference.

14 And despite all the talk on this issue one other
15 thing has not changed since we met in August. I said these
16 words: "Make no mistake, we still have much to learn on this
17 issue." And, as I said, today we have our first hearing.
18 We're going to hear from consumers and providers and
19 businesses and governors and state legislators and everybody
20 else in America who wants to be heard.

21 Senator Moynihan announced the hearing schedule.
22 It takes us up to April and maybe even through May. Then

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1 you get into what we call the mark up and then we get into
2 an August recess and it looks like health care is going to
3 be up in maybe September or maybe later.

4 And as we debate the President's plan and the
5 other plans I think the bottom line is we're going to look
6 for much needed improvements. And we certainly appreciate -
7 - in fact, I was very encouraged when I received a copy of
8 what the governors did yesterday. I understand the
9 Democrats say this is the minimal amount. Some think it may
10 go too far; some don't think it goes far enough. But there
11 are a lot of principles that you're going to find total
12 agreement on in the Congress among Democrats and Republicans
13 so your visit to Washington may be more significant than you
14 think because you may have laid out at least a framework for
15 the rest of us to rally behind, talk about and get together
16 on. And perhaps this is just the beginning.

17 I watch C-Span a lot when I'm on my treadmill. I
18 don't do it very fast so I get to watch a lot of C-Span.

19 (Laughter.)

20 SENATOR DOLE: So I've heard your debate a lot
21 and I know what you think about what we're doing on crime.
22 One governor even said they're acting like politicians. I

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1 couldn't believe it coming from a governor.

2 (Laughter.)

3 SENATOR DOLE: There has been a lot of rhetoric
4 out there. It's been at the state level and the federal
5 level and there probably will be a lot more rhetoric. But I
6 think we are probably all in agreement on one thing: we want
7 to have a tough crime bill. I know the item of the day, the
8 hot ticket is the three strikes and you're out. Or, as I
9 said, three strikes and you're in forever. I guess at the
10 federal level if that is finally adopted it may take care of
11 about 250 to 300 prisoners a year. So that in itself may
12 sound good. It may have a lot of support. But as far as
13 ending violent crime it's not going to do it. And I think
14 even in the Senate passed version we've got to do some
15 tightening up in the conference.

16 I listened to the resolution offered I think by
17 Governor Wilson and then by Governor Hunt and we understand
18 that we need to tighten up some of our provisions. Let me
19 say right up front that we don't believe, at least most of
20 us don't believe that just locking people up and throwing
21 away the key will solve the crime problem by itself. And I
22 noted a lot of consternation and disagreement, Governor

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1 Leavitt and others, about the federal prisons. About \$3
2 billion for 10 regional prisons. It's not a mandate that
3 you send a state violent criminal. You don't have to send
4 anybody. But if you do you need to pass a truth in
5 sentencing law. Maybe that's not fair to ask but it does
6 seem to many that at least they ought to serve 85 percent of
7 their sentence.

8 And there is a strong bipartisan feeling about
9 that particular issue on the Senate side. We know we have
10 to start early. We have to work with young people. We have
11 to make sure they understand that there is a right and
12 wrong. And I listened to some of the comments made by
13 Governors, and I don't disagree with that. We've seen far
14 too many stories about violent felons committing horrible
15 crimes soon after they're released from jail. And you know
16 this better than we do because you're there where it
17 happens. And if they had been kept in jail there's no doubt
18 about it, if they had been kept in jail the slayer of
19 Michael Jordan's father would still be there. The person
20 who committed that terrible crime would still be locked up.
21 So we understand the impact it has. They couldn't have
22 committed another crime and that's why we make incarceration

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1 a top priority.

2 We also have \$500 million in state grants to
3 build and operate detention facilities for violent
4 juveniles, \$3 billion in grants for state prisons and boot
5 camps, another \$3 billion for the 10 regional prisons if, in
6 fact, the states adopt the truth in sentencing law. And if
7 there are some things we need to change we understand that
8 it's got to be a partnership with the states.

9 You're on the firing line. We're a little far
10 removed. We're dealing with federal crimes and you're
11 dealing with many others. So again, having had the chance
12 to meet a little bit on crime I think I'm well aware of your
13 concerns and will try to reflect those concerns in the
14 conference. But we have passed a bill -- you talk about
15 bipartisanship -- and I think eventually maybe the health
16 care bill will have about the same vote if we do it right --
17 the crime bill passed the Senate by a vote of 94 to 4.
18 That's got to be fairly bipartisan. It also indicates the
19 Senate feels very strongly about it. Democrats and
20 Republicans feel very strongly about it.

21 So it's not perfect. It is the work of
22 politicians, not technicians. So, as the President did

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1 yesterday, let me also invite you to tell us what will work,
2 what changes ought to be made. I know you've got people
3 looking at the Senate bill. We also have a provision on
4 safe schools. We have a lot of provisions in there for
5 latchkey children, for activities after school. We
6 understand their great needs that need to be met socially.
7 So it's not just all crime. We believe we've broken a lot
8 of new ground. Domestic violence, that's another thing that
9 we think needs to be addressed.

10 Now, one idea that was taken off the local level
11 was the idea of buying back guns with cash, with toys, with
12 clothes. Even with tickets for sporting events. In Chicago
13 more than 1,000 weapons, including a projectile launcher,
14 were recently exchanged in a guns for shoes program
15 sponsored by the Footlocker company and the Chicagoland
16 Chamber of Commerce. Last Christmas all America cheered a
17 young man named Fernando Mateo, a New York City carpet store
18 owner who initiated his own toys for guns program. The jury
19 is still out, some may agree or some may disagree, whether
20 this works at all. But, as skeptical New York City Police
21 Chief Raymond Kelly recently put it, "I'm converted. I'm a
22 believer."

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1 I'm a believer too and I'm going to introduce
2 some legislation later today that will lend a helping hand
3 to these local initiatives by establishing a federal gun buy
4 back program administered by the Attorney General. Under
5 this program the federal government will match local and
6 state buy back efforts on a dollar for dollar basis. The
7 purpose of the program is not to supplant state and local
8 efforts but to assist them with supplemental funding. \$15
9 million for fiscal 1994 and another \$15 million for fiscal
10 1995. And once the local effort gets off the ground the
11 federal government can step in with additional funding.

12 If you add up all the numbers and you tell us
13 there's 200 million guns out there, that this may only be a
14 drop in the bucket and this, if it works, may take a million
15 guns off the street. This might be a very small step and
16 happen over the next two years. It's not going to stop
17 crime. Not by a long shot. We can raise legitimate
18 questions, and will raise legitimate questions about the
19 mechanics of the buy back programs and these questions must
20 be answered. But I have the view that the war on crime will
21 not end with one big step. It's going to take a lot of
22 little steps and this is a very little step. Many, many

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1 small steps taken and the local level, the state level and
2 the federal level. And I think Congress has their own
3 place.

4 Finally, I would just touch on welfare reform.
5 It's a topic you've discussed this morning. I understand a
6 number of governors -- in fact, I've been advised that
7 several governors talked about welfare reform. The
8 President indicated that he's going to end welfare as we
9 know it. He said so again in the State of the Union speech.
10 We're prepared to work with the President. We think this is
11 another area where there's strong bipartisan support for
12 ending welfare as we know it.

13 But the fact is because of your efforts at the
14 state level that by the time we finally get around to
15 getting something done it may well have already changed
16 because you have been in the forefront. We need to give
17 states all the flexibility we can. We see what's happening
18 in Wisconsin and a number of other states and we're
19 encouraged that maybe we can be helpful. This is one area
20 where governors and state legislators are light years ahead
21 of the federal bureaucracy.

22 As I said, you've been tackling this problem head

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1 on for years with programs to impose tougher work
2 requirements and recognize that for both the financial and
3 social heads of welfare families it's got to be done.

4 So when you recognize, as Governor Wilson --
5 excuse me, Pete -- talked about this morning, the cost of
6 illegitimacy -- in your statement to the governors. So many
7 of you are doing what the federal government should have
8 done long ago, that's seeking to reverse the dramatic
9 increase in illegitimacy by removing the current system,
10 provisions that offer more money to single mothers when they
11 have more children and offer more money when the father
12 moves out of the home.

13 As Richard Nathan wrote, and he's an expert in
14 this area, in the New York Times yesterday:

15 "There are 213,000 heads of welfare
16 families who are 16 to 20 years old
17 and have one child. We need to reach
18 this vulnerable group that stays on
19 welfare longest to nip the welfare
20 culture in the bud. Do it early on,
21 early up."

22 As we work on legislation this spring it seems

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1 that our top priority ought to be to stay out of your way.
2 That ought to be the top priority of the Congress and the
3 federal government, to stay out of your way and not try to
4 impose a one size fits all system on all the states across
5 America.

6 (Applause.)

7 SENATOR DOLE: We need to allow you the authority
8 and flexibility to see what works. If it works maybe we can
9 help move it along. And what you don't need is another
10 federal program of some unfunded federal mandate that you
11 have to pick up the tab for. Because if I've learned
12 anything from governors, Republicans or Democrats or
13 Independents, it's that we don't want any more unfunded
14 mandates. And I think we've all gotten that message.

15 (Applause.)

16 SENATOR DOLE: I think it was Governor Wilson who
17 estimated that the type of legislation that's been discussed
18 around Washington now would cost California about \$432
19 million by 1997 and nearly double that by 1998.

20 So I just touch on those three major issues. And
21 I would say also this, as I conclude my remarks: I think
22 it's fair to say, and you deal with legislators maybe more

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1 than you like, depending on the make up of your legislature,
2 we happen to be in the minority, Republicans in the
3 Congress. We have 44 Republican senators. The Democrats
4 have 56. The rules are a bit different in the Senate so
5 sometimes we're able to bring about change in the Senate and
6 change things generally on a bipartisan basis but sometimes
7 not on a bipartisan basis.

8 I would just say to this group, as I think your
9 people would say to you, your legislators, Democrats and
10 Republicans: they didn't get elected to stand in the
11 governor's way and we didn't get elected to stand in the
12 President's way. So every opportunity we can, as we did in
13 the North American Free Trade Agreement just last year,
14 you're going to find solid bipartisan rapport. I think
15 you're going to see it on crime. I think you're going to
16 see it on welfare reform. And the more I read and the more
17 I look and the more I see what may happen down the road you
18 may also see it in health care reform. And I think that's
19 the way it ought to be.

20 (Applause.)

21 SENATOR DOLE: Again, I say thank you for the
22 amendment, or whatever it was. I don't know what the

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1 procedure us here but you adopted something here yesterday
2 on health care.

3 (Laughter.)

4 SENATOR DOLE: Maybe some of you weren't here but
5 I appreciate it. Whatever. But we've looked at that -- not
6 as carefully as we will. But I think it covers a great deal
7 -- I want to emphasize that -- it covers a great deal of
8 what we're hearing from both parties when it comes to health
9 care.

10 So again, let me underscore that this is a very
11 important meeting you're having right now by the fact that
12 you passed out this resolution or adopted the amendment. In
13 my view it's highly significant and will not be lost on
14 Republicans or Democrats or the Executive Branch in the
15 coming weeks.

16 Thank you very much.

17 (Applause.)

18 GOVERNOR CAMPBELL: A couple of governors said
19 they had some questions. Senator Dole said he would take
20 questions for a moment or two. I believe Governor McKernan
21 had a question and Governor Jones has a question. We can go
22 from there.

1 GOVERNOR MC KERNAN: Senator, first I'd like to
2 commend you on a wonderful speech. We may make you an
3 honorary member of this Association after listening to you.
4 You certainly understand the governors point of view.

5 One of the things you said, though, disturbed me
6 a little bit as I was trying to do the chronology on the
7 health care. I agree with you, I think the progress that
8 we've made in these last few days as governors could
9 literally have set the stage for speeding up the process in
10 Congress because of the bipartisan agreement on so much of a
11 health care plan.

12 As I listen to you, though, it sounded as though
13 you did not think that you would be debating the health care
14 bill until early fall. Did that mean in the Senate and, if
15 so, do you still see full Congressional action by the time
16 you break for the elections in November?

17 SENATOR DOLE: Again, it's just my guess but if
18 you look the hearings are already scheduled through April.
19 We know we're going to find people who are sort of left out,
20 or think they were left out, they're going to want to
21 testify. So I think we're going to consume most of May. I
22 don't know when -- the House will move more quickly

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1 probably.

2 We did shorten the August recess so there's a
3 chance there could be a debate in July or early August. If
4 it gets beyond that then you're in September, very near the
5 election, which makes it, in my view, much more difficult.
6 We're all realistic. We know the closer you get to election
7 -- at least one theory is the harder it would be to pass.
8 The other theory is well, everybody would have to vote for
9 something, maybe it's better to back it up against the
10 election. I don't think we know yet because we don't know
11 how the final product is going to play out to the American
12 people.

13 But here isn't any effort on anybody's part, I
14 would say this, to try to slow it down. As you know, having
15 been here, it just takes that long to hear all the
16 witnesses.

17 GOVERNOR CAMPBELL: Governor Jones?

18 GOVERNOR JONES: Senator Dole, I share the view
19 of all governors here that I express my appreciation to you
20 for your accessibility to this organization and your call
21 for bipartisan cooperation as we address these very, very
22 fundamental and important issues.

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1 When we were in Oklahoma for our conference you
2 gave a very good speech relative to health care. I recall
3 when it was over I recognized that you had not mentioned
4 universal coverage in the speech and asked you at that time
5 if you favored universal coverage. I was very pleased with
6 you answer that you did and, as I think most of us do,
7 trying to get coverage for all people.

8 Today you made a statement that I have difficulty
9 in understanding, and I think I am quoting it accurately,
10 when you said "The pre-existing condition problems are
11 solved by all of the Republican bills." I don't believe
12 that it's possible to deal with the question of pre-existing
13 conditions unless you do have coverage for all people. I
14 can not see how anything other than, at this point, the
15 President's bill provides for that universal coverage.

16 If, in fact, we say that universal coverage must
17 not exist in order to solve this problem but that we will
18 make it illegal to discriminate because of a pre-existing
19 condition then obviously a person, particularly young
20 people, would not be inclined to buy insurance until they
21 thought they needed it. After you are diagnosed with
22 prostate cancer then you go out and buy your insurance. Of

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1 course, if that happens the whole system will fall apart.

2 I just wanted to see the basis of the statement
3 that the pre-existing condition problems are solved by all
4 Republican bills.

5 SENATOR DOLE: That's part of our insurance
6 reform, you wouldn't be able to exclude people with pre-
7 existing conditions. But I think it's the goal. When I say
8 the goal -- I hope I said that in Oklahoma -- I think
9 everybody ought to be covered. I understand Hawaii has been
10 at that a long time and I don't think everybody is covered
11 in the state of Hawaii. I don't think everybody is covered
12 by Social Security in this country either so the goal will
13 be coverage.

14 I saw a term today that might have some
15 possibility. You know things change around here. It was
16 called universal availability, which is another term I have
17 heard. Universal access, universal coverage. Now I'm
18 hearing universal availability.

19 But again, I think once we get into the hearings
20 there are a lot of very bright people who are going to be
21 testifying before us, including many from the governors'
22 conference, I hope. We may be able to resolve some of these

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1 issues that look impossible now because we haven't started.
2 We're starting today.

3 And I hope we can reconcile the problem you have.
4 I was just citing the fact that the President cited 81
5 million people. We believe we could do the same through
6 insurance reform.

7 And we're going to work together. It seems to
8 me, as I've said, that you've got to say it's a crisis to
9 satisfy the New York Times well, go ahead. I'm not trying
10 to satisfy the New York Times. We don't read many of those
11 out in Kansas. But I think we ought to drop the theatrics
12 and talk about the problem. We have serious problems in
13 health care. We have them in our state and every state
14 represented here. We can talk all year about whether it's a
15 crisis. Now, whether it is or not we're all prepared to
16 work towards health care reform. But if we had to take a
17 litmus test if we don't want to call it a crisis does that
18 mean we're opposed to health care reform? Certainly not.
19 I agree with Senator Moynihan, we may have a crisis in other
20 areas but not in health care.

21 GOVERNOR JONES: Senator, excuse me just a
22 second. If I may follow up with that question just a minute

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1 because the issue of whether it is or is not a crisis I
2 think is another issue. But I'm having difficulty in
3 understanding how you can deal with a pre-existing question
4 if, in fact, you don't deal with the coverage question.

5 SENATOR DOLE: We have individual mandates in our
6 plan. We have an individual mandate as opposed to the
7 employer mandate. We get there that way.

8 GOVERNOR JONES: So you feel then that that
9 guarantees that coverage for everyone therefore there can be
10 no discrimination with a pre-existing condition? Universal
11 coverage is a part of your plan?

12 SENATOR DOLE: Well, we say it's the goal in our
13 plan. We do have an individual mandate. Again, I don't
14 know if the Governor of Hawaii is here. Have you got
15 everybody covered out there yet?

16 GOVERNOR WAIHEE: No.

17 SENATOR DOLE: So we're going to be with the
18 Governor.

19 (Laughter.)

20 GOVERNOR WAIHEE: We've got 98 percent, though.

21 SENATOR DOLE: It's a good start.

22 GOVERNOR ROMER: Senator, I heard your phrase on

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1 the welfare debate about one size should not fit all and I
2 heard the applause as it went around the room. I hope we
3 keep the same perspective on the crime bill. We're not
4 going in that direction. When you have the federal
5 government begin to prescribe the sentencing policy for the
6 individual states -- and that's what that bill does. That
7 bill says for you to participate in our regional prisons you
8 have to comply with our judgment as to what is good for you
9 on crime in all of the 50 states. That's one size fits all.

10 I just make a plea with the United States Senate
11 that if they believe one size does not fit all on welfare
12 would you still believe it when you speak about crime?

13 SENATOR DOLE: As I have said, I watched this on
14 C-Span. I heard the specific concerns of a number of
15 governors on that provision. We haven't gone to conference
16 yet. The House hasn't passed the bill so there's still
17 plenty of time. We're trying to make certain that we don't
18 have these people back on the street again and we find that
19 in some states you don't serve much of your time for rape or
20 murder, as much as you should. One thing about
21 incarceration is it works. You're not committing crimes if
22 you're locked up. So I guess maybe we're overtaken by that

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1 impulse.

2 We'd be happy to try to resolve any differences.

3 If you can give us any specific recommendations you have?

4 GOVERNOR ROMER: Yes. For example, Colorado
5 doubled its sentences in the last 10 years and I would like
6 not to have us in lock step with some federal policy. I
7 know the Senate is caught up with the issue of crime but it
8 is your judgment applying to what is uniquely a local
9 problem. That is a state's judgment as what sentences ought
10 to be. I just think they ought to use restraint and honor
11 that tradition in this country that the federal government
12 ought to take care of that which is federal and the states
13 ought to take care of that which is state. And state
14 sentences are state matters.

15 SENATOR DOLE: That's why we sort of left it
16 nobody's required to do this. But it may have the same
17 impact.

18 GOVERNOR ROMER: It does have the same impact
19 when you have the purse.

20 SENATOR DOLE: That's true in other programs too.

21 GOVERNOR FINNEY: Senator, as you know, we don't
22 have any data relating to individual criminals and on these

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1 criminals how many are repeat offenders. What we need is a
2 database so I'm going to ask your help in establishing
3 something so that we'll have a national database on the
4 number of crimes that are committed by each criminal, how
5 many times they're in and out.

6 SENATOR DOLE: In fact, you're working on that
7 now through the KBI.

8 GOVERNOR FINNEY: With Dr. Coke. So we'll visit
9 with you about that.

10 Regarding another matter, education and the
11 school to work bill, would you assist us in bringing a bill
12 out on that?

13 SENATOR DOLE: I think we're going to take it up
14 next. We're on State Department authorization. That bill
15 ought to come up, unless I am mistaken, tomorrow.

16 GOVERNOR FINNEY: Thank you.

17 SENATOR DOLE: There will be some amendments,
18 which always happen in the legislative process, but my view
19 is the bill will pass.

20 GOVERNOR CARPER: Senator Dole, thank you for
21 joining us here today.

22 About 11 years ago I showed up in Washington as a

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1 freshman congressman, in December of 1982, and my
2 recollection of orientation for freshmen congressmen is
3 that, A: they took the Democrats and sent us off in one
4 direction and they took the Republicans and they sent them
5 off in the other direction, never the twain should meet. I
6 was struck by the difference between that and the way we
7 orient new governors.

8 I remember in 1992 we showed up in Colorado, the
9 home state of Governor Romer, and for the next three days
10 Democrat and Republican governors sat around a table not as
11 big as this one and we went to work on problems. And those
12 who have been governors for a while shared with those who
13 were new. Democrats and Republicans of all geographic
14 persuasions talked about what was wrong in our states and
15 what we were trying to do to fix it.

16 A reporter said to me during an interview earlier
17 this morning, the guy said 'Is it my imagination or is the
18 federal government becoming less relevant and the state
19 government becoming more relevant?' I said 'I don't know if
20 that's the case.' But when you talked about the need for
21 bipartisan support you struck a cord here, a nerve. And I
22 don't know if you heard the applause but we've got to set

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1 aside our partisan differences to some extent. We have to
2 lower that temperature here in Washington. The reason why
3 state government is working and why we work as an
4 association is because we set aside the politics and we
5 simply work together to solve our problems. We need to do
6 that here in Washington. I am encouraged from what you said
7 here today. To spread throughout the capitol. To the
8 extent that it does it makes all our lives easier.

9 (Applause.)

10 SENATOR DOLE: I don't have any problem with
11 that. You've got to be working on both sides. I believe in
12 bipartisanship, that follows at least two parties.

13 Speaking about NAFTA, speaking out as
14 Republicans, we don't always agree on everything. We've got
15 three health care plans and 44 senators. Divide that up.
16 We're going to be up in the bleachers when the parade goes
17 by unless we get together. So we're trying to bring our
18 people together so we can play our bipartisan role rather
19 than just sort of standing on the sidelines.

20 I certainly share your view and I think the
21 governors, maybe as chief executives you have a little
22 different view. I don't know how your state legislators

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1 relate but we now bring everybody together on the Senate
2 side. We have an orientation program for all members
3 regardless of party, all new members. So we have changed
4 since you arrived 11 years ago.

5 And as everybody here knows, and some of you have
6 been here, most of the things we do are non-partisan.
7 There is no politics at all. But now and then when you have
8 a fundamental difference in philosophy, either Democrats or
9 Republicans, we've got to stand up and say so. That's sort
10 of where we are today. We are the loyal opposition. We
11 hope to be in the majority next year but that's next year.
12 So we'll do the best we can working with the President this
13 year. And I think he'll say when he arrives I hope there
14 have been a lot of areas where we've worked together, where
15 we appreciate that opportunity.

16 GOVERNOR CAMPBELL: A final question.

17 GOVERNOR NELSON: Senator Dole, thank you very
18 much for being here. It's always a pleasure to have a
19 leader from the south here.

20 Yesterday when the governors met with the
21 President I suggested and Governor Wilson agreed and we've
22 talked since then about the potential of a summit between

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1 the White House, the state house, city hall and Capitol Hill
2 to talk about mandates. To talk a little bit about what we
3 can do. We're talking about something that's comparable to
4 what the nation's governors did with President Bush on the
5 education goals to try to establish some goals and to talk
6 about how we can work together rather than get at cross
7 purposes. There are no villains here, it's just the way
8 that the system has worked in the past.

9 I wondered if you would be interested on behalf
10 of the minority leadership to work with us if we can get
11 this arranged.

12 SENATOR DOLE: If you can arrange it we'd be
13 happy to be there. I must say, talking about mandates,
14 we're from small states -- Kansas, Nebraska and many others
15 around the table here. Governor Finney probably knows the
16 exact percentage but between 80 and 90 percent of the
17 employers in Kansas have 10 or fewer employees. You talk
18 about employer mandates and you're talking about everybody
19 in my state. It's not that they don't want to provide
20 coverage. In some cases they can't provide coverage and
21 keep the front door open.

22 And there are a lot of states in the United

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1 States Senate who will have almost the same statistics. So
2 I think we'd certainly be happy to do that too because every
3 time there's a mandate offered many states will offer
4 amendments saying it can not be implemented until it's
5 funded. And hopefully we'll start winning some of those.

6 (Applause.)

7 GOVERNOR TUCKER: I really appreciated your
8 bringing up the question of small business. I grew up in a
9 small business family. My mother had a little cosmetic
10 studio and my wife and I had a small business. One of the
11 things my mother found very frustrating is she provided
12 health care for her employees -- this was many years ago --
13 her competitors did not. One of the conflicts small
14 businesses have is if one small business is providing health
15 insurance and a competitor down the street is not there's a
16 price advantage to the one that's not providing it. Do you
17 all have any solution to that or suggestion for it? Because
18 if you have a system that allows that to continue the price
19 disadvantage is going to grow much worse.

20 SENATOR DOLE: Under our plan we have an
21 individual mandate. The President, when he talked to us, I
22 think last January 17th, he talked about health care -- in

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1 the State of the Union, he talked about health care. He
2 listed six goals or six areas. Number six was
3 responsibility. I kind of thought that should have been
4 number one.

5 One of the problems we have now in health care is
6 that if nobody pays you're not responsible for anything and
7 you don't care what it costs. That's what drives up the
8 costs of the programs and all your costs in the states and
9 everything else.

10 So we shift it to an individual mandate. Some
11 don't like the individual mandate. In some states it could
12 cause real problems. But we think it's trying to address
13 the very question you raised because there is a
14 disadvantage. If I operate a cleaning business and you have
15 a cleaning business and I have nine employees and you have
16 nine employees and I don't provide health care and you do
17 you're at a disadvantage.

18 So we try to approach it that way. It may not be
19 the perfect way and, again, there may be some way to bridge
20 all these differences. Probably not. Some we'll just have
21 to vote on in the Senate and the House and go to conference
22 and see what happens. Some the President will yield on.

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1 Some Congress will yield on.

2 But I just conclude by saying that certainly I
3 think you've given us the impetus we need maybe to be a
4 catalyst in getting this thing moving again in the right
5 direction. We can't do it all. I don't think you can
6 convince enough members of the Congress, Democrats and
7 Republicans, that we can do all the things and all the
8 entitlement programs, long term care, early retirees,
9 prescription drugs. You add all that up and that's about
10 \$300-some billion over the next five years of new spending.
11 I don't think the votes are there. It's not that we don't
12 appreciate the goals but somebody has to pay for it.

13 We have to decide who wins, who loses, who pays
14 for it and how is it implemented and how soon. Those things
15 are all going to be brought out at the hearings. It may not
16 be a perfect package but I hope it's going to be one that
17 has the strong support of all the governors or nearly all
18 the governors in both parties.

19 Thank you very much.

20 (Applause.)

21 GOVERNOR DEAN: Senator Dole, we thank you very,
22 very much for the bipartisan spirit of your remarks. We

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1 look forward to working with you and other members of
2 Congress as this goes on.

3 I see they've installed the Presidential podium,
4 which is about eight inches higher than the one they had,
5 which is not so good for those of us who are 5'8".

6 Before the President comes, quickly, we have a
7 number of business items to attend to. We will move on the
8 adoption of the policy positions by the body. These
9 positions have all been set forth in the executive
10 committee. The packages and policies were sent to every
11 governor on January 14th. A change requires a two-thirds
12 vote of those present and voting. The proposals have been
13 considered under suspension of the rules required three
14 quarters for suspension and a three quarters vote for
15 passage. I'm going to call on the committee chairs or vice-
16 chairs, depending on who is present. They will move the
17 package.

18 The first package of amendments is moved by the
19 Committee on Economic Development and Commerce, Governor
20 Sullivan, Vice-Chair.

21 Governor Sullivan.

22 GOVERNOR SULLIVAN: The Committee on Economic

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1 Development and Commerce reviewed a mission statement on
2 telecommunications, released a study on business incentives.
3 The committee also formed a working group on insurance
4 regulations to meet with state insurance commissioners and
5 the National Association of Insurance Commissioners to
6 discuss the state accreditation programs. Any governors
7 wishing to participate in that insurance work group please
8 contact Governor Branstad, myself or the committee staff.

9 Mr. Chairman, I would also like to remind all
10 governors that as part of NAFTA we have been asked to
11 appoint one contact person to work with the U.S. Trade
12 Representative's office on NAFTA matters. True to form, to
13 date only 15 governors have done that. I would encourage
14 you to appoint your representatives because as we work with
15 Congress and the Administration on GATT legislation it is
16 important that we first fulfill our responsibilities on
17 NAFTA, otherwise we will be our own worst enemy as we seek a
18 state role in implementing GATT.

19 Mr. Chairman, the Committee adopted amendments to
20 policies Military Base Disposal and Reuse and GATT
21 negotiations and re-approved three new policies, Motor
22 Carrier Transportation Safety, National Highway System and

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1 the sale of lottery tickets by private companies. Those
2 items are before you, Mr. Chairman. The policies were
3 agreed to unanimously and I move their adoption en bloc.

4 GOVERNOR DEAN: Governor Sullivan has moved the
5 adoption of the policies of the Committee on Economic
6 Development and Commerce. Is there a second?

7 VOICE: Second.

8 GOVERNOR DEAN: Any discussion?

9 The Governor from Wisconsin.

10 GOVERNOR THOMPSON: I would just like to
11 reiterate that Mickey Kantor, the head of the trade office
12 for President Clinton, is very interested in having
13 governors designate somebody from their office to work with
14 them on the implementation of NAFTA and how it's going to
15 go. And Ron Brown, the Secretary of Commerce, is going to
16 be sending out some of his people across the states and
17 setting up seminars in respective communities across the
18 states on how states will be able to utilize and have their
19 businesses get more actively involved in NAFTA. So I would
20 encourage all governors to do that.

21 GOVERNOR DEAN: Thank you, Governor Thompson.

22 Further discussion?

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1 (No response.)

2 GOVERNOR DEAN: If not, all those in favor
3 signify by saying aye.

4 (Chorus of ayes.)

5 GOVERNOR DEAN: Opposed by saying no.

6 (Chorus of no's.)

7 GOVERNOR DEAN: The ayes have it. We're adopting
8 the amendments and policies.

9 Governor Wilson is Chairman of the Committee on
10 Human Resources and will move the next package.

11 Governor Wilson.

12 GOVERNOR WILSON: Thank you, Mr. Chairman.

13 Mr. Chairman, the Human Resources Committee acted
14 with great energy. They dispatched some key policies which
15 I would offer en bloc. The description of them are as
16 follows: the first, HR 3, calls upon the federal government
17 to, either by direct billing or by themselves incarcerating
18 undocumented aliens, free the states from the cost of
19 incarceration, that reimbursement is offered under existing
20 law and that under the Immigration Reform and Control Act.
21 That authorization has not been honored by any appropriation
22 and this is a specific injunction that also contemplates

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1 existing legislation by Senator Gramm and Senator D'Amato,
2 pending legislation offered by them to achieve this goal.

3 The next resolution was offered by Governor
4 Engler, of Michigan, and calls on the federal government to
5 return the Supplementary Security, SSI, program to its
6 original framework in which the states had the flexibility
7 to administer their own state supplemental systems. The
8 policy is an effort to prevent the federal government from
9 cost shifting and specifically redress those defects
10 contained in the Reconciliation Act of '93 in which the
11 federal government adds an imposed fees and cost shift to
12 the states relating to administration.

13 HR 11 was a policy offered by Governor Voinovich
14 that urges the Department of Defense not to cut National
15 Guard below the present minimum level of 405,000, to assure
16 that the remaining Guard units have the resources needed to
17 maintain their critical function and readiness levels.

18 Next was HR 12, relating to the existing NGA
19 policy, C-5, Health and Medical Care, which is scheduled to
20 -- several sections of the policy have been deleted. The
21 new policy would address only public health since we have
22 addressed at great length at almost every meeting forever

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1 the general subject of health care.

2 HR 13 relates to Head Start. This was offered by
3 Governor Voinovich. It would call for greater collaboration
4 between the state and federal governments with respect to
5 early childhood initiatives. And the federal Head Start
6 program specifically recognizes existing efforts by
7 governors in including in their Head Start programs their
8 own statewide initiatives. It also calls upon the federal
9 government to join in these collaborative efforts of the
10 federal government specifically in offering collaboration
11 and grants that I think will go towards that effort.

12 HR 14 is a policy enacted by the chair urging
13 Congress to enact legislation excluding prison inmates under
14 the Fair Labor Standards Act. The specific problem this
15 addresses is efforts by some federal court judges to impose
16 minimum wage requirements upon prison administrators, the
17 theory being that they are compelled to pay minimum wage
18 under the Fair Labor Standards Act. If that were upheld it
19 would have the effect, we were told by a number of prison
20 administrators, of virtually ending work programs, adding
21 greatly to the idleness of inmates and, they think, the
22 danger of insurrection within the prison system.

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1 HR 15 is the resolution that relates to the
2 community policing and to the regional prisons. The sense
3 of this was essentially to be neutral with respect to the
4 inducements offered by the federal government but to very
5 strongly call out the need for state flexibility, for state
6 discretion in the administration of any policies related to
7 the criminal justice system.

8 I would offer the eight resolutions en bloc.

9 GOVERNOR DEAN: Thank you, very much, Governor
10 Wilson.

11 Is there a second?

12 VOICE: Second.

13 GOVERNOR DEAN: Further discussion? Governor
14 Roberts.

15 GOVERNOR ROBERTS: I will support the motion, and
16 it's a good package, but I would like to make a brief
17 comment that I hope we will take to heart as we look at the
18 future of this policy, possibly at our next meeting.

19 Two proposals, maternal and child health services
20 and health promotion and prevention, we have spoken to both
21 those policies without any notation of something this group
22 has talked about off and on for two days. One is dealing

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1 with teen pregnancy and the other is dealing with child
2 health.

3 It seems to me that as we talk about providing
4 public health much public health is now being provided in
5 school partially through school nurses but really the
6 expanded place is teen health centers and those teen health
7 centers are providing for many children in our schools
8 across this country, the only health coverage they have
9 right now. They are also giving information to young people
10 about sexual responsibility and prevention of teen
11 pregnancies.

12 And it seems those two policies that we are
13 really serious about, poverty in families that are not doing
14 well, and teen pregnancy and all the related issues we've
15 dealt with, we may look at those two policies with expanded
16 vision. In both the prevention and in the child health
17 services as teen pregnancy and related information, teen
18 health centers being part of that policy.

19 So I raise that issue in hopes that we might be
20 able to look at that in the future as an expanded voice in
21 this policy.

22 GOVERNOR DEAN: Thank you, Governor. I suspect

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1 the committee will be very willing to take a look at that.

2 Further comments? Governor Carnahan.

3 GOVERNOR CARNAHAN: Governor Dean, I'd like to
4 speak briefly on the community policing and crime issue. We
5 had considerable debate in the committee on this issue and
6 while the resolution, HR 15, is worded rather gently there
7 is no question of the urgency with which the governors feel
8 that the crime bill, the Senate version of the crime bill
9 should not have a checklist of things the states must do in
10 order to participate.

11 We ran a cost benefit analysis on the bill the
12 way its sitting and it has no cost benefit to the state of
13 Missouri as it now sits. So it is illusory, the idea that
14 we can participate in some program. We'd have to enact
15 something that goes in a different direction of policy than
16 we have decided to take on handling crime and these very
17 tough issues. So the Senate bill its present form is not
18 helpful. We agree with the sense of the thing but I think
19 that the urgency may not be fully expressed by the words
20 that were written there.

21 GOVERNOR DEAN: Thank you, Governor Carnahan. I
22 was personally very heartened by Senator Dole's notation.

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1 There are many governors who feel exactly that way about
2 that issue on that bill.

3 Further comments?

4 (No response.)

5 GOVERNOR DEAN: If not, all in favor signify by
6 saying aye.

7 (Chorus of ayes.)

8 GOVERNOR DEAN: Opposed no.

9 (No response.)

10 GOVERNOR DEAN: The ayes have it.

11 I call on Governor Miller, the Chairman of the
12 National Resources Committee, for discussion of the
13 amendments that he will propose.

14 GOVERNOR MILLER: Thank you, Mr. Chairman.

15 The Committee on Natural Resources moves the
16 adoption of one new policy on environmental priorities:
17 unfunded mandates. This policy speaks to the urgent need
18 for the federal government to do whatever they have to do
19 and to ensure that programs and regulations are based on
20 sound science and risk consideration. It's a deceptively
21 simple proposal. It suggests that the federal environmental
22 laws and regulations recognize the need to set federal

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1 priorities.

2 In addition, the new policy suggests that the
3 federal government must discipline its environmental laws
4 and regulations by assisting states in what it requires them
5 to do or letting us do things in our own way, or balancing
6 new requirements against existing ones so the most important
7 work can be accomplished with an existing budget.

8 We also recommend reaffirmation of three existing
9 policies and recognize that some of these policies are out
10 of date. The staff needs a foundation upon which to work on
11 the Hill and we intend to review these three policies by the
12 summer meeting. Specifically, the reaffirmation of the
13 policies on clean air, the farm bill. Those need to be
14 examined in light of the governor's current concerns. And
15 the policy on environmental compliance at federal facilities
16 is presently still timely, in our estimation.

17 I move the adoption of those four.

18 GOVERNOR DEAN: Is there a second?

19 VOICE: Second.

20 GOVERNOR DEAN: Thank you very much.

21 Governor Engler.

22 GOVERNOR ENGLER: Thank you. One quick question

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1 of Governor Miller. First of all, the new policy deals with
2 relative risks. It's an awfully important policy and that's
3 something I really think is important. We have attempted
4 through a statewide study of relative risk assessment in
5 Michigan to start to lay out some of that. It's very
6 surprising, the things we spend the most money on and the
7 most effort on is somewhat down the line in terms of where
8 the relative risks ought to be. And, frankly, the interest
9 groups, everybody who is making policy in this area -- it's
10 very difficult but that's exactly where we need to go. The
11 resolution does that.

12 The question I want to raise, that you somewhat
13 addressed, is the clean air policy is quite outdated. I
14 thought that really does need to be jumped from the top to
15 the bottom, I think.

16 One of the things that I hope we address is the
17 process by which those areas of the state and regions of the
18 country reach attainment. How they get out from under Clean
19 Air, how they come into compliance. Get that demonstrated
20 and make it easier than it does right now.

21 Working back through that, my first impression is
22 that it's a little bit a walk in the dark, actually, in

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1 terms of how we get from where we think we are with cleaned
2 up standards to that. So I hope we can put that as a
3 policy.

4 GOVERNOR MILLER: Several of the committee
5 members expressed that desire.

6 GOVERNOR DEAN: Further comments?

7 Governor Allen.

8 GOVERNOR ALLEN: I'm not sure if you all
9 separated out the various policies but as far as the
10 reaffirmation of existing policies insofar as the Clean Air
11 Act and the California LAD standards for vehicles,
12 personally I don't see any reason why we ought to be
13 reaffirming that. We, in Virginia, at least in Northern
14 Virginia, are trying to come up with a sensible standard.
15 We are linked in with other states to the North, as far as
16 Northern Virginia is concerned.

17 I don't know if you separate them out but I just
18 want to be on record that I see no reason to reaffirm
19 existing policies. I think we ought to come up with new
20 policies, with our reactions to these laws that have been on
21 the books for several years. So I would ask one of my
22 leaders whether it's appropriate to separate them out or

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1 just go on record.

2 GOVERNOR DEAN: You can separate them out,
3 Governor. If you wish to separate them out you can have a
4 separate vote on that.

5 GOVERNOR ALLEN: I so move that we separate it
6 out.

7 GOVERNOR DEAN: Hearing no objection we will vote
8 on all the policies with the exception of the statement that
9 says we reaffirm the existing policy.

10 Are we ready for the question? Governor Roberts?

11 GOVERNOR ROBERTS: I would like to comment on
12 this because yesterday, as a member of the Natural Resources
13 Committee, I raised some questions on the 1990 farm bill. I
14 was told that we were reaffirming our support for the Clean
15 Air Act, not as it stands but as it may stand when it gets
16 finished with revisions and we would have full intentions
17 that we would participate in a Congressional action on these
18 bills. So, with that we set aside the details of those and
19 said that we were reaffirming the support for there being an
20 act but we would participate further in the details of what
21 we wanted to see in that act. So when we pulled this one
22 out I would have to do the same thing with the farm bill

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1 with some concerns I have there.

2 So maybe the Chairman can make the statement
3 again that he made to us in committee yesterday. That might
4 help us deal with this process.

5 GOVERNOR MILLER: The purpose of reaffirming the
6 policy while we review for the next six months is that if we
7 do not reaffirm these bills or these policies we have no
8 policy and staff was unable to represent our interest on the
9 Hill on any basis whatsoever. That's the purpose of
10 reaffirming.

11 GOVERNOR DEAN: All those in favor of accepting
12 all the statements with the exception of reaffirming the
13 policies signify by saying aye.

14 (Chorus of ayes.)

15 GOVERNOR DEAN: Those opposed say no.

16 (Chorus of no's.)

17 GOVERNOR DEAN: Let me restate the question.
18 Governor Allen has the right, and it's not subject to a
19 vote, to ask that anything be separated out. So he has
20 asked here to do that. I think the rest of it is non-
21 controversial. We will then vote on whether we should
22 reaffirm NGA policy. That may be controversial.

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1 So, having explained that, I would like to
2 clarify the vote. If you want to have a split vote it's all
3 right with me but this is meant to be the non-controversial
4 part.

5 (Laughter.)

6 GOVERNOR MILLER: There is one new policy, that's
7 environmental priorities and unfunded mandates. There are
8 three being considered for reaffirmation. One for clean
9 air, one for farm bills and one on environmental compliance
10 with the federal facilities. Two of those three have been
11 addressed by one member or the other. Nobody has addressed
12 federal facilities. If you want to separate them -- are
13 they going to be one or do you have to do all four? Or are
14 we going to tell the President to wait?

15 GOVERNOR DEAN: I'm not going to tell the
16 President to wait.

17 (Laughter.)

18 GOVERNOR DEAN: If the President comes in we'll
19 put this on the shelf for a little while. But Governor
20 Allen asked that the reaffirmation of existing NGA policy --
21 did you want to confine that to clean air?

22 GOVERNOR ALLEN: Yes. I would like to confine it

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1 to clean air.

2 GOVERNOR DEAN: You wish that the farm bill be
3 separated out?

4 GOVERNOR ROBERTS: Yes, I would, Mr. Chairman.

5 GOVERNOR DEAN: On the new policy and the one old
6 policy which has not been separated out -- we'll have
7 separate discussions on the clean air bill and the farm
8 piece. Are you ready for the question?

9 Governor Richards.

10 GOVERNOR RICHARDS: This is obviously a tempest
11 in a teapot. What's happening here is a matter of
12 semantics. Any governor is free to do anything they want to
13 do in their states about these individual issues. If you
14 start winnowing these out one by one you're going to turn
15 this body into what we have avoided all these years and that
16 is for whatever is the specific purpose of any individual
17 member to try to dramatically highlight it or something.
18 We're here more for cooperation than we are for
19 grandstanding. I'm just saying to you I know you have to
20 follow whatever is necessary as a presiding officer but in
21 the interest of bipartisanship and harmony I am urging you
22 just to try to get the thing passed and recognize this is a

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1 semantic thing. It is not writing in stone what each of us
2 intends to do in our own state.

3 GOVERNOR DEAN: Governor Richards, those are
4 great words of wisdom. I would ask the members to think
5 about this so we will suspend further action on this. I
6 would urge everybody to carefully consider Governor Richards
7 remarks in the ensuing time and perhaps we'll have a little
8 less contentious discussion after the President speaks.

9 Governor Thompson.

10 GOVERNOR THOMPSON: There is a motion and a
11 second on the floor and the non-controversial portion is
12 what is to be decided on. All those in favor of that motion
13 signify by saying aye.

14 (Chorus of ayes.)

15 GOVERNOR THOMPSON: Opposed signify by saying no.

16 (No response.)

17 GOVERNOR THOMPSON: The ayes certainly have it.

18 Now, the portion that's separated on the clean
19 air and agriculture is a separate vote that is requested on
20 each of those items.

21 Governor Roberts?

22 GOVERNOR ROBERTS: If I might, I'm not going to

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1 go through the time to raise my concern. I raised a very
2 serious concern that many members of the committee agreed
3 with yesterday. Governor Miller was very clear that what we
4 were doing was making sure that we had a policy on the
5 books, that we had a resolution that represented the policy
6 of this Association and that it did not represent our
7 current thinking on some of the details of that policy.

8 What I was attempting to do was to make certain
9 that if we were going to debate one of these -- I know that
10 some had very serious concerns on the federal facilities
11 one. I did on the farm bill. I'm going to withdraw my
12 motion and would be happy to have it considered as part of
13 the motion that just passed, if we want to do that. But I
14 do want to make clear that what I did by doing this was to
15 say that I wanted this considered in the summer meeting, as
16 we were promised we would do.

17 GOVERNOR THOMPSON: The chairman has already
18 indicated that he would, Governor Roberts. I appreciate
19 your withdrawing your request. Therefore, the only request
20 on the floor is the one by Governor Allen, who would like to
21 separate the existing NGA policy on clean air and is
22 requesting a vote on that. Is that correct or would you

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1 agree with Governor Miller to allow it to be taken up at the
2 summer meeting.

3 GOVERNOR ALLEN: I don't think it makes much
4 sense to keep a resolution and a policy that's antiquated
5 and, at least as far as my state is concerned, offensive. I
6 think that this will send a message that some of this is
7 very impractical and that will be the message that will be
8 sent regardless of whether or not we reaffirm something that
9 was passed three or four years ago. So I see no reason to
10 keep this resolution as part of our work for this session
11 and would ask that this particular reaffirmation be deleted
12 or a negative vote as far as its adoption.

13 GOVERNOR THOMPSON: I think it would have to be
14 put into the policy that a separate vote is a motion to keep
15 the current policy on clean air. If you wanted it out you
16 would vote no.

17 GOVERNOR ALLEN: Right. That's what I would ask
18 for, a negative vote.

19 GOVERNOR THOMPSON: The motion in front of you,
20 which you're voting on, if you vote aye you're voting to
21 keep the current NGA policy with the understanding that
22 Governor Miller, it would be taken up in the summer meeting.

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1 If you wanted out of the existing NGA policy you would be
2 voting no. Is that understood by everybody?

3 The question is in front of you so all those in
4 favor of continuing the NGA policy as it now exists with the
5 understanding that Governor Miller will take it up in the
6 summer signify by saying aye.

7 (Chorus of ayes.)

8 GOVERNOR THOMPSON: Opposed signify by saying nay.

9 (Chorus of no's.)

10 GOVERNOR THOMPSON: The ayes clearly have it.

11 The ayes have it.

12 The next issue in front of us is the report on
13 the State Management Task Force. I call upon Governor
14 Fordice for his report.

15 GOVERNOR FORDICE: Thank you, Governor Thompson.

16 In taking the lead from Governor Campbell's
17 agenda, our State Management Task Force priority this year
18 is technology in government. This will be a main focus of
19 the annual meeting in Boston next July. The task force has
20 four major activities planned. I'll briefly outline the
21 first two and Co-Chairman Mel Carnahan will describe the
22 others.

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1 Building on the excellent work of this task force
2 last year, we will continue to track governors' initiatives
3 to redesign government. This year we'll put special
4 emphasis on privatization, a subject dear to my heart and to
5 many other governors. We invite you to submit write ups of
6 your initiatives. We'll highlight them in NGA management
7 briefs and weekly governors executive reports. We have an
8 example from my state in front of all of you. Please take
9 these videos home and look at them. There is a brochure
10 about an illiteracy program that we have committed to
11 interactive satellite technology. You're welcome to take
12 those home with you.

13 We're looking also at the feasibility of
14 developing an interactive telecommunications network to help
15 governors' offices access and share information among
16 offices with the NGA and other national organizations. A
17 staff working group will survey governors offices to
18 determine interest and capacities and they then will develop
19 options and a prototype package of services that could be
20 included in such a communication network.

21 GOVERNOR THOMPSON: I think we'd better go to
22 hold. Thank you very much, Governor Fordice, for your

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1 report.

2 Governor Carnahan, if you want to add anything
3 you'll have to wait until after the President speaks. He is
4 here. We will remain in recess for a few seconds.

5 (Brief recess.)

6 (Applause.)

7 GOVERNOR CAMPBELL: Fellow governors, ladies and
8 gentlemen, it's my distinct pleasure to introduce President
9 Bill Clinton. I will do it formally and present him as I
10 should but before I begin I want to announce that the
11 President is under a tight time frame and will not be able
12 to take questions this morning. But I also want to say the
13 governors have had ample time in the meetings at the White
14 House and the President has spent considerable time with us
15 to take and entertain our questions and give us answers and
16 we appreciate that.

17 President Clinton has been a good friend to
18 governors and to states and the time he has spent with us
19 during these meetings proves that he has not abandoned his
20 ties to this organization and to us. We appreciate that.

21 Throughout his years in state government, the
22 President learned firsthand the value of states as

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1 laboratories of democracy, which have the flexibility to
2 tailor programs to diverse needs. Good public policy must
3 be alive, vibrant and dynamic and that begs for less federal
4 prescription.

5 During the first year of his administration
6 President Clinton has worked closely with governors on all
7 of his domestic initiatives: health care reform, welfare
8 reform, Goals 2000, the ESEA legislation just to name a few.
9 He has issued new executive orders on mandates -- something
10 that we all care about -- paperwork reduction and expedited
11 waiver process for states and localities.

12 Under the President's leadership there has also
13 been a substantial acceleration of the waiver approval
14 process within HHS. Several states have received Medicaid
15 and welfare waivers, prompting many more of us to step up to
16 the plate on reform in these areas that will require waivers
17 in the coming months. We are glad that we can expect an
18 open door

19 And I know that the Midwest governors, who
20 suffered devastating losses due to the 500 year flood, and
21 Governor Wilson, in the wake of the Los Angeles earthquake,
22 are grateful for the rapid response of the President's

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1 administration in seeking to deliver the disaster relief.
2 Having been through Hurricane Hugo, I know what a wrenching
3 experience you went through.

4 The President has also stood up for states in
5 some difficult budget negotiations and we hope that
6 newspaper accounts are correct and that he is planning to
7 propose full funding of the highway program. I look forward
8 to our continuing work together in the coming months on
9 finding common ground on problems that are facing us.

10 I am proud this morning to have the opportunity
11 to present to you the President of the United States.

12 (Applause.)

13 PRESIDENT CLINTON: Thank you very much.

14 Did anyone ever ask you what do Carroll Campbell
15 and Bill Clinton have in common? You would say they have
16 the same throat disease.

17 (Laughter.)

18 PRESIDENT CLINTON: He's doing better today than
19 he was yesterday. I'm doing slightly worse. The good news
20 is you get a shorter speech.

21 I want to thank you all for being here and for
22 your common concerns. Yesterday we had a good meeting,

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1 especially, I thought, a very good discussion about the
2 problem of crime in our country and the crime bill, the
3 necessity to put more well trained police officers on our
4 streets and to take repeat violent criminals off the streets
5 forever. But also, the necessity to be smart about crime.
6 To do things that make sense to you and your law enforcement
7 officials.

8 Today I want to talk a little bit about two other
9 fundamental challenges that we face: health care reform and
10 welfare reform. They are linked inextricably to each other
11 and in order to meet these challenges we will have to have
12 an open and honest partnership both in passing the laws and,
13 perhaps even more important, in implementing them.

14 We began our partnership, at least with me in
15 this new job, about a year ago today when we had a very long
16 and fruitful meeting at the White House. I think it ran in
17 excess of three hours. That meeting resulted, among other
18 things, in the approval of every major waiver for state
19 health care reform that you had requested. There have been
20 five of them and about 90 smaller waivers to enable
21 different changes to be made at the state level. In
22 addition to that we have now granted waivers to nine states

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1 in the area of welfare reform.

2 I do believe that states are the laboratories of
3 democracy. I do believe that where people are charged with
4 solving the real problems of real people reality intrudes
5 and politics more often is likely to give way to making
6 progress.

7 Last August you all said, Democrats and
8 Republicans alike, that our health care system is in crisis.
9 In the last several days we've had a big linguistic battle
10 in Washington about whether we have a crisis or a serious
11 problem. I think it's better, since we're at the Governors'
12 meeting, to focus on the facts. We do have a system unlike
13 any other in the advanced countries of the world, in which
14 insurance companies decide who's covered and who isn't, what
15 the cost of insurance is and what's covered in specific
16 policies. We do have a system in which the number of
17 uninsured people is going up significantly. We do have a
18 system in which more and more Americans, therefore who have
19 insurance, are at risk of losing it if they get sick or if
20 their job goes away.

21 We clearly have a system, as our SBA director,
22 Erskine Bowles, of North Carolina, never tires of telling

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1 me, where small businesses have premiums that are, on
2 average, 35 percent higher than large businesses or
3 government. We have a system in which state budgets have
4 been extraordinarily burdened by the exploding costs of
5 their Medicaid match so that last year, for the first time
6 ever, states spent more money on health care than on state
7 funded higher education.

8 We have a system in which the lowest estimate of
9 uncompensated care burdens on hospitals is \$25 billion a
10 year. In which 58 million Americans, according to the
11 Medical Association, are without coverage at some time
12 during the year. In which 81 million Americans have a pre-
13 existing condition which means either that their premiums
14 are higher or that they can't get insurance or that they
15 can't ever change jobs, which is an enormous burden in a
16 system in which labor mobility is, I am convinced, the key
17 to personal and family prosperity as we move towards the
18 21st Century.

19 Finally, we have a system in which three out of
20 four insurance policies have lifetime limits, which means if
21 you get really sick you might run out of insurance in the
22 middle of the time when you need it most.

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1 Now, those are facts. They can be seen in the
2 million letters, almost, that the First Lady has received
3 since we started this whole effort to deal with health care.
4 On the way in I was describing briefly to Governor Campbell
5 a letter I got, or she got from Joanne Austeen, of Sumpter,
6 South Carolina, who owns a small business, works six days a
7 week, raised three children by herself with diabetes and
8 arthritis. Although she had diabetes and arthritis when she
9 wrote us she hadn't been to the hospital one time in the 12
10 years that she had been with her insurers but her insurance
11 rates went up to \$306 a month, even though she was taking
12 home only \$205 a week from her business. He doctors told
13 her that the answer was quit and go on disability so she
14 wrote "Those high premiums are going to force people like me
15 to the welfare and food stamp lines with no insurance. I'm
16 a proud American and I don't want this to happen to me. I
17 have thought about nothing but this problem and I don't know
18 where to turn."

19 Well, I think we ought to heed her call for help.
20 A lot of you do too and that's why you've tried to reform
21 you health care systems. After all, this woman has values
22 that keep this country together. They're the ones that

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1 built our nation and we shouldn't force people like that to
2 consider seriously whether they should go onto public
3 assistance in order to take care of their children.

4 There's a flip side to this too, this connection
5 between welfare and health care, which I want to mention. I
6 talked about it a little in the State of the Union address
7 but we often say to people they should leave welfare and go
8 to work, and we know that welfare benefits themselves in
9 real dollar terms are lower today than they were 20 years
10 ago in most states so that the welfare check has almost
11 nothing to do with why people stay on welfare. They stay
12 because of the medical care and because of child care and
13 because they have low skills.

14 But we have this incredible situation in our
15 country where if someone on welfare leaves welfare to take
16 an entry level job that doesn't have health insurance as
17 soon as the coverage of the Family Support Act runs out you
18 have people making low wages, paying taxes to pay for health
19 care for people who stayed on welfare, who didn't make the
20 same decision they did.

21 So these two issues are clearly tied together and
22 we need to see them together as a part of what it would take

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1 to make America a place where people who work hard, play by
2 the rules, and believe in the kind of values that permeate
3 the efforts that all the governors around this table are
4 making, are rewarded for that.

5 Now, we've made a beginning. Last year the
6 Congress passed, in the context of the Budget Act, a huge
7 increase in the Earned Income Tax Credit which lifts
8 families with children on modest wages out of poverty. When
9 the tax bills come due this April 15 a total of about, we
10 estimate, 50 million families will be lifted beyond the
11 poverty line by getting tax reductions under the Earned
12 Income Tax Credit. That means that there will no longer be
13 an income incentive for people to choose welfare over work.

14 But the welfare system has a lot of other
15 problems as well. Too often it still rewards values other
16 than family and personal responsibility. Instead of
17 encouraging those to stay together as we should it often
18 encourages families to break apart. Instead of encouraging
19 children who have children to live with their parents or
20 grandparents it often encourages them to leave home.
21 Instead of enforcing child support and asking those who
22 bring children into the world to take responsibility for

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1 them it too often ignores -- it's too difficult to collect
2 the \$34 billion absent parents should be paying to their
3 children.

4 Perhaps most important, and we were talking about
5 this on the way in, an enormous part of this problem is the
6 explosion of births to people who have never been married at
7 all. And there is nothing in the present system, except
8 where the states have taken the initiative to do it, to stop
9 teen pregnancy from occurring in the first place. Even in
10 the Family Support Act of '88 -- and I want to say more
11 about that because I'm really proud of what we did on it --
12 there was nothing to stop the condition from occurring in
13 the first place. And we need to devote, as this debate
14 takes place, an enormous amount of attention to some of the
15 decisions that we ought to make, some of them quite
16 politically courageous. Governor Campbell talked about some
17 of the things they're doing in South Carolina, which
18 mirrored some of the things we tried to do at home to try to
19 stop these things from occurring in the first place.

20 This year I have committed -- and Senator
21 Moynihan, I think, and Senator Dole probably both talked
22 about this -- to offer in the springtime a comprehensive

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1 welfare reform bill to restore these values of
2 responsibility and family. We want to help those who are on
3 welfare to get on their feet. We want to help them for up
4 to two years with training, child care and other supports.
5 But after that we need to have a system that says anybody
6 who can work and support themselves and their families must
7 do so in the private sector where possible, in a community
8 service job if that's the only work available. To make
9 welfare a second chance, not a way of life.

10 Now, those of us in this room have worked on this
11 issue for years. I was privileged, along with then-Governor
12 of Delaware, Mike Castle, to be representatives of the
13 Governors who worked with Senator Moynihan and with
14 Congressman Ford and others on the welfare reform effort
15 that became the Family Support Act of 1988. Mike Castle is
16 now in the Congress, having changed jobs with Tom Carper.
17 Guess who thinks he got the better deal out of that?

18 (Laughter.)

19 PRESIDENT CLINTON: We never fully implemented
20 that act; you know it and I know it. So we ought to begin
21 asking ourselves did we do a good job then? What progress
22 has been made in the states? There is a lot of evidence

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1 that significant progress has been made in the states that
2 have been most aggressive. Why was it never fully
3 implemented? Partly because Congress never fully funded it;
4 partly because, as you'll never hear the end of it, they'll
5 say well, but the states never fully used all the money we
6 came up with. The states must not have really cared about
7 this because they never provided the state match to use all
8 the funds. You know why the states never provided the state
9 match -- you had to spend all your money making the Medicaid
10 match, which was not optional; it was mandatory. And
11 building prison cells. That's where we spent all of our new
12 money in the 1980s and the early '90s.

13 So I pointed this out not to do any finger
14 pointing but just to say one of the things we need to do is
15 go back and look at the bill, see what's good about it,
16 figure out what it will be necessary to change so that the
17 states can take full advantage of that bill because it had
18 incentives to work. It had supports for families. It was
19 never fully implemented because you had to spend all your
20 money on mandatory explosions in medical costs and building
21 prison cells, many of which were also mandated by the
22 federal courts, if not the Congress. So we need to begin

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1 there.

2 We also need to recognize, again, though I will
3 say that we estimate that about just under one in five
4 people who get back on welfare after they get off do so for
5 a health related reason. Because so many people on welfare
6 -- virtually everyone has younger children -- the loss of
7 the health care coverage for the younger children for people
8 who leave welfare is an enormous disincentive to get off of
9 it.

10 That's why I think that a year ago in the winter
11 meeting the governors hit the nail on the head when they
12 said the kinds of structural changes that must occur in the
13 health care system can't be effective until every legal
14 resident of America has health insurance. I believe that
15 the health care solution and the welfare solution are
16 inextricably linked.

17 Let me say just a few words about health care. I
18 am encouraged by what I understand was said by the speakers
19 before I got here today. And, again, I wish I could keep
20 you in constant session here. You seem to have a leavening
21 effect on the political weather in the Nation's Capital.

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1 is the only way we'll ever be able to control the cost of
2 this system. A simplified system to provide the American
3 people with the security of health benefits that can never
4 be taken away. Unless we do that, too many will continue to
5 get their care in emergency rooms, which will add billions
6 of dollars to the health care bills.

7 Too many will continue to not have certain things
8 covered. Too many, for example, will be part of the
9 Americans who add an estimated \$21 billion to our health
10 care bills every year because they can't afford medicine
11 that would keep them out of hospitals, so they wind up going
12 to the hospitals and costing the American people much more.
13 We certainly won't be able to simplify the system and reduce
14 the unnecessary bureaucracy.

15 One of the things that I challenge all of the
16 folks to do who believe that the beginning of health care
17 reform is to tax the benefits of middle class workers who
18 have generous health care packages is to say how can we do
19 that, how can we start with that when we know we have a
20 system where we spend 10 percent more on paperwork
21 bureaucracy and insurance premiums than any other nation in
22 the world. And these things have nothing to do with health

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1 care. We just have a system that is organized so that we
2 spend a dime on a dollar more on paperwork than any other
3 country in the world. Paperwork in the insurance office;
4 paperwork in the hospitals; paperwork in the doctors office.

5 I just left the American Hospital Association and
6 they have said clearly the only way you'll ever fix this is
7 to have a system that provides basic coverage to everybody
8 so that you can have a single claims form which will be
9 imposed on the patient, a single claims form on the
10 hospitals, a single claims form on the doctors. It is
11 imperative that we do that.

12 There was a study in the New England Journal of
13 Medicine a year or so ago. Two hospitals, one in the United
14 States, one in Canada. The same number of beds. The same
15 rate of occupancy. The same general mix of treatment. One
16 of them had 200 people in their clerical department, the
17 other had six. Now, I don't advocate going to the single
18 payer system for other reasons -- there are other problems
19 in the Canadian system and it is the second most expensive
20 in the world. I think managed competition will work better.
21 But it is clear that we can not justify, in my view, taking
22 something away from the working people of this country

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1 before we clean up the administrative costs of the present
2 system.

3 (Applause.)

4 PRESIDENT CLINTON: I would also say without full
5 coverage I don't see any way to avoid the conclusion that
6 states will continue to bear a disproportionate burden of
7 skyrocketing health care costs. The Lewin study showed that
8 stated would pay less under our approach than if we just
9 left things the way they are and that health care would
10 improve. I still believe in the requirement for employers
11 to cover their employees. First of all, that's the way most
12 people get their health insurance today.

13 Under our approach people would have a choice in
14 their health care program. Now, there's been a lot of
15 discussion about this. Let's go beyond the rhetoric to the
16 reality. Today 55 percent of all employers and 40 percent
17 of all employees who are covered with health insurance
18 through the workplace have no choice in the health care
19 plan, of the doctors they get. They are selected by the
20 employer today. Under our plan every employee would have to
21 get at least three choices once a year, one of which would
22 be just picking your doctor and having fee-for-service

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1 medicine.

2 So I'm all for choice but we need to recognize
3 that if we want the benefits of competition and the benefits
4 of choice we have to move away from the trend that we are
5 setting now. We are moving in the direction of getting the
6 benefits of competition and market power for big business
7 and government. And some of you have asked for reforms,
8 Governor McWherter among others, to put Medicaid into a
9 managed competition environment and get the benefits of
10 that. The problem is some people will get the benefits of
11 that; other people on the other end will lose choice. So if
12 you want to pursue both values at once we plainly have to
13 change the direction in which we are going. And we have to
14 have a different framework if you wish to have both.

15 Now, in spite of some of the interesting art work
16 that's been seen in the last couple of weeks, the Washington
17 Post said that our approach would create, and I quote: "A
18 surprisingly simple world for consumers." You make a
19 decision once a year among at least three plans based on
20 what you want. I wish we could have even more choice. We
21 haven't figured out how to do that yet. But federal
22 employees have a great deal. For example, many of you in

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1 the states have given your state employees more and more
2 choices. And because you have market power you can do that,
3 which is why you have to give some framework for the small
4 businesses to have the same market power that big business
5 and government does.

6 A lot of this approach builds on what I have seen
7 a lot of you do in the states. Hawaii proved a long time
8 ago that if you did it right you could have an employer
9 requirement to cover employees without bankrupting small
10 business but providing better coverage, a stronger work
11 force and lowering health care costs because of the way the
12 market could be organized. Governor Waihee has spoken
13 eloquently about this. You can say well, Hawaii is
14 geographically isolated and, besides that, we all like to go
15 there to surf and play golf and whatever. Well, that's why
16 we want to do it for the whole country instead of just
17 imposing on one state or another.

18 We learned from Minnesota that health care cost
19 targets can be set and met through strong leadership, market
20 forces, competition and high quality. And I'd like to say,
21 Governor Carlson, that the Mayo Clinic, if there were no
22 other example in this country, and there are, if you just

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1 take that one example it is a sterling and a stunning review
2 to those who say you can not provide the world's highest
3 class health care and control costs.

4 We learned from the example of Washington state
5 and of Florida and, most recently, of Maryland that you can
6 pool businesses and families together to change the David
7 and Goliath equation and then small businesses and families
8 can get affordable health insurance that covers the things
9 which need to be covered.

10 We learned two things from Pennsylvania. The
11 first thing is that the Governor of Pennsylvania proves that
12 you can do anything in the health care system.

13 (Applause.)

14 PRESIDENT CLINTON: We also learned that better
15 tracking of costs and outcomes improves the quality and
16 lowers the cost. This is an amazing thing they did and our
17 approach encompasses this. Whatever the Congress does this
18 should be a part of it. Pennsylvania actually took the time
19 to study and report on the cost of different procedures in
20 different hospitals in different parts of the state and then
21 measured the cost against the results proving that there was
22 not a necessary connection in many areas between cost and

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1 quality, and changing the whole environment in terms of what
2 the consumers could then ask for and get. This sounds like
3 a simple thing but in a system this complicated this
4 information, available in a way that people can act on it,
5 is a rarity, not the rule, in American health care.

6 So I believe that if we, at the federal level,
7 can learn from these things and finally solve this problem
8 in a comprehensive way we will go a long way toward dealing
9 with the welfare reform issue and we will lay to rest one of
10 the biggest problems for American families and for the long
11 term stability of our society.

12 Now, what normally happens around here is that
13 everybody gives their speeches and then we have Washington-
14 style reform where we tinker at the edges, expand the
15 Medicaid program for a little bit -- that's what we've been
16 doing for years. Sort of backing toward universal coverage
17 by expanding Medicaid mandates and then at the same time we
18 try to ratchet down federal spending a little more and pass
19 some other incremental reforms. You know what's going to
20 happen. We do that, more mandates on you and less money for
21 you to pay them. That's what's going to happen. More state
22 money put into a system that is fundamentally broken,

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1 without enough security, where someone else is making the
2 fundamental policy decisions.

3 I talked to you a few moments ago about Joanne
4 Austeen, from Sumpter, South Carolina. She wrote us last
5 June struggling to hang on to both her small business and
6 her insurance. She had to make a choice and she chose her
7 business and lost her coverage. After decades and decades
8 it's time to solve that woman's problem because her problem
9 is our problem. And her problem is now the state
10 government's problem.

11 We really can do things around here when we put
12 our minds to it. We've got the deficit going down instead
13 of up. We all got together, some of you mentioned
14 yesterday, in a bipartisan and federal/state way and passed
15 NAFTA when it was given up for dead. That enabled us to get
16 a GATT agreement, which was stalled for seven years.
17 Congress passed the Brady bill after a seven year stall. We
18 actually can do things around here when people work at it
19 and they keep pushing us to make the decision and they keep
20 us all in the right frame of mind and they keep us thinking
21 about real things.

22 You can not escape the real world in the

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1 rhetoric. You can't do it because you're too close to the
2 folks. Here we communicate most often with the American
3 people through an array of intermediaries and most times,
4 too many times, people can't get to us with their real
5 problems. So there is always a danger here that the policy
6 apparatus will just slip the cracks and that we'll forget
7 what this is about.

8 Yesterday Families USA issues this report, which
9 I urge you all to get and read. It just take 10 typical
10 health care situations that actually happened to real
11 Americans and identifies how those things would be dealt
12 with under the major bills pending before Congress. In
13 other words, it's not about politics and rhetoric and
14 theory, it's about real lives.

15 So I ask you to help us do this. You all differ
16 among yourselves, we have some differences with you. That's
17 fine. That's good. That's what this is all about. But I
18 remember in 1987-88 we were struggling to deal with welfare
19 reform and every governor in the country wanted to do
20 something about it and the political rhetoric. So the
21 governors were converging around an issue but the political
22 rhetoric in Washington was diverging right and left. We sat

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1 around here and talked, we tried to get agreement on a
2 policy position. Governor Campbell had just left the
3 Congress where he had been the minority leader of the
4 subcommittee that dealt with welfare and he said to the
5 Democrats and Republicans alike, 'Look, I had to go talk to
6 a bunch of people on welfare and here is the way this works.
7 Here is the intersection of welfare, health care, the whole
8 thing.' It was an incredible moment where all of us had to
9 say this is not about rhetoric, this is about real people.
10 And we went on and passed the Family Support Act, which
11 Senator Moynihan said was the most significant piece of
12 social reform in the welfare area in three decades.

13 Now, we can do this on health care. I don't
14 believe we can do it unless everybody gets the coverage.
15 But we can do it and you can help us do it. If you push the
16 thing together around real problems, real facts and real
17 issues and don't let Washington rhetoric pull the country
18 apart. The country needs you. I hope you'll stay with us
19 until the job is done.

20 Thank you very much.

21 (Applause.)

22 (Brief recess.)

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1 GOVERNOR THOMPSON: Let's come back into session.
2 We've got a few things left to do. Governor Carnahan didn't
3 get a chance to report on the State Management Task Force.
4 If everybody would please take their seats we'd like to get
5 this plenary session finished as soon as possible. Any
6 officials who want to leave please leave, otherwise be quiet
7 and take your seats, please.

8 Governor Carnahan.

9 GOVERNOR CARNAHAN: On the State Management Task
10 Force. We're doing two other items, we're collecting
11 instances of automation within governors' offices. We're
12 interested in examples of automated systems that will do
13 things like scheduling correspondence, appointments and
14 legislative tracking. We hope you will cooperate with the
15 staff in giving us systems that you have and that you know
16 about so that they can be displayed at future meetings.

17 The State Management Task Force works very much
18 in sync with the effort to reinvent government so what we're
19 trying to do is to use technology to reduce costs of
20 government and deliver better service. So what we're
21 looking for are other examples in this area. We're linking
22 up technology between elementary and secondary education,

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1 higher education, libraries and state agencies and we're
2 also intent on using electronic benefits transfer in the
3 welfare area, using smart cards to do a whole array of
4 services between people and their government. We believe
5 there is great possibilities there. We're instituting that
6 in the area of the welfare system.

7 I hope that you will share with us the ways that
8 you are using technology in your reinventing government
9 process. Reflect those, share them back with you at events
10 later in the year.

11 Thank you very much, Mr. Chairman.

12 GOVERNOR THOMPSON: Thank you very much, Governor
13 Carnahan. And thank you and Governor Fordice for the good
14 job you have done in this area.

15 The next thing we do is the report on federalism.
16 I will call on Governor Voinovich and then Governor Sundlun
17 for their reports.

18 Governor Voinovich.

19 GOVERNOR VOINOVICH: Thank you, Mr. Chairman.

20 Governor Sundlun and I have been working on this
21 issue of federalism and unfunded mandates since our meeting
22 in Tulsa and we've made some real progress. We had a very

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1 good meeting yesterday with Senator Glenn and Senator Roth.
2 It appears they're getting the message.

3 I think the points I'd like to make to all of you
4 is that it's very, very important that we work with our
5 local officials in developing a consensus on what it is that
6 we want out of Congress. I met last week with the big
7 seven. In spite of the fact that two of them have come out
8 for the Kempthorne bill, they have agreed with us that they
9 will work with us to develop a set of principles that we can
10 all agree on.

11 Senator Glenn and Senator Roth yesterday
12 indicated that they will meet with us and talk to us and try
13 to draft a piece of legislation prior to getting more
14 hearings on the bills that are now pending in the United
15 States Senate.

16 I think the good news is that local governments
17 finally have gotten the message. In fact, Senator Roth
18 yesterday said something very interesting. He said that now
19 that the local governments are picking up about 12 percent
20 of their general revenue funds on mandates, and in five
21 years it will be one out of four dollars, they have less
22 money to provide services to their citizens, including

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1 police protection. He said 'Here we are with mandates,
2 loading them up with additional costs so they can't provide
3 basic police protection on the state level.' You and I know
4 either your taxes are going up or you're spending less money
5 for higher education, secondary, primary education and so
6 forth.

7 Roth was saying that now that we've taken it away
8 from them through these unfunded mandates now, on the other
9 hand, we're going to provide money for police protection and
10 wouldn't it have been so much better if we hadn't loaded
11 them up with those unfunded mandates.

12 So I just wanted you all to know that we're going
13 to work tirelessly with these organizations to get a piece
14 of legislation and really do something about the problem of
15 unfunded mandates and the issue of federalism.

16 And I want to applaud those of you that were with
17 the President yesterday about calling for a summit on
18 federalism. We have to decide what level of government is
19 going to be responsible for providing these services and
20 also what level of government is going to be paying for
21 them. We can't keep going the way we are and I'm hoping
22 that by Boston that we're going to have something really

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1 solid on this.

2 I really appreciate your help and I will ask you
3 one favor: please get in touch with your municipality, get
4 in touch with your county commissioners, get in touch with
5 your township trustees, lobby your members of Congress
6 together. I know if you do we're going to get success in
7 this area.

8 Thank you.

9 GOVERNOR CAMPBELL: Thank you, Governor
10 Voinovich. Thank you for the work that you do.

11 Governor Sundlun.

12 GOVERNOR SUNDLUN: Just continuing on what
13 Governor Voinovich says, the states have taken a beating in
14 the courts every time this unfunded mandate has come up and
15 they've just simply referred it back to the Congress.

16 As Governor Voinovich said, the senators
17 yesterday wanted us to talk to our municipalities but the
18 problem is in the Congress. I ask you to lobby your
19 Congressional delegation. There are four things that we
20 would ask you to ask them to do. Number one: to pass an
21 unfunded mandate relief bill that requires a real cost
22 analysis and reimbursement of costs. The President has

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1 asked for that in an executive order on October 26th but we
2 need help in the Congress.

3 Second: to pass health care, welfare, job
4 training and education reforms that are, frankly, based on
5 the pay-as-you-go principle. The President has proposed
6 that change in his recent State of the Union message.

7 Next: full funding for past federal commitments
8 such as the Highway Trust Fund, the Clean Water Act and the
9 Immigration Reform, all of whom imposed substantial mandates
10 but without sufficient funding. The President has
11 repeatedly asked for that from the Congress in both 1993 and
12 1994.

13 And, last: an agency waiver authority. As the
14 President said today, he's granted five waivers, including
15 one for Rhode Island, and nine broad waivers on state
16 welfare reform. The Congress should give the President the
17 authority to allow state and local governments to combine
18 related federal grants that are designed for the same
19 purpose. And the President, through the National
20 Performance Review, has requested those changes.

21 We should help him try and get those things
22 passed in order to get the monkey off our back. The

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1 President, if you remember, on the day before inauguration,
2 when he talked to the governors at the Library of Congress,
3 said we should ask, seek and knock if we expect to receive
4 things from the White House. We've done that. He's asking
5 us now to give it a full blown NGA try and asks for
6 determination in the Congress.

7 Thank you, Mr. Chairman.

8 GOVERNOR CAMPBELL: Thank you, Governor Sundlun.

9 I'd like to call on Governor Engler for a
10 motion.

11 GOVERNOR ENGLER: Mr. Chairman, I would move that
12 the report of the Executive Committee be adopted. I don't
13 know, we're running short of time. I don't know if we need
14 to debate it, if there are questions.

15 GOVERNOR CAMPBELL: A motion that the Executive
16 Committee report be adopted. All those in favor say aye.

17 (Chorus of ayes.)

18 GOVERNOR CAMPBELL: Opposed, no.

19 (No response.)

20 GOVERNOR CAMPBELL: The ayes have it, it is so
21 adopted.

22 The next motion is a motion for the suspension of

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1 the rules, a motion that the rules be suspended. All those
2 in favor indicate by saying aye.

3 (Chorus of ayes.)

4 GOVERNOR CAMPBELL: Any opposed?

5 (No response.)

6 GOVERNOR CAMPBELL: The rules are suspended.

7 Is there a motion that the proposals under
8 suspension be considered en bloc? If so, would someone move
9 that all of the suspensions be considered en bloc?

10 VOICES: So moved.

11 VOICES: Second.

12 GOVERNOR CAMPBELL: All those in favor indicate
13 by saying aye.

14 (Chorus of ayes.)

15 GOVERNOR CAMPBELL: The rules are suspended are
16 considered en bloc.

17 All those in favor of passing the rules that have
18 been considered en bloc will please indicate by saying aye.

19 (Chorus of ayes.)

20 GOVERNOR CAMPBELL: That is all accomplished now.

21 As we come to the end of this session I want to
22 thank everyone for the job that they have done. I want to

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1 say how glad we were that Governor Casey is back with us.
2 And I know that all of our concerns and prayers are with
3 Governor King because of his son's accident. He had to
4 leave. And I thank everybody for the way that they have
5 contributed to what we have done.

6 I would like to make one announcement before we
7 leave. We are appointing a new leadership team of four
8 members to work at the President's request and the
9 conference's request on crime. Those four people will be
10 Governor Bob Miller, Governor Jim Hunt, Governor Mark
11 Rossello and Governor Pete Wilson. They will represent us
12 as we discuss with the Administration and with the Congress
13 the crime bill. I appreciate their willingness to serve.

14 There being no further business we stand
15 adjourned.

16 (Applause.)

17 (Whereupon, at 12:30 p.m., the plenary session
18 was adjourned.)

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TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

1994 WINTER MEETING

PLENARY SESSION

Washington, D. C.

Sunday, January 30, 1994

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1994 WINTER MEETING

PLENARY SESSION

J. W. Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Grand Ballroom

Salons II, III, IV

Washington, D. C.

Sunday, January 30, 1994

1:15 p.m.

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P R O C E E D I N G S

GOVERNOR CAMPBELL: If everyone would please find their seats. And those in the back that are standing, please refrain from talking. If you are in the room and need to be talk please go outside and converse, then we will be able to move along a little bit faster.

First I want to welcome all of the governors and the guests to this National Governors' Association meeting. We are delighted to have you here and we are delighted to have the opportunity to participate in a debate and discussion of major issues that affect not only each of our states, but indeed affect our country as a whole.

We have with us three new governors, Governor George Allen, of Virginia; Christine Todd Whitman, of New Jersey, and; Fraulein Tenorio, of the Northern Mariana Islands. I want to say welcome to the National Governors' Association to these three new governors. We're delighted to have you. We look forward to working with you through the years and we know you will make great contributions.

At this time I would like to call for a motion and the motion that needs to come is to adopt the rules of procedure. I would ask for such a motion. Would the

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1 Governor from Maine offer such a motion?

2 GOVERNOR MC KERNAN: So moved.

3 GOVERNOR CAMPBELL: The Governor from Maine
4 offers the motion that we adopt the rules of procedure. Is
5 there a second to that motion?

6 GOVERNOR MILLER: I second it.

7 GOVERNOR CAMPBELL: There is a second to that
8 motion. All those in favor say aye.

9 (Chorus of ayes.)

10 GOVERNOR CAMPBELL: Any opposed, no.

11 (No response.)

12 GOVERNOR CAMPBELL: The rules of procedure are
13 adopted.

14 Let me announce before we get any further into
15 this that the rules of procedure under the National
16 Governors' Association rules require that individual
17 governors and committees that intend to offer proposed
18 policies that were not included in the required 15 day
19 advanced mailing must give notice and provide a copy of
20 their proposal by the close of business the day before the
21 vote is taken.

22 Note that a copy of any proposal to suspend the

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1 rules must be given to Jim Martin of the National Governors'
2 Association staff no later than 5:00 p.m. Monday. If
3 anything comes in after that then it would not be eligible.

4 I'd also like to remind the governors that the
5 policy on federal barriers to state health care reform will
6 be considered and voted upon by the full Association at the
7 Monday plenary session.

8 Another announcement in housekeeping is that
9 governors should use their own transportation to the White
10 House dinner this evening.

11 Having accomplished these housekeeping chores we
12 will now proceed to the agenda items that we have. Last
13 year I proclaimed April 20, 1993 Youth Service Day in South
14 Carolina and I asserted that young people have both the will
15 and the ability to address growing community needs by
16 sharing their energies, their talents and compassion through
17 volunteer efforts. I did so because I had seen the exciting
18 work being done in Charleston by Serve Charleston and in
19 schools throughout our state by our Department of
20 Education's nationally recognized Service Learning Program.

21 Last summer I was pleased to welcome City Year to
22 Columbia and I look forward to building a network of service

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1 programs throughout our state so that community service
2 becomes a common expectation and experience of every person
3 growing up in South Carolina.

4 In the same spirit I want to welcome and
5 recognize six National Service Corps members from the
6 District of Columbia, Maryland, New Jersey and Pennsylvania
7 who are serving on the NGA Logistics Team for this
8 conference. I am going to read the names and then I will
9 ask you to join me in welcoming them. And they are back
10 here behind me, if they will please stand up. Daniel
11 Shower, from the D.C. Service Corps; Christopher Brooks and
12 Diana Agnualia, from the Maryland Conservation Corps; Robert
13 Braun and Shawn Scriven, from the New Jersey Youth Corps;
14 and Kimberly Frolla, from the Pennsylvania Service Corps.
15 We are delighted to have you and I want to welcome you.

16 (Applause.)

17 GOVERNOR CAMPBELL: I would like to tell you that
18 these young people are representatives of the more than
19 30,000 young people who currently serve in youth corps
20 across this country. I encourage you to take the
21 opportunity to talk to these young people during this
22 conference.

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1 You know, with the problems that we see in youth
2 it is so good to see most of the youth doing the right thing
3 to help other people. And we are just delighted that they
4 are with us today.

5 As is usual at our Washington meetings we will be
6 focusing the next few days on national issues which will
7 impact our states. Through our Partners for Progress
8 initiative we are working with Congress and the
9 Administration on a range of issues: health reform, welfare
10 reform, crime and education reform. We are working on how
11 to responsibly and realistically improve our environment and
12 we are pursuing ways for states to effectively use and to
13 contribute to the burgeoning information highway.

14 But there is no problem that looms larger for
15 governors than the crisis surrounding the American family.
16 Drug abuse, teenage pregnancies, teenage drop outs, juvenile
17 crime: these are all symptoms of the disease that is
18 threatening the health of the American family. And too
19 often government itself can undermine families and drain
20 their resources. For instance, we have not kept the
21 personal exemption for children up with inflation like we
22 did every other program that we indexed to inflation. And

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1 we put pressure on families. In our state we're seeking to
2 double the personal exemption for children under the age of
3 six to take that pressure off.

4 We should bolster family finances and help
5 educate the children, improve public safety and support
6 those in need just enough so they won't always need that
7 support. That is why it was governors who demanded that the
8 nation's education goals span not just from grade one to
9 grade 12 but literally from the cradle to the grave.
10 Education can not start at age six and end at 18 or 20 to be
11 effective. Really, what we have to do is have a goal of
12 education that goes on for a lifetime. Prenatal, parental,
13 young children, school children, school to work job training
14 and re-training: it must go on for a lifetime.

15 And this afternoon's plenary session is focused
16 on some of the family issues reflected in the national
17 education goals. The Education Leadership Team, co-chaired
18 by Governors Edgar and Hunt, will discuss how states are
19 trying to reach the goals. And then, under the leadership
20 of the chair and the vice chair of Human Resources
21 Committee, Governors Wilson and Walters, we will hear from
22 and be able to interact with a very interesting panel on

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1 youthful violence, one of the top issues facing America
2 today.

3 But first I would like to tell you that we are
4 joined today by a man whose mission in life has been to help
5 children. His name is Dave Thomas. Dave Thomas started
6 working when he was 12 and he quit school after the 10th
7 grade so he could learn more about the restaurant business.
8 He opened his first restaurant in 1956 and became a
9 millionaire at age 35 by selling four Kentucky Fried Chicken
10 franchises back to the company. Then he opened his first
11 Wendy's Hamburger Restaurant in 1969 and began franchising
12 in 1973. Today his company and its franchisees operate more
13 than 4,000 restaurants in the United States and throughout
14 30 countries and territories.

15 But that's not what I want to tell you about this
16 man. In 1990 he became a national spokesman for the White
17 House Initiative on Adoption. And in 1992 he established
18 the Dave Thomas Foundation for Adoption to focus public
19 awareness on adoption and to offer educational programs for
20 prospective adoptive parents.

21 Dave's leadership on this issue led me to propose
22 a new adoption incentive in South Carolina for state

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1 employees. We will build families in our state by paying
2 direct costs of up to \$5,000 for state employees to adopt or
3 up to \$10,000 for those adopting a child with special needs.
4 We have asked that the business community in our state
5 extend similar financial support to their employees who
6 adopt.

7 Dave Thomas is a recipient of the Horacio Alger
8 Award. He received his high school degree in 1993 and guess
9 what? His class voted him most likely to succeed.

10 (Laughter.)

11 GOVERNOR CAMPBELL: He was adopted when he was
12 six weeks old and he knows what it's all about. He is the
13 American dream. He went to the top but he has never
14 forgotten where he came from.

15 Ladies and gentlemen, I am proud to present to
16 you Mr. Dave Thomas for remarks and a short video.

17 Mr. Thomas.

18 (Applause.)

19 MR. THOMAS: Thank you, ladies and gentlemen.
20 It's an honor to be here.

21 You know how I got started was that I really feel
22 that every child, boy and girl, deserves a home and love.

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1 There are thousands today that need a home and love so
2 that's why I'm here.

3 I'd like to just take a minute and tell you that
4 being adopted, I was born out of wedlock. I never knew my
5 mother and father. My adoptive mother died when I was six.
6 My adoptive father remarried three more times. I had some
7 step sisters; they claimed that I was an abused child but I
8 don't really believe that. I know I got spanked when I did
9 something wrong.

10 I got my first job when I was 12 years old, at
11 the Regis Restaurant in Maxville, Tennessee. I lived there
12 at the Regis Restaurant. One thing really important: as
13 long as you try you can do anything you want to within the
14 laws of man and God. I have really used that philosophy for
15 a long time.

16 I went around and, as the Governor said, I did
17 get my GED and I was voted most likely to achieve. I did
18 take my wife of 40 years to the prom, where I was the king
19 and queen.

20 (Laughter.)

21 MR. THOMAS: My son called me up and said "Dad,
22 don't be late." Now, I have five children -- I have four

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1 daughters and one son -- but as I went out and talked to
2 high school students about America, the greatest country in
3 the world, you know, as I used to tell people: "I never had
4 the spoon, let alone a silver spoon." But you can be poor
5 and you can become rich in America and I think all of you
6 can agree with that. Don't you agree?

7 (Applause.)

8 MR. THOMAS: This is the greatest country in the
9 world so as I encourage people around the country and tell
10 them what a great country we live in we must maintain the
11 same thing. But I do want to show you a short video. I
12 guess we'll play it. Something's going to happen, I know
13 it.

14 (Video shown.)

15 (Applause.)

16 MR. THOMAS: We're asking every American
17 employer, public and private, to offer employees who adopt
18 the same financial benefits and paid leave that's given to
19 employees giving birth.

20 Now, the National Adoption Center says we have
21 over 100,000 special needs children out there. I hope that
22 every state will put this benefit package in and I know a

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1 lot of you have it now, some sort of one. And I not telling
2 you how much or mandates or anything like that, I'm just
3 asking. And I hope the federal government will see fit too,
4 so maybe you can help me there. In the private sector we're
5 still working hard there because we have about 18 percent
6 and that's not good enough.

7 So we have a package here. I think there's
8 everything in the package that we can help you. Maybe
9 there's a question. Does anybody have any questions?

10 GOVERNOR MERRILL: Mr. Thomas, I'm Steve Merrill,
11 from New Hampshire. I just wanted to know, sir, as you
12 review the state laws and regulations what is the status of
13 adoption in this country right now, particularly as it
14 relates to special needs or disabled children. How are we
15 doing? How are we doing since you began this project.

16 MR. THOMAS: I know in 18 it has been adopted,
17 we've taken care of that. And I know seven companies have
18 taken the policy on in South Carolina. And I know some
19 other states that do it too.

20 The adoption people tell me, the social workers,
21 the more I talk about it, the more awareness, the more
22 things are happening. So I'm really not an expert on this.

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1 I'm still trying to sell hamburgers and sandwiches and
2 commercials are something I do. I didn't give up my day
3 job.

4 (Laughter.)

5 GOVERNOR SUNDLUN: Mr. Thomas, a side question.
6 What's the position of your foundation and yourself on the
7 right of a child who is adopted to have access to the
8 identity of its' natural parents when it reaches majority or
9 some stage of the childs' life?

10 MR. THOMAS: Governor, I can just give you my
11 own, what happened to me. I didn't know I was adopted until
12 I was 13 years old and I didn't have time to go and find my
13 parents.

14 I don't really take a real strong position
15 because I don't want to get into an adversary role but I do
16 have an opinion on it. I think when they're on they're own
17 and can not play the biological and adopted parents -- play
18 them together -- because I know once if I would have had
19 that privilege -- I've never seen my mother and father -- I
20 would have went where I got the best deal.

21 (Laughter.)

22 MR. THOMAS: I don't know if that makes sense to

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1 you or not.

2 (Laughter.)

3 GOVERNOR FINNEY: Mr. Thomas, I have an adopted
4 grandchild and occasionally I will hear some child being
5 adopted and then the natural parent or parents change their
6 mind and is able to get that child back. I wonder if you
7 have an opinion about that?

8 MR. THOMAS: Of course, you know, I would give
9 anything in the world to see my mother and father but I
10 think when you're adopted you're adopted.

11 GOVERNOR FINNEY: It seems to me rather tragic,
12 very tragic for these parents who have kept this child and
13 nurtured it.

14 MR. THOMAS: The biggest thing, I think, is
15 responsibility for people who have children. Like, I was
16 born out of wedlock. I had nothing to do with it, you know?
17 And I was adopted. I had nothing to do with it. So I think
18 it just depends.

19 GOVERNOR FINNEY: I want to add, in regard to
20 you, it's certainly fortunate for the nation and for the
21 people who you've been able to provide employment and so
22 forth that your mother did care enough to take care of that

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1 baby.

2 MR. THOMAS: Thanks, I appreciate it. Thanks
3 very much.

4 And thank you very much.

5 (Applause.)

6 GOVERNOR CAMPBELL: Dave Thomas, thank you very
7 much. You know, you meet a lot of people in life and they
8 go on to become something totally different than they
9 started out. Many of them forget where they came from.
10 That's what I think is the beautiful thing about this guy,
11 he didn't forget. He's going back to try to help somebody
12 else. So we're delighted to have you here with us, Dave.
13 We really appreciate what you have been doing. I think it
14 is absolutely tremendous. We wish you every success as we
15 move along here.

16 At this time, Mr. Thomas, you can stay with us
17 for a while or if you have to go then we understand. So
18 thank you again for being with us.

19 (Applause.)

20 GOVERNOR CAMPBELL: We now turn our attention to
21 the nation's six education goals. While the majority of the
22 governors that are sitting here today did not participate in

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1 the historic summit with the governors and then-President
2 Bush in Charlottesville, a number did. And it's clear that
3 the goals have provided an important focal point for
4 education reform at the local, state and federal levels.

5 I had the privilege of co-chairing that
6 undertaking, along with President Clinton, who was a member
7 of our organization at that time. Moreover, as the
8 centerpiece of President Clinton's education agenda, they
9 have really spanned two national administrations. So I
10 think what I am trying to get across to you is that there is
11 bipartisan support in improving education in America. This
12 is being carried out by a new administration after having
13 been in another administration. That's the way things
14 should work.

15 I am pleased to call on two outstanding governors
16 in their own right and in the field of education, Governors
17 Edgar and Hunt, as co-chairmen of the NGA Educational
18 Leadership Team, to lead us in discussion, to refocus our
19 attention on the goals and to learn from one another how the
20 goals can further assist our efforts to reform and to
21 improve education in our states.

22 Governor Hunt and Governor Edgar, I will turn

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1 this program over to you at this time.

2 GOVERNOR EDGAR: Thank you, Governor Campbell.
3 You are indeed right. In fact, the majority of the
4 governors sitting here were not at Charlottesville. We were
5 not elected governor yet, including the two co-chairmen that
6 are speaking now. But, while we weren't there, we are
7 committed, as you, Governor Campbell, and the other
8 governors who attended that historical meeting. And I think
9 as we look throughout the 50 states today we see education
10 reform occurring in every state of the Union.

11 The commitments that you made back in
12 Charlottesville are being honored throughout the 50 states
13 and it is important that we continue to work on education
14 reform. And perhaps no better way that we can renew our
15 commitment than to have an item on our discussion here in
16 the opening session of the winter meeting and to hear from
17 some of the governors who have been actively involved in
18 different aspects of educational reform and to learn from
19 their experience and hopefully enter into a dialogue here as
20 we go along in the time that's allotted to us.

21 There was a politician -- and I use that word in
22 a very positive sense -- from Illinois by the name of

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1 Abraham Lincoln a few years ago. Mr. Lincoln, as a
2 candidate for the state legislature said, and this was in
3 the early 1800's, that education is the most important
4 subject that we as people can be engaged in.

5 Well, he was right then and if President Lincoln
6 were with us today he would be right today as well. This is
7 the most important thing we can be about as a people, is
8 educating our fellow citizens, particularly our young
9 people. And the reforms that are necessary, the reforms
10 that are crucial if we're going to have an educational
11 system that does achieve the goals that were set out in
12 Charlottesville will take all of our activities and all of
13 our efforts.

14 I'd now like to call on my co-chairman, Governor
15 Hunt, to make some comments before we call on the various
16 representatives.

17 GOVERNOR HUNT: Thank you, Governor.

18 It is really important that today and at this
19 conference that we look again at and recommit ourselves to
20 the education goals for this nation.

21 I have been a governor before Charlottesville and
22 it is my privilege to be a Governor of North Carolina after

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1 that. I can tell you, I have been watching all of this
2 very, very carefully. I want to commend my colleagues here
3 and the governors across this country during these years who
4 have played a major role in pushing for school reform, in
5 changing our schools. Under the leadership of the governors
6 almost every state in America -- I guess you could say every
7 state has taken a major step toward raising standards and
8 reforming schools.

9 Today we have two of the real leaders in this
10 effort, the leaders of our Association, the leaders for this
11 country, because remember, the education leadership in
12 America comes at the state and local levels. We have a
13 little bit here in Washington, some good folks. Our
14 President is one of those; our Secretary of Education, Dick
15 Riley, who was a member here -- both of them were. But we
16 have two governors here today who have been such marvelous
17 leaders.

18 I want to present the first, who is Governor Roy
19 Romer, of Colorado. He was the first chair of the Goals
20 panel but we all know he has been a terrific leader in his
21 own state. More than that, he has been kind enough to go
22 around to states around this country talking to educators

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1 and business people and citizen leaders of all kinds urging
2 us to really look at this hard and understand the worldwide
3 competitive situation we're in, how we have to raise the
4 bar, as he is fond of saying, and the kinds of changes that
5 have to flow, and the kinds of changes it's going to take.

6 Governor, we appreciate your leadership. We
7 would ask you to sort of bring us up to date on what's taken
8 place heretofore and then we'll call on another colleague to
9 tell us where we plan to go.

10 GOVERNOR ROMER: Thank you very much.

11 Let me just summarize historically. It was
12 important for us to arrive at the six goals but the next
13 step was what kind of standards, what kind of measure can we
14 arrive at collectively as to how we get there.

15 We have underway in this nation, and in many of
16 the states, some very good work of developing educational
17 standards. In one sentence this is what a youngster should
18 know and be able to do. I want to quickly distinguish the
19 standards that we have been working on from the OBE, or the
20 Outcome Based Education. The standards we are talking
21 about, in reference to the members of the Goals panel, are
22 hard content standards. What is a youngster supposed to

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1 know and be able to do to be a successful citizen. The best
2 illustration out there in America are those in math. The
3 National Council of Teachers of Math -- Now, we are
4 developing standards not just in math but in science,
5 geography, history and english. They will be available in
6 some model form within the next six to nine months and then
7 each state will have the opportunity to take it to every
8 school district and have people really participate in the
9 development of these standards.

10 Quickly after we talk about standards then we
11 need to turn to performance measures because you really do
12 teach to the test in education and if we're not asking the
13 right questions in our measurement, in our performance
14 measures we're not going to be teaching to the right
15 standards.

16 But if we can really as a nation state clearly --
17 and I don't mean just as schools but as parents and as
18 businesspersons and everybody in the community that this is
19 what a youngster needs to know and be able to do then we can
20 begin to align the schools to produce that result through
21 appropriate materials in the classroom, appropriate training
22 for teachers an appropriate change in the school day and

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1 support from parents.

2 But we aren't going to know how to get there
3 unless we know where we want to go. Now, there are a couple
4 of philosophical statements that I think all of us have made
5 who have supported these goals and these standards and they
6 are the following: all youngsters can learn and they can
7 learn at significant higher levels than we are expecting in
8 this country. Secondly, there is a philosophical statement
9 that effort counts. We have, more than any other Western
10 nation, kind of had the category that you're born with
11 ability or you're not. You know, Johnny can do math but
12 Mary can do art. Well, the implication of that is that
13 Johnny can do math but he has no talent in art or Mary can't
14 do math. And that's simply not true. All youngsters can
15 learn and they can learn at significantly higher levels.
16 That's a very basic philosophical statement.

17 So, to conclude this I'd like to mention the
18 Goals 2000 Bill, which has received bipartisan support in
19 the House and the Senate and it is a bill which will enable
20 the states and local districts to do what needs to be done
21 to give themselves the ability to shape these standards, to
22 begin to develop the right kind of assessments and to begin

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1 to make the systemic reform in education that will bring
2 them about.

3 I honestly believe that the work that we are now
4 doing in the goals and the standards that we are developing
5 is going to be the most important basis of reform in
6 American education. And this group of governors ought to
7 feel very good that they were early on the leaders in this.
8 I was the first chairman of the National Goals Panel and I'd
9 like now to introduce Governor McKernan, who is the current
10 chair, for some further remarks in this area.

11 Governor McKernan?

12 GOVERNOR MC KERNAN: Governor Romer, thank you
13 very much. Let me just congratulate you as the first chair
14 of the Goals Panel, and also Governors Campbell and Nelson,
15 who have been the other two before I took office this year.
16 I think that you have set a wonderful example for those of
17 us that are there.

18 While I'm at it, I'd like to thank my seat-mates,
19 Governor Bayh and Governor Merrill, for their work on the
20 National Assessment Governing Board, which is also making
21 such an important difference as we struggle with how we
22 increase standards in this country for education.

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1 There are the goals. Since more than half of you
2 weren't in Charlottesville with us you ought to read them
3 carefully. They are a blueprint for enhancing the standard
4 of living in this country in the next century.

5 The Goals Panel was established to make sure that
6 we were chronicling our progress toward meeting those goals
7 and every year we issue a report. The panel is made up of
8 14 members, eight governors, four members of Congress, the
9 Secretary of Education and a representative from the White
10 House. It's a bipartisan organization. It works on
11 consensus and serves as a unifying force for education
12 reform and progress in this country.

13 Governor Romer mentioned the Goals 2000 Educate
14 America Act that will be coming to the floor of the Senate
15 this week. I would urge you all to contact the members of
16 your Senate delegation and tell them how important this
17 legislation is. A part of that legislation is statutory
18 authorization for the National Education Goals Panel. In
19 addition to the current membership, four members of the
20 state legislatures would be added to the Goals Panel, which
21 I think will truly give us the widespread support among
22 state policymakers that is going to be critical to our

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1 success.

2 Also included in the legislation is new
3 requirements for the Goals Panel, that is certifying and
4 content and performance standards, showcasing promising
5 strategies that are taking place in every one of your states
6 and making sure that those successes are disseminated around
7 the country. And also continuing to emphasize the
8 bipartisan nature of education reform.

9 Governor Romer also mention the fact that every
10 year we issue a report. We issued a report last September.
11 The report was chaired by Governor Nelson and it had some
12 major findings that you all ought to be aware of. One is
13 that our overall progress is inadequate. We are making
14 progress but the level of that progress is insufficient to
15 meet the goals and we have to do better. We have made a lot
16 of gains in math achievement. We've made gains in school
17 safety and drug and alcohol use seems to be down somewhat in
18 our schools.

19 But there are a number of problems that have been
20 identified. Half of America's babies are at risk. 63
21 percent of our youngsters are not immunized by age two.
22 Parents, even educated parents do not read enough to their

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1 kids in the 1990s. Students don't feel safe in our schools.
2 Our plan for this year is to look at some of these problem
3 areas and figure out how we can do a better job of looking
4 at ways to improve the situation.

5 We're going to be looking at ways to establish
6 strong standards against which education progress can be
7 made. We're going to try to enhance technology and realize
8 the importance of technology in improving the results in our
9 educational system. We going to continue to try to be the
10 focal point on the Goals Panel for a bipartisan consensus
11 that our educational system must change. And we're going to
12 work on changes that give us, as governors, the data that we
13 need to compare how we're doing compared to other states.

14 I think we're going to have a good year. We have
15 a new executive director of the Goals Panel. He is a 20
16 year legislator from the state of Minnesota. He served
17 eight years as the head of their education finance
18 committee. His name is Ken Nelson, he's sitting behind me.
19 I'd ask him to stand.

20 Ken, if you could stand.

21 (Applause.)

22 GOVERNOR MC KERNAN: He heads the panel staff.

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1 We are there to answer any of your questions, help you with
2 any data, any ideas you may need on how to improve your own
3 educational system.

4 Before I turn this back to the chairs of the team
5 I want to just also make the comment on the awards that
6 Governor Campbell is going to be giving out in a few minutes
7 to highlight the best of the state reports on how the states
8 are doing.

9 I want to just commend all of you for all you are
10 doing. We see the data that comes in and I don't think that
11 the American public understands the role the governors all
12 across this country and every single one of our states are
13 playing in enhancing the education of youngsters in every
14 state in this country. That's the good news. The bad news
15 is there is more to do. Thank you.

16 GOVERNOR HUNT: Thank you very much, both of our
17 chairs and Governors.

18 As has been indicated by Governor McKernan, we
19 are not doing well enough. We know that. As we think about
20 our economy, and governors do that a lot, we know that, the
21 truth is these are goals that we have set for ourselves as
22 Americans but the strategies and the decisions and the

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1 energy and the hard work to achieve them have to come in the
2 states and the local areas. That's what an awful lot of us
3 have been spending an awful lot of our time working at.

4 Again, you all have a lot of stories about the
5 things that you've done. We hope to have a chance to talk
6 about some of those this afternoon. It is absolutely clear
7 that we understand that our economic progress and good jobs
8 are going to depend on having the knowledge and being able
9 to do it in the real world of work. That means we need to
10 have high and rigorous and relevant standards. It means
11 that we need to reform our schools so that we can reach
12 those standards. In my own state of North Carolina we
13 decided it's not enough to require X-number of courses in
14 total in certain numbers in english and math and science and
15 so on but we need to take a look at what our graduates need
16 to know and be able to do.

17 So we have by statute, at my urging, established
18 something called our State Commission on Education Standards
19 and Accountability. That commission is going around the
20 state listening to employers from the private sector and the
21 public sector tell us what their employees need to know and
22 be able to do. Then we're going to make sure that our

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1 standards reflect those and develop those new assessments
2 that Governor Romer was talking about a minute ago to make
3 sure they are the right ones and that we are measuring them
4 in the right way and that we can use them.

5 Let me now call on a governor that has worked
6 hard. This is tough stuff. First of all, if you can figure
7 out what to do that's one thing but that's only part of it.
8 Then you've got to be able to get it through the
9 legislature. You've got to get everybody on the team. And
10 then you've got to be willing to take the consequences.

11 A governor who has done a good job of all of this
12 is Governor Carper, of Delaware, and I would like to call on
13 him now to tell us about his experience in putting in these
14 higher standards and what happens when the people find out
15 about the consequences of it.

16 Governor?

17 GOVERNOR CARPER: Thank you very much, Governor.

18 Some of you knew my predecessor, Mike Castle, who
19 is now a freshman congressman in Washington. Mike was smart
20 enough to hire a guy named Pat Forgione, who worked, I
21 think, with Roy and others as he developed the national
22 goals. Pat has been not really our secretary of education;

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1 we don't have a secretary of education. We have a state
2 board of education appointed by the governor and confirmed
3 by the senate and they hire the person who is really our
4 secretary of education. They hired Pat a couple of years
5 ago and I had the good fortune of coming in in his
6 administration.

7 Let me just take a moment to tell you what we're
8 going in Delaware. We've been at this for about two years
9 now. Pat is pioneering a program, we call it New
10 Directions. New Directions is dedicated, as I suspect in
11 each of your states you have your own New Directions-like
12 program. Our commitment is to quality and to excellence for
13 all kids.

14 We built a sandwich and tell the people all over
15 the state how we're building that sandwich. I know some of
16 you have talked about the sandwich in the past. Two pieces
17 of bread, something in the middle. The first piece of bread
18 on top is the standards, the high standards for math,
19 science, reading or english. The bottom piece of bread is
20 really the assessment to see how well our students are doing
21 toward meeting those standards. And the stuff in the middle
22 is the meat of the sandwich. I'm a politician, I don't know

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1 what should go in the meat of that sandwich. That's really
2 up to our schools and we leave it up to them to determine
3 how best to help their students meet those standards.
4 Because these are the standards, these are what you ought to
5 be able to do, or your kids ought to be able to do. We're
6 going to hold you -- at the bottom piece of the sandwich
7 we're going to hold you accountable in assessing how well
8 each school is doing toward meeting those standards. But
9 we're going to leave it up to you at the local level, with
10 your teachers, parents and so on, as to what's the best way
11 to get there.

12 We put together some curriculum framework
13 commissions. They include educators, they include
14 businesspeople and parents. Good partnerships. They are
15 going around the state, as others have mentioned. Our math
16 commission is coming back and their standards will be
17 presented to us really in a few months, in the spring of
18 '94. We will be seeing science in the fall of this year.
19 English, language and arts in the winter of '95. Finally,
20 social studies, I think, in the spring of '95 and others
21 will flow out of them.

22 What we're trying to do in our state, and perhaps

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1 you're doing this in your state, we're trying to reverse the
2 way we've considered a variable and a constant. Let me just
3 take a moment to let me tell you what I mean. When I went
4 to school, and I think when most of us went to school, the
5 thing that was the constant was the amount of time that we
6 spent in school. The thing that was variable was how well
7 we did toward meeting the standards. Some of us did better,
8 some of us did not so well.

9 What we're trying to do in our state is to say
10 that instead of the constant being the time we spend on task
11 we're trying to make the constant the standard. How well we
12 meet the standard -- and say maybe for some it's going to
13 take a little longer. Maybe kids staying after school. In
14 other instances we'll have to say maybe we should have
15 school on Saturdays for some kids and give them that
16 opportunity to participate. And some kids we're going to
17 give the kids a chance to go to school for an extra month or
18 so in the summer.

19 I wish I could sit here and tell you that we have
20 the money to be able to finance for each school those kinds
21 of alternatives. Instead what we're going to be trying to
22 do is trying in some schools longer school days for kids to

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1 enable them to do better. In other schools we're going to
2 try a different approach, school on Saturdays. In other
3 schools we'll try running another couple of weeks or a month
4 in the summer. See which works and see if any one is more
5 cost effective than the other.

6 We are trying to change the way we teach. We're
7 doing that in our universities that are presenting and
8 developing our teachers. We're also doing it on the
9 outside, for people who are already in the teaching
10 profession to help them change the way they teach. It's
11 important that we do a better job relating what's going on
12 in the classroom to what's going on in the real world and
13 that's not something just to work on in memorization but
14 things that apply to the real world.

15 We have a principal's academy at the University
16 of Delaware. Principals from, I think, about two thirds of
17 the states have actually come to the University of Delaware
18 to participate in our principal's academy. We're now
19 beginning to enlarge the enrollment in that academy so that
20 over a six year period all of the principals in our state
21 will also learn about New Directions and benefit from what
22 the other principals around the nation are learning.

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1 While Pat Forgione brought to our state the
2 notion of high standards and the necessity for
3 accountability and site based management, what I hope I've
4 brought to the table is a commitment toward goal number one,
5 and that's getting kids ready to learn. We have two young
6 children in our home, boys, three and five. I understand
7 especially how they learn. About halfway through their
8 lives, by the age of six, and if they don't walk into first
9 grade ready to read we shouldn't expect miracles at that
10 point in time.

11 In my state of the state message this past
12 Thursday we rolled out a proposal for a continual parent
13 training in our state. Anywhere from somebody has a baby in
14 the hospital, give them a five year calendar that says this
15 is what you ought to be doing with your baby for the next
16 five years. Two months, three months, up to two years,
17 three years, up to five. Stuff that even a guy like me who
18 didn't even know how to kiss a baby much less raise one six
19 years ago. That's addresses what we call sort of low end
20 needs. For those who have especially intensive needs.
21 Where's Mel Carney? Mel, I think in your state you were the
22 folks who pioneered parents as teachers. We've done parents

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1 as teachers statewide for really intensive learning needs.

2 Finally, we already offer a full three day
3 program for four year olds at risk. Some of you are moving
4 toward that. We set a goal for making all at risk four year
5 olds in a pre-K program by the end of 1996. I think we'll
6 be there.

7 Lastly, on our welfare reform front, which we're
8 working on, as are many of you, we proposed to have a social
9 contract that participants must enter into. One of the
10 aspects of that social contract is, as you might imagine,
11 not just making sure that your kids are immunized but also
12 making sure that you are participating in your child's
13 education. That you're making certain that your kids go to
14 school.

15 Those are some of the things that we're doing.
16 And, again, it's a real good team effort. We got a good
17 hand off from Mike Castle and a lot of help from Pat
18 Forgione and a terrific partnership that exists with our
19 educators and our business community and a lot of our
20 parents, who are very much concerned.

21 Thank you.

22 GOVERNOR EDGAR: Thank you very much, Governor.

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1 Reform is not easy; that's an old saying but it's
2 very true, particularly when it comes to education reform.
3 Perhaps one of the reasons we haven't got as far along as we
4 would have liked is it's tough to overcome some objections
5 of established groups. Also, often when we try to achieve
6 reform an awful lot of the focus seems to deal with school
7 financing, an issue in itself that's very difficult. In
8 fact, many, many states have to deal with that issue. I
9 think in some ways we ought to take advantage when we deal
10 with school financing that we tie reforms to financing
11 because that very often will give us the leverage with some
12 groups that maybe would oppose reform otherwise to become
13 supportive, or at least not stand in the way.

14 I know recently in Illinois when we went through
15 our, it seemed like annual, crisis with school financing in
16 the Chicago schools, while we were able to find at least a
17 short term resolution to that problem, we were also able to
18 get some reforms agreed to. Reforms that many, like some of
19 the unions, had opposed before. But in order to get the
20 financial assistance they were willing to accept some of the
21 reforms that many of us had felt were long overdue.

22 So we need to take advantage of maybe the

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1 obstacle of school financing. And we've got to deal with
2 that to also achieve many of the reforms that we would like
3 to see accomplished so we can reach the goals that are up on
4 the wall behind me.

5 Twenty one states currently are involved in
6 various stages of litigation or court orders over school
7 funding. I'd like to call on two of our colleagues who have
8 dealt with that problem I think in a very positive manner.
9 At least they've been able to mix school financing with very
10 significant school reform. I'd like to get their comments.
11 First I'd like to call on Governor Engler, then Governor
12 Carnahan.

13 John?

14 GOVERNOR ENGLER: Thank you very much.

15 I am delighted to give you a little bit of an
16 update. As you recall, last summer we scrapped the property
17 tax to Michigan and that prompted a debate which finally
18 ended up on December 24, about 11:30 in the morning. I
19 think it was Christmas that forced a decision. What
20 happened in that debate, we were not subject to any
21 litigation on school finance. This is something we entered
22 into voluntarily. We were worried that at some point we

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1 might get some litigation but it was not eminent.

2 We did have a system, though, which saw every
3 year the disparities widen between the wealthiest districts
4 and the poorest districts, at least as measured by their
5 expenditure per pupil. We ended up restructuring the entire
6 educational finance system. I handed out just a little bit
7 of information so I won't trying to go into that in great
8 detail. I'd be glad to talk more about financing later on.

9 The bottom line was when we cut property taxes,
10 which had been some 34 percent above the national average,
11 they are now nine percent below, the major revenue source I
12 think will be the sales tax. We have a state wide ballot
13 question on March 15th but if it isn't the sales tax it will
14 be an income tax. That was the sort of deal that ended up
15 being cooked by the legislature. But I am campaigning very
16 vigorously for the sales tax. We only have a four percent
17 sales tax, which is considerably lower than most states
18 around this table. It would be a six percent rate.

19 The financing formula for all the schools is also
20 completely rewritten as part of this process, including the
21 establishment of the foundation grant. The other thing that
22 changed was a complete focusing of all costs for education

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1 in each school district. Previously, the state had paid 100
2 percent of retirement costs, paid all Social Security costs.
3 Those are now back in the district. So as the district sits
4 down and negotiates a contract they've got 100 percent of
5 the cost of education in their local school district. And
6 we have done a much better job, I think, of acquainting
7 people with what's actually being spent on public education.

8 But the cornerstone of what Governor Edgar, who
9 set this up, was an observation about as you're dealing with
10 finance can you deal with reform? We think we did. A
11 number of policy changes, and again, some of those are
12 detailed in the hand out and I won't try to go through
13 those. But they deal with everything from the school code
14 to the length of the school day to the number of hours in a
15 school year, et cetera.

16 The cornerstone and the thing I am most proud of
17 that I think is going to make the difference is the charter
18 school legislation. I put a copy of that bill in front of
19 everyone. Actually, if you look at it it's public school
20 academies. The legislature changed the name but that's the
21 same thing. These public school academies, the chartered
22 schools -- we have no limit on the number of chartered

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1 schools to be established in the state. We have over 600
2 public entities that create chartered schools. Every school
3 district can do it. Every intermediate school district can
4 do it. Community colleges. And the real key is that every
5 one of our state universities can do it. The governor
6 appoints the boards of 12 of the 15 four year universities.
7 So my observation is that there is a good deal of interest
8 on some of those boards in establishing chartered schools.

9 What this does is it really breaks the public
10 education monopoly. It allows us to go into every district
11 in the state, if we wish, and to have a competitor there.
12 It allows the districts themselves to do that. It allows
13 these to be structured in almost an unbelievable number of
14 ways. We will see, I think, a profound change in public
15 education in the state of Michigan because of competition in
16 the very, very near future. You will see community
17 colleges, for example, talking about expanding their
18 programs to maybe a lot like we talked this morning, for
19 those who were at the school. The work of transition, they
20 might to the 11th and 12th grade to try to have an
21 articulated program. In effect, where you could do the 11th
22 and 12th grade and years one and two of the community

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1 college and maybe take those four years, turn it into three
2 years so you'd end up with an associate degree.

3 We've got school districts who are looking at the
4 chartered school, the public school academy as a way of, in
5 effect, topping off what they would do if there is capacity
6 for 10 percent more students. Since the money follows the
7 child -- It's sort of the fundamental policy, the money
8 follows the child so if you want to fill the empty seats in
9 the school that's worth real money to you. So school
10 leadership now has to be a little bit more entrepreneurial
11 minded.

12 There will be restrained growth in terms of
13 increase in total spending in schools compared to what it
14 was when it was hitched so directly to the property tax
15 system. What you'll see is, I think, a desire on the part
16 of the quality schools that can attract schools are going to
17 say hey, it's worth \$5,500 a student to have that seat
18 filled so I'm going to open the door. So, in effect, you've
19 got school choice now because the public schools, the
20 chartered schools have no boundaries. They have no students
21 but they have no boundaries, no limitations on where they
22 can accept their students from. So if you have great math,

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1 science schools -- it's a totally flexible system.

2 A lot of people are surprised that this was able
3 to be accomplished in Michigan through the legislature but
4 there's nothing like having \$10 billion, which was the total
5 education spending in Michigan, on the table up for grabs.
6 It does have a way of concentrating people and making people
7 agree to things that maybe they might not normally be
8 advocating.

9 So there was a lot of political difficulty
10 getting this done. It was by far the hardest thing that
11 I've worked on in three years that I've been governor. But
12 the 28 marathon session that ended with all of this stuff
13 being done really changed Michigan education more profoundly
14 than anything that's happened since the state of Michigan
15 was formed. It is that sweeping.

16 On February 28 we're giving a statewide chartered
17 schools conference. We are setting up a chartered school
18 center inside state government to help answer the questions,
19 and there have been a flood of questions. We even allow
20 teachers who are dissatisfied with their administration or
21 maybe even the union contract to set up their own school and
22 to break away if they want to do that. So we are allowing

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1 public schools to convert to chartered schools.

2 The chartered schools are not subjected to 100
3 percent of the school codes so they have some administrative
4 flexibility that way. But it truly allows for competition.
5 I think that is the one way where we can make the most
6 progress in the shortest time toward meeting our national
7 education goals, is simply in some cases to walk away from
8 administrative structures, in part, where they are
9 impervious to pressure for change and have a competitor open
10 up across the street.

11 The first chartered school in Michigan opened
12 last year. It was before this legislation. The legislation
13 simply funded one and it was opened by Wayne State
14 University, the University Public School, in Detroit. They
15 decided they would do a middle school because they didn't
16 want anybody to say they were taking the easy way out,
17 taking the young kids, the elementary kids. 330 slots.
18 They had 5,300 parents who wanted their kids to go to that
19 school. It is an enormous success. I was down there when
20 we signed this bill and the enthusiasm for learning and the
21 excitement in that school is really phenomenal.

22 In talking to the kids, we have some great young

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1 people later today but these middle school youngsters were
2 all talking about they have a longer school day and a longer
3 school year with the same dollars. So part of this is what
4 some of the business leaders were saying this morning, how
5 do you get more out of the resources that you already have.
6 We think we can get quite a bit more out of those resources.
7 We've got one example up and running. I'd be happy to take
8 any questions. I know Mel is going to speak. After we open
9 it up I'd be glad to respond to any specific questions on
10 this.

11 GOVERNOR EDGAR: Governor Carnahan?

12 GOVERNOR CARNAHAN: Thank you, Jim.

13 Ladies and gentlemen, my story is four days after
14 I was inaugurated we had a sweeping court decision that
15 struck down our education finance system in our state.
16 That's not unusual. There has been much litigation, as has
17 been knocking around for years, but to me it speeded up that
18 it came right at that time. It went through us in a
19 whirlwind. I had had in mind a meeting for education
20 reform. I had much of my ideas formed. They were very much
21 toward the idea of the national education goals. But then
22 the crisis in our state was what do we do and how do we

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1 correct the equity problems of spending too little on some
2 children and too much on others -- never too much but too
3 much but too much of a disparity.

4 Well, the legislature and the leadership worked
5 with me to write a new formula. And, of course, we did it
6 in a way that pulled the low up; we did not knock down those
7 that were making a better effort. And that, of course, took
8 a substantial amount of money to fund that. We cut core
9 cuts for part of that in our budget and we raised taxes on
10 high income tax payers and corporations.

11 Now, that, of course, then became, after we got
12 over the equity issue, became a rather substantial money
13 bill for education and I was entirely opposed -- while I
14 wanted to do what we were doing there I was opposed to
15 having a substantial money bill that was not tied to
16 increased student achievement. So we wrapped the reforms
17 into that bill and they became, after we got over writing
18 the formula they became the thing around which all the
19 discussion centered. But I was not willing to lead that
20 effort with whatever political cost it was or will be
21 without having the reforms in. Fortunately, I was able to
22 sell that and we got it out together.

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1 So these reforms lead us to meet the national
2 education goals and the first thing it does is establish
3 performance standards for students. And, of course, the
4 reason for that is to set that bar higher to make sure
5 they'll be successful either at work or in going on to
6 higher education. And we're going to have performance based
7 assessments on how the students are doing on those standards
8 and we're going to hold schools accountable for how they do.
9 We're going to do it both by publishing results and we're
10 also going to make a comparison against the school's
11 baseline. How well were you doing, how are you doing? Are
12 you improving. And if they don't there are consequences in
13 our law.

14 We also have got to teach schools and teachers
15 how to administer these new standards and how to meet the
16 accountability test. So we apportion a good bit of the
17 money to professional development. We have not been doing
18 that in Missouri in years. So both on the state level and
19 at the district level we allowed for a lot of professional
20 development and that stimulated work in our colleges and
21 universities, as you would know.

22 So this reform plan is, of course, aimed at

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1 meeting those six education goals and both items are
2 difficult. Whether you talk about instituting reforms you
3 run into all kinds of inertia and problems. If you talk
4 about getting more equity in the system or more funding in
5 the system that is a difficult thing and perhaps we let one
6 issue work with the other in order to permit us to get
7 through. We had to change our system. We took the
8 opportunity to work in the reforms while we were at it.

9 We have a handout -- I don't think it's been
10 around but it will be in your materials -- describing what
11 we call our Outstanding Schools Act. We're very proud of it
12 and, of course, the work we are doing now is to try to
13 implement it to get the maximum from the reforms.

14 GOVERNOR HUNT: Thank you, gentlemen.

15 This business of leading the reform effort really
16 is the governor's primary responsibility. There are many
17 folks who are part of that team to bring about the change
18 but it will not happen if the governors do not lead it.

19 I have noticed there are several things that can
20 help bring it about. One is getting the business community
21 involved. That's the reason we are doing this today,
22 frankly. That's the reason for the sense of urgency. And

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1 it is because the business community is in there pitching
2 and working hard and putting resources and putting their
3 support behind it, as well as parent. But they're sort of
4 the new thing that's come to the front.

5 Getting the stake holders, the teachers
6 interested in it and committed to it is tough. You can't do
7 this unless teachers believe in it and want to work with it.
8 The National Board for Professional Teaching Standards is a
9 way of upgrading the quality of teaching in America and
10 putting them in a position to be more a part of this.
11 That's why we, as governors, need to hold up reform schools,
12 site based management or decision making or whatever
13 teachers feel comfortable with. They need to feel like
14 there's something there for them and they are a critical
15 part of it.

16 We have some other governors who have done a lot
17 of leadership in this. Some of you may want to talk to
18 Governor Carlson, of Minnesota, where they started out
19 choice, their charter schools, Governor Leavitt, of Utah,
20 the centennial school program. There are many others. We
21 commend all of you who have worked so hard on it. We urge
22 now, as we go forward and recommit to these goals, that

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1 every one of us, as governors, take a personal
2 responsibility for making it happen in our state. Not a
3 little change: drastic, dramatic, fundamental change. And
4 if we do that this country will be strong economically and
5 we can compete with the world.

6 GOVERNOR EDGAR: Let me just, in conclusion, say
7 that one of the other things that we've heard over and over
8 again from citizens is that we want accountability. We want
9 to see results. Just recently more than 20 states produced
10 a level of progress report to let their citizens know what
11 progress is being made in education in those states.

12 Mr. Chairman, I think a lot of things have
13 happened under your leadership and others' since you met at
14 the summit. We agree there is still more that needs to be
15 done but I think if we can give just a brief sampling here
16 today from some of our colleagues, there are a lot of
17 changes occurring in education, changes for the good
18 throughout the United States. And as an organization we
19 need to continue to encourage these changes in the year
20 ahead.

21 GOVERNOR CAMPBELL: Thank you very much, Governor
22 Edgar and Governor Hunt and all who made presentations.

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1 I would be remiss if I did not point out that one
2 of our sitting governors was the chair of this Association
3 when we met in Charlottesville, Governor Branstad, of Iowa.
4 He was a moving force in forming those education goals. I
5 can well remember sitting up until 4:00 in the morning with
6 Terry Branstad and Bill Clinton and myself trying to get
7 things down on paper and then having them under people's
8 doors the next morning by 6:30.

9 So, Terry, I wanted to personally thank you for
10 your effort and recognize you for just a moment.

11 GOVERNOR BRANSTAD: Carroll, I was going to say I
12 think at the time we were having that education summit in
13 Charlottesville Hurricane Hugo hit South Carolina. So after
14 being up with Bill Clinton and I and the others almost all
15 night Carroll the next day flew back to take charge down
16 there in South Carolina.

17 I want to thank you, Bill Clinton and all of the
18 governors that were involved at that time for helping
19 develop the goals.

20 As a follow up to that story, the governors
21 deferred to then-President George Bush to announce the goals
22 in the State of the Union address in 1990. The President

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1 invited four of us governors to be present for that.
2 Carroll Campbell, Bill Clinton, Booth Gardiner and I. They
3 showed us the private quarters at the White House and I
4 guess Bill Clinton liked it pretty well.

5 (Laughter.)

6 GOVERNOR CAMPBELL: Terry, thank you for all
7 you've done.

8 You know, education is the secret to a lot of our
9 problems. It just dawned on me, before we move into another
10 area, wouldn't it be nice that when we have people that are
11 going to be sentenced in prison -- not the ones that are the
12 violent and are going to be taken off the streets forever,
13 but those that need to be straightened out -- wouldn't it be
14 nice if they had to have a high school education before they
15 were eligible for parole? You know, it's available for them
16 to study and somehow or another it just seems to me that
17 somewhere along the way education would help a lot.

18 You know, there is something else I want to say,
19 and Governor Dean is out. Governor Dean, of Vermont, the
20 vice chairman of this organization, is a delightful person
21 to work with. I've worked with him on education and he has
22 been a leader in this area also. But now I have the very,

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1 very joyful undertaking of handing out some awards, the
2 National Governors' Association's Chairman Awards to states
3 that submitted outstanding awards on how the state is
4 progressing toward meeting the National Education Goals.

5 As governors we have made a commitment to at
6 least annual state progress reports in conjunction with the
7 National Education Goals Panel report through the year 2000.
8 The 1993 reports show a continued commitment to providing
9 state level information on how individual states are doing
10 in achieving the goals. The 1993 reports contain two
11 primary themes. First, the reports highlighted what steps
12 the state has taken to achieve the goals. And second, the
13 reports provided clear information on how individuals can
14 get involved. Such information is vital to building public
15 awareness and supporting overall state efforts.

16 Before I call up this year's award winners I'd
17 like to recognize one of last year's award winners, not only
18 for an outstanding report this year but also for picking up
19 a good idea developed by a previous year's award winner. In
20 1992 the state of Maine, under Governor McKernan, received
21 an award for its report and the newspaper supplement that
22 was used to educate people across the state about Maine's

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1 progress. This year the state of Ohio produced a fine
2 report and reached more than 1.6 million Ohioans by
3 distributing the report through a newspaper supplement in 42
4 papers across the state. This is exactly why we make these
5 awards, to help share the ideas that work. As a 1992 award
6 winner, Ohio is not eligible for a 1993 award. However, we
7 wanted to recognize such outstanding work.

8 I'd like to now recognize three winners for 1993.
9 I will ask them if they would come forward, then I will
10 briefly tell you why they are being recognized. Governor
11 Evan Bayh, of Indiana, Governor John Engler, of Michigan,
12 and Governor Mike Lowry, of Washington, if you would please
13 come up.

14 Let me highlight briefly why these reports, which
15 are now being distributed, are being recognized today.
16 Indiana and Michigan have developed reports that provide the
17 public with comprehensive, yet easy to read data about how
18 the state is doing in achieving the goals. While the report
19 of the National Educational Goals Panel provides information
20 on how the nation is doing the lack of comparable state data
21 prevents the panel from providing state by state data.
22 Reports such as the ones produced by Indiana and Michigan

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1 provide citizens with a clear understanding of how the state
2 measures up. In addition, both of these provide guidance as
3 to how individuals can be involved in achieving the goals.

4 Washington took a different approach, providing
5 an update to citizens on different initiatives that the
6 state has used to achieve the goals. Utilizing a reader
7 friendly format, the report provides a brief description of
8 the importance of each goal for the state. It shows where
9 progress has been made and highlights areas that still need
10 improvements.

11 So I congratulate the 1993 award winners and I
12 encourage all states to produce reports in 1994. State
13 progress reports have proven vital in educating the public
14 about the goals and to build support for reform initiatives.
15 That's the great thing about this organization, good ideas
16 come from everywhere and we're all glad to share them. So
17 please join me in congratulating our three winners, Governor
18 Bayh, Governor Engler and Governor Mike Lowry.

19 (Applause.)

20 GOVERNOR CAMPBELL: And they win a school bell,
21 what else? That's exactly what they should have. I thank
22 all three of you. You have done an outstanding job.

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1 You know, in addition to struggling with
2 education reform to improve students' academic skills many
3 states are also attempting to help all children be prepared
4 for school and to make schools places where learning can
5 happen. This includes addressing the issues highlighted in
6 Goal VI, drugs and violence.

7 It's hard to concentrate on schoolwork when you
8 are worried about what will happen on the playground,
9 whether you'll be shot or not or whether you will be robbed
10 or shot walking down a hallway. We've seen it happen in
11 schools in my state; you've seen it happen in schools in
12 your state. It's hard to think about reading and arithmetic
13 when you're worried about being mugged or taken by a
14 stranger on your way home.

15 To address these problems many states have
16 focused on programs that strengthen families and help
17 parents take better care of their children. States have
18 also implemented school safety programs and toughened their
19 laws dealing with juvenile criminals. In South Carolina
20 we're working on all these fronts, as I'm sure every
21 governor here is. The best way to get children ready for
22 life and ready to learn is to get parents back into the

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1 process as the child's first teacher. But we had also
2 better convince our children that when you show up for
3 school it's to learn and the only thing you'd better be
4 packing is a book bag.

5 During the next portion of our plenary session we
6 will hear from young people who are affected by violence and
7 listen to their advice about what needs to be done to make
8 schools and communities safe. I will now call on Governors
9 Wilson and Walters, as chairman and vice chairman of the
10 Committee on Human Resources, to moderate a panel that
11 focusses on efforts to achieve Goal VI.

12 Governor Wilson?

13 GOVERNOR WILSON: Thank you very much. Mr.
14 Chairman, I thank you also for giving such high attention to
15 this problem. You have made children, in general, and the
16 specific problems of youth and violence a very important
17 subject. Including it in your initiative for 1993-'94, that
18 integrates the attention of the governors on the problems
19 and the opportunities for families and for children.

20 You are absolutely correct, this is a problem
21 that is beyond ignoring. I think we can go further. We can
22 simply say that teachers can't teach and student's can't

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1 possibly learn in an environment, a school environment that
2 is infested with drugs and guns and violence.

3 Recent surveys of not just major urban school
4 districts but school districts all over the country show
5 that children are both the perpetrators and the victims of
6 terrible violence. Crimes that were unthinkable when we
7 were children now are accepted as commonplace. They can not
8 be accepted. We simply can not permit that. We have got to
9 end that violence.

10 All the excellent discussion that we just heard
11 on how to reform education and how to make progress, all of
12 that, frankly, becomes irrelevant if the classroom
13 environment is not safe for teachers and not safe for
14 children.

15 So we have got to say to students who would bring
16 drugs or guns into the classroom "You're going to be
17 expelled. We will find an alternate environment for you.
18 Your education will continue. We're not going to put you on
19 the streets but it's going to be in a separate disciplinary
20 educational environment." Because we simply have to remove
21 from the classroom those who would disrupt and, in fact,
22 threaten violence and do violence to teachers and to the

1 other students.

2 We've got to see to it, obviously, as many of us
3 have, that we make every effort at the front end by
4 preventive programs to prevent the kind of brutalization
5 that seems to rob some of our young people of ordinary human
6 compassion. The kind of thing that permits them to engage
7 in the ultimate act of cowardice: a drive by shooting. And
8 I know that many here today, and the governors sitting
9 around this table, have exercised great imagination. They
10 have worked hard with their legislatures to allocate the
11 kinds of resources and the kinds of preventive programs for
12 children that allow kids to show up to the classroom in the
13 first place in a condition where they are ready to learn.
14 Where they are not so hungry that they can not concentrate.
15 Where they are well enough to concentrate and motivated to
16 learn. A great many children come from a dysfunctional home
17 environment where that's simply not possible.

18 Some classroom teachers, who we really want to
19 teach rather than to be cops or social workers or surrogate
20 parents, are involuntarily thrust into those roles to the
21 extent that we can't provide the kind of early mental health
22 counseling, the kind of healthy start programs that solve

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1 nutritional, physical and mental health problems for kids.
2 We are well advised to do so. It is perhaps the second best
3 investment after prenatal care that we can make in a
4 civilized society.

5 But even as we seek to prevent children from
6 being brutalized, as we seek to provide them mentors who
7 can, in fact, give them the discipline and the direction as
8 well as the affection, the sense that there is someone in
9 their lives who is a caring adult, when, in fact, we have
10 failed, when children are recruited by drug gangs as
11 shooters, when, in fact, they are guilty of the kind of
12 violence that has become commonplace we have to treat these
13 children as adults. We simply can not say that because they
14 are not adults we will not treat the most serious and
15 violent crimes as something in a category apart.

16 In my state there is an absurd law that states if
17 you are committed to the Youth Authority whether you are
18 vicious and totally un-rehabilitated no matter what your
19 crime you walk free at the age of 25. That's dangerous
20 nonsense. It is as absurd as the kind of sentences that
21 allow rapists to remain behind bars for only four years.
22 That's the average, unfortunately, in my state. We've got

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1 to change that.

2 The public mood is one of outrage,
3 understandably. One of fear. In short, we have to try as
4 best we can to avoid the brutalization of children. We have
5 to try to protect them. We have to try to prevent them as
6 well from being perpetrators and deal with them as adults
7 when, in fact, they commit adult crimes.

8 At this point let me defer to my friend and our
9 host, and I'm sure I need remind no one of the superb
10 meeting which he hosted for us in Tulsa last summer. He
11 also is the vice chair of the Human Resources. I would
12 introduce Governor Walters to introduce the panel whom we
13 have invited as our guests today.

14 David?

15 GOVERNOR WALTERS: Thank you, Governor Wilson.

16 Like you and the other governors here, I am
17 haunted as well by the violence that has invaded our society
18 and it breaks my heart to read about kids planning their
19 funerals as opposed to planning their senior proms.

20 We recently, in a small town in southern
21 Oklahoma, had somebody spray a parking lot with automatic
22 weapons fire and killed some people. So you're not even

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1 safe going into a Walmart in small town America. Even if
2 you're just out for toothpaste and laundry soap you have to
3 have that kind of concern.

4 As Ron and I toured my daughter's school -- she
5 graduated from high school last year -- we observed bullet
6 holes in the hallway doors, magnetometers, the pat downs,
7 the bag checks and the rest that goes with the modern day
8 school environment. So in addition to the strategies
9 Governor Wilson mentioned I believe we also need to focus on
10 trying to instill a sense of hope by making all of these
11 education forums focus on trying to prepare our students for
12 the real world.

13 In addition to the school related measures that
14 we can advance to make that happen I am encouraging our
15 legislature to adopt a series of what I hope to be realistic
16 laws to reduce crime and violence against and by our
17 children. In Oklahoma we've approached these two issues in
18 several ways. In our education reform efforts we've been
19 doing a lot of the same thing that everybody else has:
20 reducing class sizes, providing incentives to extend the
21 school year and attempting to make the curriculum more
22 relevant, particularly with the number of applied courses.

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1 We've increased teachers, increased funding by over 30
2 percent in three years without a tax increase by cutting the
3 budgets elsewhere in state government. We have advanced our
4 vocational technical program, thus we hope to encourage
5 attendance, discipline and a brighter future for our kids.

6 Another approach, as part of the crime prevention
7 package that we're introducing this year, similar to many
8 other states, we're working on before and after school
9 programs for latchkey kids; providing anti-crime prevention
10 programs as part of the curriculum; streamlining procedures
11 and expanding sanctions for dealing with classroom
12 disrupters; providing the incentives to lengthen the school
13 year; allowing school and other public buildings to be used
14 for more family activities, youth recreation, community
15 development programs, aging programs and the like.

16 And programs, one of which you'll hear a little
17 bit more about later, that utilize our National Guard
18 armories as sites for communities in which to establish
19 alternative schools for at risk youth. Major General Gary
20 Maynard is here today and has been a real leader in that
21 effort ever since we took a trip to Honduras and I asked him
22 why our folks were down there giving inoculations instead of

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1 building roads and providing alternative school sites.

2 I'd also like to create in our state, and we've
3 proposed such, create a separate juvenile justice system.
4 We find that having it buried within the welfare bureaucracy
5 has made it very ineffective. And to allow our juvenile
6 offenders to participate in more job training, substance
7 abuse treatment, parent education and conflict resolution
8 programs.

9 I'm going to join some of my gubernatorial
10 colleagues by advancing legislation to make it illegal for
11 anyone under the age of 18 to possess a handgun and make it
12 a felony to anyone providing a handgun to kids under 18.

13 The bottom line is the violence must stop. It's
14 going to require a cultural revolution that's going to
15 require reinstating hope in all of our society.

16 We've reached a time when we, as the nation's
17 leaders, must take responsibility for making the hard
18 choices about what must be done before we lose another
19 generation of kids. We have three young people with us
20 today who are going to try to help us understand what it's
21 like to grow up in today's society and give us their advice
22 about what can be done to reduce the violence in our lives

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1 and in their lives.

2 The moderator for today's discussion is Dr. Mark
3 Singer, Associate Professor of Social Work and chair of the
4 doctoral program at the Mandel School of Applied Science at
5 Case Western Reserve University. Dr. Singer has an
6 extensive clinical and administrative background in youth
7 services and has published a number of articles on the
8 subject of adolescent victimization and substance abuse. He
9 is currently conducting research on the association between
10 the exposure to violence and the trauma symptoms among high
11 school students.

12 He's going to be joined by three young people,
13 Emily Ridlehoover, who is a peer mediator for Wacamaw High
14 School in South Carolina. She is a member of the 10th
15 grade, a member of the National Honor Society and
16 chairperson of the School Improvement Council. In her spare
17 time she works with children with special learning needs and
18 likes to exercise. Welcome, Emily.

19 Isaac Compton is a high school graduate from
20 Pittsburgh who is a member of Pennsylvania's Youth Service
21 Corps. He is currently serving as a mentor for the East End
22 Cooperative Ministry in Pittsburgh to help young kids stay

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1 out of gangs and make a positive contribution to their
2 community.

3 And Birch Robison is a member of the Oklahoma
4 National Guards' Youth Challenge Program at the Thunderbird
5 Youth Academy in Prior, Oklahoma. He's a high school drop
6 out and former classmate with my daughter who simply ran out
7 of options and tried for a year to get a job without a high
8 school diploma and is now part of this Youth Challenge
9 Program and has impressed everybody. He got his GED in
10 seven weeks and is now taking college classes in addition to
11 developing community living skills.

12 So now I'll turn to Dr. Singer and ask him to
13 make a few comments, then we'll hear from our other guests.

14 Dr. Singer.

15 DR. SINGER: Thank you, Governor Walters.

16 In just a few minutes you're going to hear
17 directly from our youth panel about their experiences of
18 growing up and the role violence has played in their lives.

19 Before hearing from them I'd like to take a
20 moment or two to set a context to their statements. One
21 very important concept for adults to understand is that the
22 experiences of youth today are markedly different from

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1 previous generations. Today, nine out of ten murders of
2 young people in the industrialized world occur in the United
3 States. Gunshot wounds are the leading cause of death for
4 both black and white teenage boys in America. There has
5 been over a 300 percent increase in homicide rates among 15
6 to 24 year olds in this country from 1950 to 1990.

7 A recent Harris poll of over 2,500 students in
8 grades six through nine revealed that almost 40 percent of
9 the surveyed students have known someone who had been killed
10 or injured by a gun and 15 percent said that they had
11 carried a gun within 30 days of the survey. Our own
12 research on over 3,700 high school students shows that one
13 in two students attending city schools have witnessed a
14 shooting and one in two boys attending these high schools
15 had witnessed a knife attack.

16 What we, as children and adolescents, took for
17 granted -- walking to school, riding trains and buses,
18 playing in the neighborhood, going to movies -- are no
19 longer acts that can be enjoyed without worry and risk.

20 Many of this country's youth are living in fear.
21 They are afraid to go to school. They're afraid to go to
22 parties. They're afraid to walk in neighborhoods.

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1 Adolescents in our study expressed these fears. One 16 year
2 old wrote "It's not fair that all these things are happening
3 to us because when my mom was my age she didn't have to
4 worry about all this. I wish things would be the same."
5 Another wrote "In today's world you don't know how long you
6 will survive. It stays on your mind when you go out. You
7 can't help who will hurt you." Finally, a third reported
8 "Teenagers have a lot to worry about nowadays. Gangs, drugs
9 and guns are the things most teenagers worry about today.
10 When teenagers worry about things like that they have no
11 time to think about more important things, like school, work
12 and sports."

13 In my 25 years of practice in social work I've
14 seen significant changes in the status of this country's
15 youth. I am no longer surprised when adolescents tell me
16 they carry weapons. Or when they tell me how easy it is to
17 access a gun. Or when they tell me they live their lives in
18 constant fear of themselves or someone they love dying from
19 violence.

20 Our children are being robbed of a fundamental
21 sense of security. They are being denied a safe childhood.
22 Feeling secure and safe are important prerequisites for

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1 healthy development. There is no doubt that our children
2 pay a heavy emotional price for needing to be constantly
3 vigilant, feeling unsafe and insecure. One of the prices
4 they pay is to see their world as hostile, as constantly
5 threatening and therefore believing they must be ready to
6 defend themselves at all time. Studies show that youth
7 raised with these insecurities and exposed to violence may
8 well misinterpret others behaviors as being hostile and
9 threatening and, as a result of that misinterpretation, act
10 violently towards others.

11 Over half the boys in our study, regardless of
12 where they lived -- in the suburbs, in a small city or in a
13 large city -- said that over the past year they had hit
14 someone before they had been hit. They were following the
15 images portrayed by our tough guy screen and TV idols: hit
16 first and ask questions later. Get the drop on your enemy.
17 Be vigilant and constantly ready to strike.

18 Contrary to what many people believe, youth
19 violence is not irrational. Violence is a learned behavior.
20 Many young people have been consistently exposed to violence
21 in movies, on TV, in music, in their neighborhoods, in their
22 schools, in their homes. What they see and experience

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1 translates into aggressive behavior. Contrary to what many
2 people believe, acts of violence by youth and on youth are
3 not confined to our inner cities. Violence in the United
4 States permeates all socioeconomic levels and geographic
5 locations.

6 At this point I'll stop and let the young people
7 on our panel describe for you some of their experiences and
8 how violence has impacted their lives. After sharing these
9 experiences they'll give us their advice about what you, as
10 governors, can do to help young people like them. We'll
11 take a little about the programs they're in and how these
12 programs might be useful for other children and adolescents.

13 We'll begin with you, Isaac, and I wonder if you
14 might be able to share what it's been like for you growing
15 up today, both you and your friends.

16 MR. COMPTON: Well, personally I don't really
17 believe that it's any different than the way any of you grew
18 up, it's just that what I do now is that me and my peers
19 we're like numb to the fact that violence is not a norm in
20 today's society. What I mean by that is that in the past
21 when we heard of somebody getting shot or hurt we were
22 shocked. It was abnormal. You couldn't believe it. But

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1 now, since this media promotes it so much and you see it all
2 the time you're always under the notion that it's a normal
3 thing. That it's always going to be that way. And that
4 becomes dangerous when you start accepting things because
5 when you start accepting them you really don't try to change
6 them.

7 DR. SINGER: Thanks.

8 Emily?

9 MS. RIDLEHOOVER: I think the main difference is
10 that America's youth today are constantly threatened. Not
11 so much in that they feel that every time they leave their
12 house they're going to be a victim of violence but you
13 certainly have to be more careful and in a lot of ways you
14 just have to kind of watch your act in a lot of situations
15 that you shouldn't. For example, I feel that when you go to
16 school your main priority and your main concern should be
17 your education and not your safety and not protecting
18 yourself. I'm afraid that in many schools today that is the
19 main concern.

20 There is also respect has left a lot of America's
21 youth. There's no respect. And a lot of youth and children
22 don't have respect for themselves. When they don't respect

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1 themselves they're certainly not going to respect anyone
2 else and that's going to lead to violence.

3 I'd also like to share with you a thought of some
4 fellow peer mediators of mine, Benjamin Carnes and Don
5 Julius. We were talking yesterday and I asked them what
6 they felt it was like growing up today. They said today you
7 established yourself by having the biggest gun and being
8 able to use it against anyone for any reason. This is a
9 concern of theirs. You can tell that in many neighborhoods
10 and communities that people are not being given the skills
11 that they need and so I think that growing up today the
12 thing is that respect is not needed. They don't have their
13 priorities in order.

14 DR. SINGER: Birch, what's it like for you and
15 your friends?

16 MR. ROBISON: I've grown up my whole life around
17 violence and gangs in Oklahoma City. I'm used to them. I
18 can go and not pay any attention. My whole life is based
19 around gangs and violence. The reason I was withdrawn from
20 school was because one of my friends was shot and they put
21 out an insurance form for my safety in that school. I
22 thought that if the school didn't think I was going to be

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1 safe then I didn't want to be around it, so I dropped out of
2 high school and tried to get my diploma in another way.

3 DR. SINGER: Emily, we can start with you on this
4 next round. What do you think could be done to stop the
5 violence?

6 MS. RIDLEHOOVER: As I said before, one of the
7 main problems is that there's no respect. I also feel that
8 today's parents are not giving children the skills that they
9 need to solve their conflicts. Many of today's parents are
10 going by the theory if they hit you, hit them back. I feel
11 that programs need to be put in schools that emphasize the
12 importance of resolving conflicts without violence and that
13 these programs should start in the early elementary grades
14 and that they should emphasize the importance of respect and
15 communication skills and that they should emphasize, you
16 know, that there are other ways and other alternatives.

17 As Governor Campbell stated earlier, education is
18 the secret to all of our problems. And I feel that by
19 giving the students the skills that they need to solve their
20 problems without resorting to violence, that is one of the
21 things we can do to curb violence. These programs also need
22 to establish realistic goals for youth. If they have

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1 respect for themselves and know which direction they're
2 heading then they're going to have respect for others and be
3 more willing to stay out of trouble.

4 We also need to have very strict penalties to any
5 violence that occurs. They need to know when they commit a
6 crime they are going to have to suffer the consequences
7 regardless of who they are or where they come from.
8 Violence affects everyone. It's not regardless of what
9 color you are, what family you come from. There's going to
10 be violence in your life one way or the other.

11 DR. SINGER: Birch, your thoughts on stopping
12 violence?

13 MR. ROBISON: The way I see it you can put out
14 more laws, you can put out whatever you want but there's no
15 way that you're going to be able to stop violence with just
16 laws and police forces. The only way I can see that you can
17 stop teenage violence is to open more programs where they
18 can go in without gang colors, without anything gang related
19 and just be teenagers and meet each other the way they are
20 instead of trying to put across that they're better than the
21 other.

22 DR. SINGER: Isaac?

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1 MR. COMPTON: I've seen a lot of organizations
2 and they have a lot of programs. They have programs for
3 this and they have programs for that. A lot of them say
4 they just want to give them something to do but more than
5 that you want to give them something to think about. The
6 nation we have here was based on the church from the
7 beginning and from there until now God was taken out of
8 there. I don't know what happened but when you take God out
9 you take love out and you take trust out and you take
10 respect for others, young and old. When you take those out
11 then you have no problem in killing and hurting someone
12 else.

13 Like the young lady was saying, when someone does
14 something violently you have to give them a penalty. A lot
15 of them are getting out because of their age or some other
16 means. But I believe if you pay the price -- you have to
17 pay the price for the things you have done.

18 DR. SINGER: The question I know you will be
19 waiting for and that is to talk a little bit about the
20 programs that you participate in and how that program may
21 help other young people.

22 Birch, why don't we start with you?

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1 MR. ROBISON: Oklahoma has a new program called
2 The Challenge Program. I started that four months ago; we
3 have a month left. It's a 22 week program to teach you life
4 skills, to get your GED and to get \$2,200 to start your new
5 life with.

6 I went into that program because I had nothing
7 left. I couldn't get a job, I couldn't do anything without
8 a job, without a GED or a diploma. When I went into that
9 program I wasn't expecting the discipline they were going to
10 give you. I grew up my whole life without discipline. When
11 I got there it was real hard the first few weeks because of
12 the discipline they gave me. But after you stick around and
13 you learn discipline and you learn respect for other people
14 it begins to make an impact on your life. I never expected
15 to get ACT with this program. I never expected to go to
16 college with this program. In my opinion, if we could get
17 more programs started like this we could help a lot of other
18 teenagers.

19 MR. COMPTON: The organization that I'm working
20 for, the Pennsylvania Service Corps, this organization takes
21 young people like myself, who have the potential to be
22 leaders, and they place them in sites where their skills

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1 will be used the most to their ability.

2 What I've done is they take these organizations -
3 - where I'm placed at is that I have the ability to place a
4 senior somewhere else, so that they can go out in the world
5 and make a place for someone else.

6 This problem came gradually. The solution has to
7 come gradually too. Me putting good will in my heart and my
8 going somewhere else and putting it in another kid and they
9 go somewhere else with other kids when they become adults.
10 It's a gradual situation as the violence comes. It will go
11 away gradually too by personal help and from helping others.

12 DR. SINGER: Emily?

13 MS. RIDLEHOOVER: I am involved in a peer
14 mediation program at Wacamaw High School. Our program is
15 based on the theory that children and youth helping people
16 of their own age to resolve conflicts before they resort to
17 violence. Our theory is that when language fails us
18 violence becomes the language.

19 Peer mediation is unique in that students are
20 being helped by their own classmates. They often feel less
21 intimidated and have more respect for their mediators. This
22 also means that they're more cooperative and honest and more

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1 willing to solve the problems. We like to think of our
2 program as positive peer pressure.

3 Another advantage that peer mediation has is that
4 it results in a win-win situation. Two adversaries often
5 leave feeling more satisfied whereas this would not have
6 been the case had they gone to court or fought it out on the
7 streets.

8 Peer mediation is a proactive instead of a
9 reactive program. It tries to stop the problem before the
10 violence occurs. I don't think this should be used in place
11 of punishment but perhaps in some cases as a combination to
12 prevent the problem from happening again. Peer mediation
13 gives students and youths a better knowledge of the
14 importance of communication. It also encourages respect
15 and, by allowing people to participate in solving their own
16 disputes, their approach to developing listening, critical
17 thinking and problem solving skills.

18 Peer mediation allows children to realize how
19 important it is to be able to relate to and respect others.
20 It's extremely important in today's multicultural world
21 because it emphasizes that you don't have to agree with
22 everyone's beliefs or opinions but you must respect them and

1 respect their right to express them.

2 DR. SINGER: I'd like to thank the panel members
3 for presenting. And, on behalf of the panel members, I'd
4 also like to thank the governors for inviting us here to the
5 conference.

6 At this point we'll turn the mike over to
7 Governor Wilson.

8 GOVERNOR WILSON: Thank you very much, Dr.
9 Singer. Also, I think that all of us here, all the
10 governors, would like to thank you and our three panelists.

11 (Applause.)

12 GOVERNOR WILSON: I should say to you that the
13 Human Resources Committee has the responsibility of
14 presenting to our colleagues in the summer meeting a revised
15 public safety statement and I think that the comments we
16 have heard from you today will not only advise us but serve
17 us very well in the drafting of that statement.

18 So we are very much indebted to you and I am sure
19 I speak for my colleagues, as their applause has just
20 indicated.

21 We are enormously impressed with the three
22 members of the panel. And I think Dr. Singer's long erudite

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1 scholarship in this area has been very helpful.

2 At this point we would like to further take
3 advantage of the resource available to us by opening the
4 floor to the governors to make what comments, statements
5 they wish and to, if we may, pose additional questions to
6 the panel and to Dr. Singer.

7 Before I recognize Governor Finney, of Kansas,
8 let me point out that we are faced with the frustration
9 that, as usual in this body, we have an ambitious schedule
10 and we are compelled, if we are going to maintain that
11 schedule, to end this in time to resume that schedule. The
12 other committees are scheduled to begin at 3:30 so we will
13 have about 15 or 20 minutes. So, governors, please be
14 advised. Police yourselves so that the Chair does not have
15 to.

16 Governor Finney?

17 GOVERNOR FINNEY: I'd like to just make a brief
18 comment. Unless we address this problem of crime we won't
19 be able to solve any of the problems in education and
20 fulfill the other needs of the states. The fastest growing
21 age group in this area is age seven to 14. If we look to
22 the institutions where inmates are incarcerated I believe

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1 that we will discover that 80 percent of the inmates come
2 from single parent homes. And we will find too that the
3 majority of them have been abused mentally, physically or
4 sexually as children.

5 These problems seem to accumulate in their
6 psyches as little children and they fester and grow and then
7 frequently manifest themselves in tragic manners. We've got
8 to in some way bring these problems of these young people to
9 the fore, address them, deal with them and see if we can get
10 them then to solve the problems which are deep within their
11 psyches.

12 In regard to drugs, the drug dealers frequently,
13 if they are convicted and incarcerated, they serve short
14 periods of incarceration so they, then, develop the practice
15 of using young children as pushers because the young
16 children are not convicted or incarcerated. So this is
17 another approach that I think we need to take to the drug
18 problem and to our problem of crime. Thank you.

19 GOVERNOR WILSON: Thank you, Governor Finney.

20 Governor Bob Miller, of Nevada, and then Governor
21 Lowry, of Washington.

22 GOVERNOR MILLER: I'd like to ask any of the

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1 young people to answer a question. Safety within schools.
2 Let me pose a dilemma that you already know but at a meeting
3 I had last week with a superintendent of schools in Las
4 Vegas, which is one of the largest school districts in the
5 United States, he told me they had installed surveillance
6 cameras inside the hallways because they had learned there
7 were certain hallways that most of the students would not
8 use because they were gang territory. They'd go four or
9 five hallways out of the way and make circuitous routes to
10 where they were going so they didn't need to go down those
11 hallways. Surveillance cameras, in his estimation, has at
12 least opened up the hallways.

13 What do you think we can do to make schools safe?
14 Surveillance cameras? Metal detectors? What, if anything,
15 would you suggest as a student to help make our schools
16 safe?

17 MR. COMPTON: What I feel is a lot of things you
18 have to do is you have to put the rule down first right up
19 front. You have to put the rule down to let them know when
20 they do something violent or do something outside the rules
21 that immediately they will get automatic full punishment for
22 those things.

1 What I had in my school -- we had security guards
2 in my school. They just wandered around. They didn't carry
3 any guns or anything. They just wandered around to keep
4 things moving so people didn't stay in the halls or do
5 anything. Just keep them moving. That's a start but you've
6 got to get them to realize, the students to understand in
7 their head we're not going to accept this in our schools.
8 We have to get that up front. Let them know we're not going
9 to accept all these violent things going on in the schools.

10 MR. ROBISON: In Oklahoma City they have metal
11 detectors in certain schools to keep teenagers from bringing
12 weapons in. They had it at the school I was at but those
13 aren't the things to do because if they don't do it in the
14 school they'll get you after school, off school property
15 where the security guards can't do anything and there has to
16 be police around. The only way I can see it that we can do
17 it is to have the police patrol that area before and after
18 school.

19 GOVERNOR WILSON: Governor Lowry.

20 GOVERNOR LOWRY: Thank you, Mr. Chairman.

21 I'd like to ask the excellent youth panel how important
22 would job opportunities be to high school and other teenage

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1 people.

2 MS. RIDLEHOOVER: I think that would be very
3 important. As I stated earlier, I feel that one of the
4 things that encourages violence, or certainly doesn't help
5 stop it, is that many of today's youth feel that there's no
6 point in reaching goals because they feel that all the goals
7 that they hear talked about through the media and through
8 school are goals that they can not obtain. And if you don't
9 know where you're going and if you don't have any respect
10 for your future you're not going to care about what you do
11 in between now and then and you're certainly not going to
12 value anyone else's future.

13 GOVERNOR WILSON: Thank you, Emily.

14 Governor Fordice.

15 GOVERNOR FORDICE: Thank you, Governor Wilson.

16 I wanted to take just a moment or two to thank
17 Isaac Compton for reminding us of our beginning. The
18 Declaration of Independence said that we are endowed by our
19 creator, a higher being, with certain inalienable rights:
20 life, liberty and the pursuit of happiness. Certain people,
21 I think, tried to separate the Declaration and that clear
22 statement that this nation was founded on rights that came

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1 from a higher being from the later Constitution, which kind
2 of begins to codify how we are to operate in a civil sense.

3 But the basis of the country and the whole
4 foundation upon which we were started recognized God. When
5 that recognition was exorcised out of the public schools
6 beginning in 1962 really is when our problems began, whether
7 you make the direct connection between those two events or
8 not. Some may think it is problematic.

9 But we had an instance in my state that you might
10 have read about back about Thanksgiving where a school
11 principal was fired for allowing voluntary prayer initiated
12 by students voluntarily in a public school. That has since
13 been reversed and he's on suspension now.

14 But it seems clear to me that if you take the
15 Declaration, which bases this country on God, and the
16 Constitution together then the First Amendment, as it starts
17 out, "Congress shall make no law referencing establishment
18 of religion..." -- which says don't give us another Church
19 of England, that's what we're trying to get away from -- but
20 then says "...or prohibiting the free exercise thereof."
21 Certainly does not say keep religion and Godly influence out
22 of the schools. What Thomas Jefferson said it said, when he

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1 mentioned the law that separates church and state, is that
2 law has a one way door in it. And certainly it means for
3 government to stay out of religion but never ever said that
4 the door doesn't swing the other way and religion shouldn't
5 permeate government.

6 I think that's kind of what you were alluding to,
7 Isaac. If so, I want to thank you for reminding us of the
8 foundation of America.

9 MR. COMPTON: Thank you.

10 GOVERNOR WILSON: Thank you, Governor Fordice.
11 Governor Folsom, of Alabama.

12 GOVERNOR FOLSOM: I would like to ask Dr. Singer
13 a question. We kept running into this problem of violence
14 in schools in Alabama and the student who continually caused
15 trouble in the classroom, disrupting the class, disrupting
16 the school, causing other students to go to school afraid --
17 most of our superintendents said that it's that four to five
18 percent of the student population that is really the real
19 problem as far as discipline goes. What do you think if you
20 studied alternative schools?

21 For instance, we are proposing that an
22 alternative school be provided in each county for that real

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1 problem student and the dollars will follow the child to
2 that school. Have you studied alternative schools or
3 looking at the problem from that angle in your career?

4 DR. SINGER: I haven't studied them but I am
5 aware of alternative schools. We have one in the community
6 I live in. And I think in the main it depends on the
7 quality of that alternative school. Such schools with the
8 better ratios of students to teachers. They would need
9 social workers in the school. They would need people to be
10 able to link these students to appropriate community
11 programs. And in that sense I think it is probably if you
12 have quality programs it's probably a very good idea.

13 The difficulty, though, and there's almost no way
14 of escaping this -- when you create situations like that you
15 put a host of youngsters together, all of whom have
16 problems, and obviously that makes it very, very difficult
17 in terms of the social environment.

18 At the same time, I don't know that we have a lot
19 of alternatives for the type of individual that you might be
20 describing. But what needs to be emphasized is the
21 intensity and the integrity of those services.

22 GOVERNOR FOLSOM: We understand as a broader

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1 society the problems of the development of children. But
2 they're not going to leave the problems after they leave the
3 school building.

4 DR. SINGER: I think that is certainly one of the
5 things we can do. I really believe that we have to have a
6 host of programs that address the broad developmental needs
7 of the children and adolescents. Certainly that includes
8 educational. It also goes to health. It goes to social
9 needs, physical needs, et cetera.

10 One of the things I think we have to do as a
11 country is we have to have the courage to ask ourselves why
12 are we producing so many violent individuals? Then I think
13 we need to commit ourselves to answering this question with
14 some meaningful programs. I really think that history has
15 taught us that we can not create laws fast enough, we can
16 not build our prisons quickly enough to effectively address
17 this problem of violence just in that domain. We really
18 have to invest in our children.

19 GOVERNOR WILSON: Thank you, Dr. Singer. Thank
20 you, Governor.

21 Governor Walters?

22 GOVERNOR WALTERS: I just wanted to underscore

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1 the point that Governor Folsom and others were touching on.
2 The program that Birch participates in is not the solution
3 to all the problems but it certainly is a very interesting
4 opportunity to triage the problem. For those people, if we
5 are committed not to convert our schools into armed camps
6 because of the five percent so that the 95 percent have to
7 go through that environment if, as Isaac suggests, we make
8 the consequences clear when we act on that -- there is a
9 segment of that population that's not involved in drugs,
10 they're not involved in breaking laws, they don't have
11 options and they don't have any place else to go.

12 Basically we've triaged them in this program.
13 There's programs for all the other segments. But we've
14 triaged them in this program and if they voluntarily want to
15 put up with this regimentation and discipline then it works
16 for many of them. In Birch's case it worked. We started
17 with 60 kids in the first class, 17 of them took off. They
18 didn't like it getting up at 6:00 a.m. and have their life
19 planned until 10:00 p.m. But in 40 kids or so it's going to
20 work. As with anything else, it's multifaceted.

21 Most of us have National Guard access. This is
22 one of 10 pilot programs around the country. The federal

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1 government is putting around \$2 million in it. If it works
2 we're going to expand it as a state. So I would just point
3 out to you it's just one of many solutions out there, a
4 triage program taking care of kids who finally decided they
5 want some help.

6 GOVERNOR WILSON: Thank you, Governor Walters.

7 Let me exercise the prerogative of the Chair and
8 make a point in closing. Governor Finney made an
9 observation. She bemoaned the fact that there are so many
10 violent youthful offenders who are the products of homes
11 where there have been no father, no real male role model.

12 Emily I think made a very telling point. She
13 made it repeatedly. I think she wanted to make the point,
14 and I think we should, she bemoaned the lack of respect
15 which youthful offenders have. I think that goes further
16 than a lack of respect. It is a lack of basic compassion.
17 We are seeing kids who have been effectively dehumanized.

18 Isaac Compton is involved in doing the Lord's
19 work, both literally and figuratively, it seems to me, as a
20 mentor trying to deal with children at a time when they can
21 still be converted, when they can be moved from one path to
22 another.

1 I think that the absence of the father is a real
2 problem in a number of homes. It's meant that young boys,
3 in particular, have grown up without either a role model or
4 without the kind of civilizing influence that really teaches
5 respect for others. Basic human relationships. The result
6 is that there is a need for tens and hundreds of thousands
7 of Isaac Comptons. People who are credible as the caring
8 adult whom a child has never otherwise experienced in his
9 life.

10 I've said his in that example advisedly. There
11 is a group in Los Angeles now, with chapters in San
12 Francisco and Sacramento, called 100 Black Men. They are an
13 example of the kind of non-profit organization that has
14 taken on the responsibility of providing that caring adult
15 who is credible to kids, both as a role model to be emulated
16 and as actually caring about what happens to that child.
17 They have made a great difference but it is a labor
18 intensive effort.

19 So I not only congratulate Isaac Compton for what
20 he's contributed to us today but he is involved daily, as I
21 understand it, in a very labor intensive effort. That
22 probably gives him great gratification because what he knows

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1 is that to the extent that he is dealing with an individual
2 child he's going to change the life of that child.

3 We can change attitudes if we, in fact, we get
4 there early enough and provide a real alternative. There's
5 an honest basis for home.

6 I thank him, I thank Emily and I thank Birch.
7 And, Dr. Singer, we are in your debt. We are very grateful
8 for the contribution that you have made. And I thank again
9 my colleagues who indicated that by their questions as well
10 as their applause.

11 Thank you, Mr. Chairman.

12 (Applause.)

13 GOVERNOR CAMPBELL: Thank you very much. We
14 really appreciate your insight into a very serious problem.

15 In his book, Dr. Ken Majen drew a simple
16 conclusion. That is that a child that doesn't establish a
17 strong relationship with at least one parent, natural or
18 adopted, legal or voluntary type of adopted parent, is more
19 likely to grow up not knowing right from wrong. That's just
20 a fact.

21 And when we are in a society that has a growing
22 number of children having children, never having grown up

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1 themselves, then we understand the magnitude of that
2 problem.

3 You can not have education without discipline and
4 I think we understand that. We also understand that
5 virtually every action brings a reaction.. As I listen to
6 these young people talk about having a hall that belongs to
7 a gang you can just picture a person who might be small in
8 the school who is intimidated by a gang and does something
9 violent to react. You know, the gang itself, they might not
10 have had the weapons but the intimidation caused part of the
11 problems.

12 Sometimes you have to deal with both sides of
13 this problem. In our state it is against the law to buy a
14 pistol if you are under the age of 21. You can't carry a
15 concealed weapon. And we're asking our legislature to do
16 something other than send kids to an alternate school or
17 anything. We're asking them to send them to a boot camp
18 automatically for 60 days. The day they're caught they're
19 sentenced and you go. We're not going to put you on the
20 streets. We're going to put you in a boot camp.

21 In our juvenile justice system we have put in
22 ROTC units. It's been the most successful junior ROTC unit,

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1 the most successful thing we've had because it brought
2 discipline to the lives of people who never had any
3 discipline.

4 So this is a major problem for all of us and your
5 insights were, I think, welcomed and really very informative
6 and we thank you again for being with us and I look forward
7 to speaking individually with each one of you, especially
8 since Emily is from my home state and from an area very near
9 where I happen to live, right down from where my Dad lives.

10 I have just a little bit of business and that is
11 to mention this: the Committee on Human Resources meets in
12 this room directly following adjournment of this session.
13 So I would ask that the governors exit quickly except for
14 those who serve on the Human Resources Committee so that
15 that can get underway.

16 With that we will declare this session adjourned.
17 Thank all of you for participating.

18 (Whereupon, at 3:20 p.m. this conference was
19 recessed, to reconvene in separate committees.)
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TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

1994 WINTER MEETING

PLENARY SESSION

Washington, D. C.

Monday, January 31, 1994

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1994 WINTER MEETING

PLENARY SESSION

J. W. Marriott Hotel
1331 Pennsylvania Avenue, N.W.
Grand Ballroom
Salons II, III, IV
Washington, D. C.

Monday, January 31, 1994

2:35 p.m.

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P R O C E E D I N G S

GOVERNOR DEAN: If Governors and staff will be seated let me just briefly go over the schedule for this afternoon. Governor Weld is briefly going to review what's going to be happening in Boston this summer at the annual meeting. We will hear from Chancellor Kohl.

After that there is a panel, which will be chaired by Governor Romer and Governor Thompson, the health care leadership on the development of health care networks. The guests are Sister Lynn Casey, of St. Mary's Hospital, in Colorado, Stephen Cohen, of the National Organization of Physicians Who Care, from Texas, Dr. Charles DeShazer, from Atlanta, and George Halvorson, CEO of Health Partners, in Minnesota.

At the conclusion of that discussion, there has been worked out, I think, a significant advance in NGA policy on health care between the governors, and the resolution will be circulated to all of us. We will be asked to adopt and amend the NGA policy on health care. This effort was put together with a lot of hard staff work, and I'm very pleased about it. I think it's a significant advance.

1 If I could ask the staff to please be seated so
2 we could go ahead with the meeting. We'll hear from
3 Governor Weld and then directly from Chancellor Kohl.

4 Governor Weld, do you want to do this from your
5 seat or up here? Okay, great. The floor is yours, Bill.

6 GOVERNOR WELD: The summer meeting is July 16 to
7 19 in Boston, Saturday through Tuesday. We guarantee that
8 we'll have all the snow cleared by that time. The weather
9 in Boston in the middle of the month of July is absolutely
10 ideal.

11 In terms of treats, which is what I'm in charge of
12 -- Carroll's in charge of the program -- we wanted to have
13 an old-fashioned clambake by the shores of Boston Harbor.
14 You all remember Boston Harbor from the 1988 presidential
15 campaign, but it's been substantially cleaned up. This will
16 be on the grounds of the John F. Kennedy Library. It's a
17 nice spot, and when I say "old-fashioned," I mean rocks
18 buried in the earth, seaweed, and potatoes wrapped in
19 tinfoil, and corn, and lots of clams and lots of lobbies.
20 This is a lobster in winter dress with its fur on, you'll
21 notice. You'll get more of them than you'll probably want.

22 We're going to have an evening at the Boston

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1 Pops. We're going to have a dinner at the statehouse where
2 the chef will be Julia Child, who is a good cook.

3 (Laughter.)

4 GOVERNOR WELD: If I hadn't been told by my man I
5 was to speak with Yankee understatement. I've been told she
6 is a very good cook.

7 (Laughter.)

8 GOVERNOR WELD: The hotels where we'll be staying
9 are on Newberry Street, which is a very good shopping area.
10 There's a lot of color in that part of town. A lot of Tex-
11 Mex places, Hard Rock Cafe, Irish pubs. A lot of good
12 things to do there.

13 We're going to try to work it out so you'll get a
14 little bit of free time in case you want to go down to Cape
15 Cod or you want to take the kiddies out whale watching up
16 north of Boston.

17 Everyone is going to be instructed to have a good
18 time there. And I would just say to my good friend,
19 Governor Dean, of Vermont, where we're going next year, that
20 we aim to be a very hard act to follow. Susan and I look
21 forward to seeing you all in Boston.

22 (Applause.)

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1 GOVERNOR DEAN: Thank you, Governor Weld.

2 The Republic of Germany has been one of our
3 closest friends and allies for many, many years and the
4 leadership of the National Governors' Association visited
5 with our next guest and invited him to come here. We are
6 extremely honored to present to you the Chancellor of
7 Germany, Helmut Kohl.

8 GOVERNOR CAMPBELL: Before I introduce Chancellor
9 Kohl I'd like to extend a warm welcome to Germany's
10 Ambassador to the United States, Ambassador Emil Stabreit.
11 Mr. Ambassador.

12 (Applause.)

13 GOVERNOR CAMPBELL: I would also like to present
14 to you the United States Ambassador to Germany, Ambassador
15 Richard Holbrooke. Ambassador Holbrooke.

16 (Applause.)

17 GOVERNOR CAMPBELL: I thank both of you for
18 joining us this day.

19 As you can tell, I have a little laryngitis that
20 I am working with. Chancellor Kohl, as best I can let me
21 say this: (Welcome in German.)

22 We are pleased to welcome you on behalf of all

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1 the Governors and if you will permit me I will not go any
2 more and we'll continue in English.

3 (Laughter.)

4 GOVERNOR CAMPBELL: You all know the
5 distinguished Chancellor, Dr. Helmut Kohl, who has been
6 Germany's leader since 1982 and leader of the Christian
7 Social Union, CDU, since 1973. What you may not know is
8 that this scholar of law, political science and history also
9 served as a governor of Rhineland-Palatinate for seven
10 years. He knows what our problems are. We've been talking
11 with him in the back room about the problems of governors.
12 So we have a president who was a governor and a chancellor
13 who was a governor, so we have a kindred spirit with us.

14 Governors Terry Branstad, William Schaefer, Ned
15 McWherter and Tommy Thompson and I had the pleasure and
16 honor of meeting with Chancellor Kohl last fall in Bonn,
17 Germany. At our meeting Chancellor Kohl shared some of his
18 experiences as a governor and how that role compares to his
19 current service as Germany's leader. During our discussions
20 it occurred to me that we, as governors and leaders of
21 states, confront a number of the same challenges facing the
22 leaders of nations.

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1 In the spirit of the theme of this year's
2 meeting, Partnerships for Progress, I invited Chancellor
3 Kohl to come to Washington to address our nations governors.
4 As individual states and as a nation we currently face the
5 reform of our health care, education and welfare systems. I
6 believe we can learn from the experiences and expertise that
7 foreign nations such as Germany have accumulated on these
8 subjects.

9 We're moving into a new era where global issues
10 will have an increasing impact upon our states. This is
11 highlighted by the recent passage of NAFTA and the upcoming
12 vote on the general agreement on tariffs and trade.

13 As we move into the future together I hope this
14 is just the first step for states toward reaching out across
15 the globe to form partnerships of support and information
16 exchange as we all tackle the difficult issues of our time.

17 May I present to you His Excellency, Chancellor
18 Kohl.

19 (Applause.)

20 CHANCELLOR KOHL: Mr. Chairman, ladies and
21 gentlemen, I have almost but I don't really dare address you
22 as "Dear colleagues" because I have been prime minister, or

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1 governor as you would call it, of the Rhineland-Palatinate,
2 on of the German Lander, with nearly four million people.
3 You know it better as the land or the state that houses the
4 air bases of Remstein, of Bittburg and many others.

5 There was a time when there were nearly 100,000
6 U.S. citizens in the Rhineland-Palatinate and I think you
7 can see that I am very well used to the sort of problems
8 that you have as governors.

9 Let me say that it is an honor for me to be able
10 to speak to you today. I view your invitation as a
11 distinction for my country of which I am proud. It is, at
12 the same time, proof of the excellent relations that exist
13 between Germany and the United States.

14 It does not often happen in politics, after all,
15 that people express their thanks to others and I must say
16 that I very much regret that as one of the signs of the
17 times that people think it old fashioned to thank other
18 people for what they have done for them. Therefore I would
19 like to do just that today. I would like to thank you, the
20 governors of the United States, as representatives of the
21 whole of the United States, thank you most warmly for what
22 you and your fellow countrymen have done over in Germany

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1 during the last 50 years. The fact that I am able to
2 address you here today as chancellor of the reunified
3 Germany, the fact that I am here today as Chancellor of a
4 free Germany has a lot to do with what American friends did
5 over these past nearly 50 years.

6 Throughout these decades the United States have
7 borne the most important responsibility globally and they
8 have always tried to give their best. They did not always
9 succeed in that but the world would have taken a completely
10 different course, a completely different turn, certainly in
11 Europe, had the United States not pursued that
12 responsibility.

13 Actually, sometimes I think they often received
14 ingratitude for this. Nevertheless they did not let
15 themselves be thrown off course. The argued resolutely in
16 favor of those values that characterize America and made her
17 great: its desire for freedom, its pioneering spirit, people
18 who seek new frontiers, courage and self confidence, the
19 willingness to work hard and to help others.

20 Some people may call this too idealistic. I call
21 it realistic. A realistic view of the future. And this is
22 how you extend it: in a noble and generous gesture after the

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1 Second World War, a helping hand to us after the end of the
2 Nazi barbarity.

3 And let me tell you how I feel it. Which other
4 nation on Earth would have so quickly helped its newly
5 vanquished war enemies as President Truman and Secretary of
6 State George Marshall did at the time.

7 I would like to say this and have you believe it:
8 this is a very personal sort of thing for me because at the
9 end of the war I was 15 years old. I have a very personal
10 recollection of those years when we were starving and being
11 hungry means something different than having to go to an x-
12 ray examination at 3:00 in the afternoon and having to be
13 sober for that, not being able to eat before that. Hunger
14 is a very, very bitter experience. I remember the American
15 trucks that drove on to the schoolyard and brought us the
16 Hoover food and the Quaker aid.

17 We have not forgotten this and this is what I
18 would like to tell you here today, as a very personal
19 message. Please tell your people at home that we have not
20 forgotten that over these 48 years about 15 million
21 Americans -- I have asked my staff members to add up this
22 number and to give you that number officially -- 15 million

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1 Americans have lived in our country, have served their
2 country as soldiers in Germany together with their
3 dependents. Far away from their home they defended our
4 freedom, our common freedom.

5 This is something too that I do not want to
6 forget and I won't forget. I think that this is comparable
7 to the number of people of Texas, these 15 million, if I
8 have my numbers right here. Think what that means. The
9 United States did not repeat the mistake that was made after
10 the first World War. They stayed and let me mention to you,
11 I would want them to stay. In a changed world they should
12 stay and they should do this for their own self interest.

13 Their steadfastness was a decisive factor in the
14 collapse of Communist dictatorship and the freeing of
15 Central and Southeast Europe and Germany's reunification in
16 peace and freedom. It is particularly in these dramatic
17 times of change and these are times that I am probably even
18 more familiar with than anyone else since I have been in
19 office ever since 1982. The close partnership and
20 friendship between our two countries has stood the test of
21 time. I remember with special gratitude the reward we've
22 received all through these years.

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1 This is why it is as important as it was then
2 today that only a strong America will be in a position to
3 assume its world responsibilities. I would like to include
4 in my word of gratitude the two presidents who were very
5 directly partners in that endeavor, namely Presidents Ronald
6 Reagan and George Bush. And I must say that the experience
7 of this year fills me with great optimism that Bill Clinton
8 is going to be a very valuable and very reliable partner for
9 us too and I am grateful to him for this.

10 Ladies and gentlemen, in these dramatic times
11 now, after the collapse of the Soviet Union, your country is
12 the only remaining superpower. The world continues to pin
13 even more hopes and expectations upon you. And obviously
14 this is sometimes regarded as a burden, particularly if I
15 look at people such as you who have to contend with very
16 dramatic changes internally in your states, in the country
17 as a whole. Challenges that you have to face up to.

18 President Clinton gave priority during his first
19 year in office and also in his State of the Nation address
20 to the preservation of an internally strong and healthy
21 America. We totally agree with this. Only a strong America
22 can meet its global responsibility.

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1 Now, after so many of our hopes and our yearnings
2 have come true, now that we have talked so long about our
3 hope that Communism and its empire collapses, now it is
4 important that the hopes of those people who want freedom
5 now, who want rule of law now, who want to introduce market
6 economies that we offer something to these people, the
7 Central and Eastern European states, but also the successor
8 states of the former Soviet Union and the former satellites
9 who suffered under imperialism. We should extend a helping
10 hand to them.

11 President Clinton, in his important speech, in
12 his great speech at the Brussels City Hall on January 29th,
13 once again highlighted America's continuing commitment to
14 Europe. And he also said that it was in the interest of
15 America to maintain a military presence of around 100,000
16 men. Let me use this opportunity here to welcome his
17 commitment. We think this is not only in the interest of
18 the Europeans and the Germans.

19 Ladies and gentlemen, we Germans, we Europeans
20 want to continue to develop a transAtlantic partnership. We
21 reaffirmed this at the recent NATO summit. America needs
22 Europe in the future too, although I do think there are some

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1 people in America who do not seem to believe that America
2 needs Europe too. These factors are of vital significance
3 for us Germans. The TransAtlantic partnership with the
4 United States of America, Canada and the political
5 integration of Europe, for us this is not a choice between
6 one or the other. We need a combination of both of these
7 factors.

8 Our efforts to create a genuinely independent
9 European security policy and defense policy are designed to
10 compliment and strengthen the Atlantic alliance. And what
11 we also need with this is to try to see to it that less of a
12 burden falls on the United States and I am pleased that the
13 American administration recognizes this.

14 European integration is also more important as an
15 effort because there are very sad signs that war has not yet
16 been banished forever from Europe and the suffering that
17 wars bring about. The former Yugoslavia, the pictures that
18 we see every day on our television is but one example of
19 this, albeit the most troubling one at present. The evil
20 spirits of nationalisms are not only at large in the
21 Balkans. This is why in the final analysis European unity,
22 apart from the economic aspect of that question, is a

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1 question that has always been a question of war and peace in
2 Europe.

3 Ladies and gentlemen, it is repeatedly heard that
4 since the Communist threat has vanished the interests of
5 Europe and America are no longer the same. Indeed, that we
6 are entering a phase of intense rivalry and trade wars. I
7 do not think that this holds true. The GATT agreement
8 which, in spite of all the doomsayers was concluded at the
9 end of last year, is positive proof that this is not the
10 case. As I see it GATT is the most comprehensive
11 liberalization package of the last few decades.

12 Obviously, this resounding success was based on
13 the willingness of all sides to compromise the successful
14 conclusion of the Uruguay Round. It is, particularly in
15 today's economic situation, a major step toward increased
16 trade, growth and employment.

17 I also very warmly welcome the entry into force
18 of the NAFTA agreement. We will continue to urge in the
19 future that Europe should not become protectionist and cut
20 itself off from the rest of the world but embrace free and
21 fair competition. Obviously, this is not a one way street.
22 With us, however, this will not be a fortress Europe. We

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1 will not opt for such a policy.

2 Ladies and gentlemen, for decades when we spoke
3 about the bridge over the Atlantic we thought mainly about
4 security and economic issues. Today I think we have to
5 widen this bridge. We have to include two new lanes, so to
6 speak. We have to add the cultural, the scientific lane to
7 it so as to make it possible for young people to meet, not
8 only students, not only in the world of academe. Exchange
9 young scholars and scientists. And we should also establish
10 the closest possible economic links.

11 I would like to see as many American investments
12 as possible in Germany and vice versa, Germans investing in
13 America so that our tradesmen, our industrialists, our
14 merchants may add to that bridge. Added to security must be
15 the exchange in these areas that I just mentioned. I am
16 personally very much interested to see to it that exchange
17 and meetings between young people take place increasingly.

18 This is my plea to you, ladies and gentlemen who
19 are in charge of education in your states, that we create
20 the necessary framework to bring young people together. I
21 don't think that we can be very proud of the balance that we
22 have achieved so far. Just look at the numbers, the figures

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1 of students that were exchanged in the years before 1914.
2 Those were much more significant numbers than the ones we
3 see these days.

4 We should see to it that as many young people as
5 possible are able to get their own picture, their own
6 unprejudiced picture of the other country. This applies not
7 just to the schools in both countries but it also applies to
8 those young people who are outside the world of academia and
9 are looking for a future.

10 In addition to a number of numerous other
11 programs Germany promotes three centers of excellence in the
12 United States of America at the Universities of Georgetown,
13 Harvard and Berkeley which are dedicated to German American
14 and European American relations.

15 Last year we set up the German American Academy
16 of Science, something that was initiated with President Bush
17 and we have pursued this with President Clinton, a body that
18 is unique in worldwide bilateral relations. In view of the
19 limited public funds we will need to rely to a far greater
20 extent than previously on private initiatives in the
21 promotion of cultural exchange and here too I would like to
22 ask your support in this important task.

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1 Mr. Chairman, ladies and gentlemen, our two
2 countries are faced by quite similar domestic problems and
3 challenges. The truth is -- and why should we not say this
4 openly -- that in a certain sense the East-West conflict
5 over these past decades kept us from concentrating more on
6 these issues. This meant that some reforms were shelved
7 which are overdue today. I'm speaking of the need to
8 improve our competitiveness in the face of greater
9 competition worldwide. I'm speaking of strengthening those
10 institutions which guarantee the cohesion of our free
11 societies.

12 Last year, irrespective of the fact that we have
13 19 elections in our country this year, which is a very
14 unique record, even for us, we started to discuss Germany's
15 status as a location for business. This has led to much
16 discussion within our parliament and among the general
17 public. We have seen that we can not maintain the status
18 quo.

19 We have already initiated various therapeutic
20 measures in order to redress that. In our system of social
21 security we seek a reasonable balance between individual
22 responsibility and care by the community. Here, in America,

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1 medical care is the subject of wide ranging reform. And let
2 me say, I am very familiar with this painful issue. There
3 have been intense exchanges of opinions between American and
4 German experts in the run up to this reform. And let me say
5 that we are more than ready to give you information on this
6 also in the hope that you may learn from the mistakes that
7 we have made. One doesn't need to repeat mistakes all the
8 time.

9 In united Germany we have about 80 million
10 inhabitants. The area of our country is approximately
11 equivalent to the state of Montana, where 800,000 people
12 live. We need five million additional jobs. We have not
13 become less strong. The others have just become better than
14 we are. And we are, at the same time, in a position where
15 we have to realize that international competition is heating
16 up.

17 In addition to the expanding economies of the
18 East, Asian and Pacific area we Central Europeans now have
19 diligent and highly motivated competitors at our doorstep.
20 I am referring to countries such as Poland, the Czech
21 Republic and Hungary where, obviously, again it is in our
22 interest to see to it that these countries introduce market

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1 reforms but at the same time that they produce good at a
2 fraction of our costs. We are, therefore, in a quandary
3 here. We want these countries to be economic successes.
4 They should not be dependent on Western assistance but
5 should earn their hard currency themselves, but they are our
6 competitors.

7 The unification of Germany was a unique and
8 unprecedented event. From one day to the other, ladies and
9 gentlemen, a dictatorship became a democracy and a Communist
10 state run economy became a free market order. And a
11 centralistic administration was turned into a federal
12 system. 40 years of Communist mismanagement can not be
13 shaken off overnight.

14 However, three years after German unity was
15 achieved the worst has been overcome. Still, a lot has to
16 be done yet. But if you look to Russia, to the Ukraine and
17 we have these kinds of problems, problems of such magnitude
18 after only 40 years I would plead patience for those in
19 Russia and in the Ukraine who, after all that much longer
20 period of time, have to contend with problems of an even
21 greater magnitude. If you do not have the kind of support
22 that we are able to give to our fellow countrymen in East

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1 Germany. after the war we were able to do that, to get back
2 on our feet again.

3 Last, but not least, through the Marshall Fund,
4 in East Germany we will be able to solve these problems too,
5 although it may take a little longer than anticipated.

6 The sort of economic and ecological bankruptcy
7 that we see in Eastern Germany as a result of the Communist
8 regime also meant that these Communists have smashed the
9 middle class. They have smashed the small and medium
10 businesses, the keystone of a free economic and societal
11 order. This collapse of the socialistic planned economy
12 with its antiquated products and factories has created
13 unemployment.

14 Today almost 140 billion deutschmarks, this is
15 about \$80 billion, are transferred annually from West to
16 East Germany. We are building a modern infrastructure and
17 the speed of development is sometimes breathtaking. We are
18 constructing new highways. We are totally changing the
19 system of telecommunications. We are converting the state
20 run factories there. Out of the 13,000 former state
21 enterprises these days only 260 remain to be dealt with, to
22 be privatized. This in only four years time. This year we

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1 expect economic growth of 7.5 percent in the Eastern part of
2 our country. That means that capital investments are
3 apparently making a change there, actually bringing about
4 progress. But for many people it still takes too long.

5 A number of your colleagues took up my invitation
6 to come to Germany. I would be pleased if other members of
7 the Association were to come and get a first hand impression
8 because Germany could serve, in a way, as a test case, as a
9 model case for how difficult it is to get rid of the
10 Communist legacy in Eastern and Central Europe.

11 In one word we are realistic optimists. I am
12 certain and confident that we will be able to cope with this
13 task, particularly since we only have to repeat what the
14 generation of our fathers did in the years after the war in
15 the Fifties, something that was called the economic miracle
16 of Germany at the time. It was not a miracle. It was a
17 situation of a people that were in a desperate situation
18 after the end of the national Socialist barbarity. After
19 the complete destruction of our country, with more than a
20 million refugees in our country. Our forefathers had the
21 will -- and I want to mention Konrad Adenauer here -- to
22 make it in spite of all of these hardships.

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1 Ladies and gentlemen, no matter what you may read
2 about Germany, we are the children of those founding fathers
3 and I don't really see why we should be weaker or less
4 resolved than those who came before us. There are the young
5 ones among us, the grandchildren of that founding father
6 generation, and I have great confidence in them. So if I
7 look at all this I think I have every reason to be at least
8 carefully optimistic.

9 Ladies and gentlemen, I would like to ask all of
10 you to accompany us a little bit along our way, to cast a
11 sympathetic eye on what we do and as regards the exchange of
12 young people, young scientists, scholars, students and
13 peoples. Think about what we can do and help us in our
14 endeavors.

15 The confidences laid down in your Constitution
16 and our Constitution give particular importance to
17 federalism. And I must say I am a great champion of
18 federalism. The separation of powers between central state
19 and the individual states I think is one of the most
20 successful and one of the most fundamental elements of our
21 democracy. But he who has rights also has obligations and
22 duties and part of this is that we jointly try to mediate

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1 between not only the states and the central authority but
2 also between our two countries.

3 Ladies and gentlemen, the fact that I was
4 received by you, that I was given the opportunity to address
5 you in my capacity as German Chancellor I think would have
6 been inconceivable only a short while ago. I would like to
7 take this as a positive sign of how positively our world of
8 today has changed. Today we have living in 1994. In only a
9 few years time the century will end. A century that has
10 seen so much suffering. It has seen two wars in which 50
11 million people were killed. It has seen a lot of distress
12 and despair. And now towards the end of the century we have
13 been given an opportunity that has never existed before. An
14 opportunity to create peace and freedom for so many
15 countries.

16 We have a unique opportunity for the generation
17 of our children and our grandchildren to build a world in
18 which peace and freedom can be assured to a much larger
19 degree than ever before. This is our joint responsibility.
20 Your responsibility as representatives of the great American
21 people and our responsibility in Germany. And it is my wish
22 and my request, and this is also the wish of my fellow

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1 countrymen at home, to go along this road together with you,
2 the Americans.

3 I would like to wish all of you in the
4 accomplishment of your difficult tasks in the service of
5 your country the best of success, luck and may God bless
6 you.

7 (Applause.)

8 GOVERNOR CAMPBELL: Chancellor Kohl has agreed to
9 take some questions. The first question, I understand, is
10 coming from Howard Dean.

11 GOVERNOR DEAN: The first question was going to
12 come from the chairman but the question disappeared along
13 with his voice.

14 Chancellor Kohl, you have what is reputed to be
15 one of best health care systems of the entire world. We
16 have spent most of this meeting and many of our last few
17 meetings talking about health care and what I would ask you
18 is for some advice specifically on what we might do here in
19 this country. And perhaps tell us a little bit about how
20 your system works and how you control the costs, which we
21 understand is a problem everywhere, but particularly in the
22 United States.

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1 CHANCELLOR KOHL: Well, if one is among friends
2 one has to be very cautious when one wants to give advice.
3 Therefore I will try to answer your question cautiously.

4 First of all, with respect to our situation for
5 more than a hundred years we have had a universal insurance
6 system. And there is no doubt about it, that despite its
7 weaknesses, it is certain that this institution has proven
8 itself. If a sick person knows that irrespective of his
9 economic situation treatment will be covered and the cost of
10 treatment will be covered by insurance -- as you know, the
11 premiums are paid half and half. Half by the employer, half
12 by the employee; something that has proven itself especially
13 well. And I can speak only about our situation. The
14 insurance system is based on federal laws. But that is the
15 administration, it is not handled by the government.

16 It is a self-administering system. This means
17 that the labor unions and their employers are working
18 together in this area and through the strength of this
19 cooperation there -- there has been a consensus to cooperate
20 in this area based on the legislation we have.

21 But the situation is not free of difficulties.
22 We have found that the costs have been rising. There are a

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1 number of objective reasons for that that have nothing to do
2 with the system as such. We have the luxury for about 30
3 years that we are the country with the lowest birthrate for
4 the last two or three decades, together with two other
5 countries.

6 When I was a student I learned that the
7 population pyramid should look -- that you have the largest
8 number of persons on the bottom and the old people, a very
9 small number on top. We've had a reversal of this pyramid.
10 In 2000 we will have between three and four million people
11 who are older than 80 years and you can try to compute that
12 to the situation in your country. We will have an average
13 life expectancy where women will be close to 80 years and
14 men will have a little less life expectancy. What that will
15 mean for medicine and for our social system is quite
16 obvious. You have a complete change, for instance, in the
17 hospital population. We still have a lot of nurseries but
18 we need larger geriatric wards.

19 And, of course, here we get into the area of
20 medical questions with all the difficulties associated with
21 it. That is, the existing system has to continue to evolve
22 and this is difficult. That is, the use of medicines, of

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1 drugs. Whether you're using it in limited amounts or
2 whether you're using too much of it. This is a question
3 that has to be raised.

4 We are trying to contain costs and everybody has
5 to contribute to this. It's like savings in public budgets,
6 everybody is for savings but they always want the other
7 person to be cut. And now you have the insured, the
8 physicians and the pharmaceutical companies and each will
9 have to cut their costs and everybody is for the other
10 person to use less of the funding to achieve savings.
11 Therefore, there's a very intense debate ongoing.

12 In the federal government we have tied it to the
13 development of wages. Our health insurance premiums,
14 therefore, are stable. And I think, at least with respect
15 to the present time, I can say that we are able to meet this
16 challenge. But I do not deny that my concern is not the
17 cost of today but it is the demographic development which
18 causes me concern. If you have a demographic development
19 like we have it must have consequences.

20 But it is the free decision of the population in
21 Germany whether they want to marry, whether they want to
22 have children. This is a free decision. In some major

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1 cities more than 50 percent of the apartment owners are
2 singles. And since experience has shown that singles have
3 fewer children than married couples we do not have a great
4 expectation that there will be a change in behavior.
5 Therefore, you have to remember the demographic development
6 because in your country demographic development is quite
7 different and you have to keep this in mind when you look at
8 the German system. But, overall we can say that the system
9 has proven itself.

10 GOVERNOR DEAN: Thank you.

11 Are there further questions for the Chancellor?
12 Yes, Governor Brandstad.

13 GOVERNOR BRANDSTAD: Chancellor Kohl, first of
14 all, as one of the governors who accepted your invitation to
15 go to Germany and learn about the reunified Germany, I want
16 to thank you for your hospitality and also thank you for
17 accepting our invitation to come and address the National
18 Governors' Association.

19 One of the issues we talked about when you hosted
20 us for dinner was the GATT agreement that had not been
21 finalized at that time. Now, of course, it has been. I
22 want your opinion on the subsidies of agricultural products

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1 you mentioned in your remarks on the GATT agreement. You
2 were very optimistic and we were encouraged about that.

3 I am from an agricultural state and we're
4 interested in the agricultural subsidies for producers in
5 the European and also the United States, along with access
6 to markets throughout the world. These were two of the
7 focal issues of the negotiations in the Uruguay Round of
8 GATT.

9 In your opinion does the current GATT agreement
10 provide a positive impetus towards resolution of these key
11 issues on the subsidies of agriculture and market access and
12 what impact with the GATT agreement have on the European
13 agricultural producers, on your farmers? And how will the
14 GATT agreement affect the farmers, the producers in the
15 United States? What effect do you see this current GATT
16 agreement having on the European economic union's role in
17 world trade, especially as it pertains to agriculture?

18 CHANCELLOR KOHL: Mr. Governor, as I said, GATT,
19 of course, represents a compromise and compromises always
20 contain some things which I would have preferred to be
21 different from the German point of view. My British
22 colleague, John Major, if he were standing here would have

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1 liked it different. Mitterand would have liked it different
2 or you might have wanted it different. But we each had to
3 compromise.

4 Agricultural rates were, in fact, the most
5 difficult questions. Especially difficult for Europe and I
6 am happy that we found a compromise. And I did a lot in
7 this area irrespective of the domestic policy problems that
8 I got from it.

9 But I would like to add that the discussion
10 occurs on many levels. We are talking about farmers but the
11 major beneficiary is industry, or at least part of industry.
12 But in Germany you need everything. You need industry and
13 you need agriculture, therefore this compromise was
14 necessary.

15 The second thing we have to say here is when I
16 see Europeans and Americans together is that there are
17 tremendous differences in agriculture and those differences
18 have to be tied together. I want to mention three figures
19 which I wrote down for this purpose. In Germany before
20 unification we had an average size of 17 hectares and after
21 unification 23 hectares. That would be 69 acres in U.S.
22 terms. In Britain you have 160 acres as an average farm

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1 size and in the United States the average size is 491 acres.
2 These three figures alone show that you have totally
3 different agricultural structures, organizational
4 structures. And you have to add the economic fundamentals
5 based on the climate. And, of course, also the traditions.

6 For example, in Germany we have a tradition which
7 I think is really very fortunate but, unfortunately, it does
8 no longer fit within the image of international agriculture
9 but is of great importance. That is secondary income
10 derived from agriculture. That is people who inherited a
11 farm, have a regular job but continue to farm their small
12 farm. Very often they have specialized crops they grow and
13 have a second income from it.

14 From the social point of view, and I don't have
15 to elaborate on this, this is a basis which creates a lot of
16 social stability. But if you look at the periods of poverty
17 during this century it was these people who did not turn
18 towards a radical ideology. They had a basis for their
19 existence.

20 These differences exists already within the
21 European union, as I mentioned. And, of course, this
22 applies specifically to France: In our discussions within

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1 the GATT round the question of the wheat price was a very
2 important fundamental question. And I must say that for
3 more than a hundred years our French friends had been the
4 export country for wheat. This is also reflected in the
5 French language because you speak of the green gold. You
6 don't call it wheat. It shows that for French economy and
7 for French business this was of great importance and
8 therefore it was one of the most difficult topics to settle.

9 However, if I look at the overall GATT agreement
10 I believe that we have achieved important progress here and
11 that now in Europe and in Germany we not just should accept
12 the results, but we should actively make it work. And this
13 has the result when we have small farms that are marginal
14 and a large number of farmers will lose their livelihood
15 that farms will have to be combined and then we are going to
16 have a large number of set asides in Germany. These are
17 going to be fields that are going to be reforested. These
18 are areas where the yield is not great. But we have to
19 change our thinking, as we need to do in other areas.

20 However, I think that although compromise should
21 be accepted by us -- and if I may say that to a governor
22 from an agricultural country, because Rhineland-Palatinate

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1 is not very unlike your state -- I always promoted the
2 existence of our farmers. I always tried to help them
3 because if I tried to think of a Germany where right now,
4 although it is only four percent of the population working
5 as farmers, if I look at a Germany that wouldn't have
6 farmers it would no longer be the Germany I know.

7 Especially also the ecological aspect is of great
8 importance. If we didn't have the farmers our countryside
9 would change tremendously because I do not see anybody who
10 is going to do the upkeep on meadows and on the fields who
11 is not involved in agriculture. This goes all the way to
12 the ecological distortions that you see in the Alps. We see
13 wherever the farmers in the alpine region have withdrawn
14 from this there is a quick change in the country. The
15 topsoil erodes. There is a lot of erosion and the water
16 changes because the water is no longer retained.

17 Therefore, it is not just a question of the milk
18 price, which is important, but that there might be long term
19 ecological damage. And this is something that people in the
20 cities do not think about although they enjoy the
21 countryside for their vacations. And, without trying to get
22 involved in the development of the United States, I think

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1 this is going to be of great importance here too. It's
2 important for farmers to take care of the countryside
3 irrespective of the difficulties that might result from it.

4 GOVERNOR DEAN: Thank you very much, Chancellor.
5 We have run out of time. We deeply appreciate your visit
6 and we hope you will return one day. Thank you so much.

7 (Applause.)

8 GOVERNOR DEAN: As the Chancellor is leaving I
9 want to again thank those of you who went to Germany, who
10 invited him. I found that very helpful. I was extremely
11 interested to hear the answers to both the health care
12 question and Terry's question on dairy, since our state is a
13 major dairy state as well.

14 We are going to now move along to the second
15 portion of our afternoon plenary. During the last few years
16 there have been some remarkable changes in the health care
17 industry. I think I am going to wait for about three or
18 four minutes because we have an excellent panel here and we
19 have an exodus of governors and I want them to hear what
20 they have to say. Governors are going out and stretching.
21 They can come back in a minute or two and we'll start with
22 the panel.

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1 (Brief recess.)

2 GOVERNOR DEAN: Okay, we will get started.

3 Over the last decades there has been a remarkable
4 change in the health care industry. This is independent of
5 the need for universal coverage, the need for health
6 financing and the need for cost control. Plus, the private
7 sector has done a number of things that have not been the
8 product of government regulation. They've simply done this
9 on their own.

10 Probably the most significant development of all
11 is the development of HMOs, health maintenance organizations
12 or preferred provider networks. The number of people
13 receiving care through HMOs has increased from approximately
14 10 million in 1981 to 45 million people -- that's almost a
15 fifth of our population -- in 1993. In California today
16 more than 80 percent of all Californians are either enrolled
17 in an HMO or a preferred provider network. In Boston,
18 Philadelphia, San Francisco, Los Angeles, Baltimore and
19 Washington, D.C. HMOs are now providing more than 30 percent
20 of the market.

21 HMOs have not been without problems but they are
22 heavily relied on in the President's plan and others to

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1 control costs. As the HMO and preferred provider network
2 grown so has their sophistication.

3 I would like to introduce the co-chairmen of the
4 Health Care Leadership Team, Governor Thompson, of Illinois,
5 and Governor Romer, of Colorado. Governor Thompson will
6 introduce us to this topic, followed by Governor Romer, who
7 will make remarks and introduce our afternoon panelists.

8 Governor Thompson.

9 GOVERNOR THOMPSON: Thank you very much, Governor
10 Dean.

11 GOVERNOR DEAN: Pardon me for getting your state
12 wrong. There was a Governor Thompson, of Illinois.

13 GOVERNOR THOMPSON: I know. Now it's represented
14 by Governor Edgar.

15 Thank you very much, Governor Dean, from
16 Massachusetts. I appreciate that very much.

17 (Laughter.)

18 GOVERNOR THOMPSON: But the health care plenary
19 session that we're in right now is very important.
20 Yesterday, if you all remember correctly, the governors sat
21 around the table, we discussed the problems we're having
22 with health care and I made a suggestion at the end of the

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1 meting that we would try to pull together some of the items
2 that we could all agree upon.

3 Since yesterday noon the staff of Governor Dean
4 and Governor Romer and my staff, with Governor Campbell's --
5 and I believe my staff took the lead role in drafting it --
6 but there should be at your desks a resolution amendment
7 that I would appreciate it if you would take some time to
8 review during the time that the panel is going to be
9 discussing issues so that at the end of that we could take
10 it up and hopefully vote on it. I think it's a pretty good
11 bipartisan basis for which we can build our support for
12 health care reform in this country. I want to thank Howard
13 Dean for his leadership, and that of Carroll Campbell and
14 Roy Romer.

15 We had a hearing on Saturday afternoon which was
16 chaired by Governor Romer and myself. We had a really good
17 roundtable discussion and debate on the future of health
18 care. One thing is certain: more and more Americans are
19 receiving their care through organized health care networks.
20 These networks range from loose physician groups to highly
21 structured health maintenance organizations.

22 As major purchasers of health care, as well as

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1 stewards of public health within our states it is necessary
2 that we become familiar with issues surrounding the delivery
3 of health care. Specifically, what advantages and
4 disadvantages do health care networks offer. One key aspect
5 of service delivery is the accessibility as well as the
6 quality of care that these networks provide. And can health
7 care networks be effective as well as cost efficient in
8 rural areas, such as states like the upper Midwest. Are
9 there special issues in providing care to Medicaid and other
10 low income populations through such networks?

11 So, ladies and gentlemen, I would like to now,
12 before I turn it back to Governor Romer for the introduction
13 and for his comments and the introduction of the panel, I
14 would like to tell you that there are two policy papers that
15 will be taken up at the end of our discussion today. One
16 deals with the barriers, and that, of course, is the federal
17 barriers to state health care reform. And the other one
18 dealing with illegal immigrants and how that affects state
19 health policy as well as state costs.

20 The amendment that I am referring to that we
21 worked on yesterday is at your desk, you place and that
22 would be an amendment to the barriers to health care.

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1 That's probably the one that I would direct your attention
2 to mostly because that one summarizes what I think is the
3 best compromise reached in a unified bipartisan agreement
4 and I hope that everybody can go along with that. But I
5 think you should look at it and it should be, hopefully,
6 endorsed by all of us today.

7 With that, Governor Dean, I thank you. I now
8 call on Governor Romer for opening comments as well as the
9 introduction of the panel.

10 GOVERNOR DEAN: Thank you, Governor Thompson, of
11 Wisconsin.

12 Governor Romer.

13 GOVERNOR ROMER: Of Colorado.

14 Let me first say that we've come a long ways in
15 the last year discussing the framework, the legislation, how
16 to pay for it but there's a whole world out there and the
17 private sector has been responding in anticipation of this
18 in terms of how you put together provider networks.

19 We all anticipate certain purchasing pools,
20 alliances in some form, who will turn to provider networks
21 in order to deliver certain services. Now, we've known
22 those networks traditionally as HMOs but they're going to

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1 take some other forms: groups of physicians, hospitals and
2 physicians working together and other forms we may not yet
3 imagine. We have with us today four individuals who
4 represent various experiences in that area. I'd like to
5 introduce them.

6 The speakers are Sister Lynn Casey, President and
7 CEO of St. Mary's Hospital and Medical Center, in Grand
8 Junction, Colorado; Dr. Stephen Cohen, President of the
9 National Organization of Physicians Who Care; Dr. Charles
10 DeShazer, Director of Clinical Information Systems, at
11 Southeast Permanente Medical Group; and George Halvorson,
12 the President and CEO of HealthPartners.

13 I'd like to, first of all, call on Sister Lynn
14 Casey. And note that she also represents an area that is
15 fairly rural and there is a unique challenge to provide this
16 kind of service in rural areas.

17 I know you've taken out a good part of your day
18 and I appreciate your coming, Sister Lynn.

19 SISTER CASEY: Thank you, Governor Romer.

20 Today I speak to you from a point of view more
21 with a passion for justice than a mastery of economics.
22 However, I do feel it is with the realistic point of view

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1 spoken of earlier.

2 One of the prerequisites for reform, I believe,
3 and also for network formation is to already have in place
4 insurance reforms which prevent screening out pre-existing
5 conditions and also allows for community rating rather than
6 individually rating the company or the person. Once this is
7 in place I believe the next step is for the federal
8 government to establish the floor or the basic benefit
9 package that is acceptable to most people in our society.

10 We are too mobile a society to have a health care
11 boutique in every state yet every state has many creative
12 demonstrations going on that do allow people access to care.
13 If we do have a basic set of benefits, which I assume we
14 will with all the reform talk that is going on, it will
15 allow us the ability to compare both outcomes and costs.

16 One of the comments made about Medicaid has
17 already been the practice in our state where there is a
18 contract for Medicaid with the HMO in the area that I serve
19 in. This saves the state five percent of its Medicaid costs
20 and allows for Medicaid recipients to go to any physician in
21 the community. The incentives are in line for the
22 physicians to accept them as well as the institutional care

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1 providers also to accept them. However, state Medicaid
2 administrative oversight is found to be much more cumbersome
3 than any other type of contract in our state. Frequently
4 this is due to the interpretation of the rules and
5 regulations at the state level.

6 As you look across the states today there is a
7 limited amount of experience in collaboration due to the
8 competition that has been the characterization of our past
9 several decades. As we move toward networks, however, there
10 are some lessons to be learned from those service entities
11 that have sprung up to serve the uninsured and underinsured
12 today.

13 In our town we have a clinic and we have several
14 lessons we can learn from it. They have made excellent use
15 of mid-level practitioners, physician assistants, et cetera.
16 Primary care is the focus instead of trying to do
17 everything. There is a commitment of the institutional
18 providers and the physicians to accept the referrals from
19 the clinic as part of their community accountability. The
20 clinic has no overhead required to manage insurance forms
21 due to disparity of coverage. It is very attractive to the
22 users because of its lack of complexity and the small local

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1 flavor that can be sustained.

2 As we move toward networks there are some key
3 quality characteristics that we all would like to see in
4 place. One of them is the focus on maintaining community
5 health; the second one being a seamless continuum of care,
6 Management within fixed resources and community
7 accountability.

8 The concept that is driving the network formation
9 is realignment of incentives to move toward a care of the
10 whole person rather than piece work. To maximize our
11 resources we must address the fragmentation that exists with
12 public health, VA, auto insurance, workers comp and the
13 various aspects of care and work toward full integration and
14 to change the incentives so that collaboration can thrive.

15 Regardless of how networks are formed we already
16 know some things that we can do. Modify the utilization
17 patterns that we all engage in where we want access to care
18 immediately and we go to the most costly provider. Those
19 are patterns that we, the public, must modify. We can
20 involve patients in their care and the decisions about their
21 care, respecting the wisdom that they bring. This will also
22 have an impact on reducing unwanted and ineffective care at

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1 the end of life, which is often pursued due to the need of
2 the family rather than the person, the patient. But with
3 the assurance of comfort measures replacing high cost, high
4 tech interventions.

5 There are some unintended effects that can be
6 minimized as we watch the projects that will come together
7 to form networks. We all know there has to be an insurance
8 product, a physician group and a hospital. These are being
9 formed in different ways and in different communities. One
10 of the tests will be that the kind of thinking that created
11 the problem can not be the kind of thinking that derives the
12 solution. We must encourage our people to come together to
13 look at all aspects of access and care and respect the
14 collective wisdom that will bring new thinking to the
15 resolution.

16 Testing models at the state level. We need to
17 have more than two years in order to measure the other
18 unintended consequences. Very quickly we can show cost
19 savings but less quickly determine those who have not
20 received care or access to basic health and preventive
21 services.

22 As governors, I would encourage you to endorse

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1 the Healthy People 2000 agenda, which is already available
2 to you for health promotion and disease prevention in your
3 states. As governors, also, I would commend you for
4 addressing the issues that contribute to costly health care
5 that you did yesterday working on the violence in children.
6 Those certainly do impact the health care system.

7 As I conclude I would ask you to include the
8 health providers in your area in creating learning contexts
9 to reshape the fundamental patterns of thinking about health
10 care and to harness their thinking in creating the will for
11 local action. Together we have a stewardship and leadership
12 opportunity and I commend you for taking the leadership
13 today.

14 Thank you.

15 GOVERNOR ROMER: Why don't you just continue to
16 follow on. The next one is Dr. Stephen Cohen, President of
17 the National Organization of Physicians Who Care.

18 Dr. Cohen?

19 DR. COHEN: Thank you, Governor Romer.

20 I am honored today to have the opportunity to
21 relate to the governors of America the Physicians Who Care
22 perspective on health care reform.

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1 I am a private practice oncologist in the more
2 than full time practice of medicine and I recognize that
3 what I'll be presenting is not a politically correct model
4 but it's one that will preserve the best medical care system
5 in the world. More importantly, it will preserve the
6 doctor/patient relationship, a process which we believe will
7 be forever destroyed by the whole managed care concept being
8 considered.

9 We concur with President Clinton that universal
10 access is essential. We also agree that portability of
11 health insurance, elimination of pre-existing and issue
12 restrictions, guaranteed issue, guaranteed renewability and
13 a modified community rating based on lifestyle and health
14 hazards are also highly desirable.

15 We believe these goals are achievable by the
16 Congress without destroying the fiber of American health
17 care. We further believe that such changes would go a long
18 way towards solving the majority of our health care
19 problems.

20 We believe the President's plan and other similar
21 designs have relied on managed care and would decrease
22 caring and increase rationing. It will cause a burgeoning

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1 bureaucracy, the likes of which we have never seen and can
2 not afford. It will absolutely deny patients the right to
3 see physicians of their choice. I repeat: Your constituents
4 and you, yourselves, will no longer be able to choose your
5 doctor like you can your banker, minister, barber or
6 attorney. How dreadful a thought for a person's most private
7 professional interpersonal relationship, that between a
8 doctor and his patient, would only be marginally in the
9 hands of the individual.

10 Managed care initiatives reverse relations just
11 to the utilization of gate keepers. These are physicians
12 who are paid to do less, to care less, consult less, test
13 less all for their personal gain and it's an abhorrent
14 concept to most physicians. Physicians that are not their
15 patient's advocate are, frankly, not to be trusted by their
16 patients.

17 The presence of such perverse reimbursement
18 policies of managed care programs should be known to
19 patients. Managed care physicians will not be their
20 patients' advocates. Global budgeting, national health care
21 boards and price caps should frighten Americans to no end.
22 Imagine running out of resources when the Governor of

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1 Pennsylvania needs a liver transplant. Imagine how this
2 will cripple innovation in new drug research. It is no
3 accident that in Canada medical services disappear when the
4 budget it exceeded. New drug development has virtually
5 vanished in Canada. Is this what we want for America?

6 The health care alliance, with its managed
7 competition, is a concept that is so bureaucratic and
8 complex that it defies description. It will limit choices
9 to for- profit health care corporations and giant insurance
10 companies that have, as their primary concern, profit and
11 not health care. The scenario of rationing, restricting,
12 delaying and limiting choices, as I noted previously, will
13 certainly result.

14 The concept is congruous for those of you
15 concerned with rural health care. Managed care and managed
16 competition make absolutely no sense in markets that can not
17 get adequate numbers of health care personnel to begin with,
18 much less bringing to bear the process of contentiousness to
19 those vital souls who have dedicated themselves to the rural
20 life.

21 Under the Administration's health care reform I
22 assure you the burden that you will have as individual

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1 states will increase several-fold. The federal government
2 is famous for mandating to the states without helping out
3 with funding. Presently you are all wrestling with growing
4 Medicaid budgets that are strangling your states. You are
5 looking for managed care programs to rescue you from
6 financial disaster. What you will be giving birth to is a
7 tiered health care system for the poor with restrictions in
8 quality and choice. You know that you, nor your families,
9 would want to be part of such Medicaid managed care programs
10 and you know that to be the truth.

11 You are all familiar with the concept of health
12 care IRAs. The criticism of such proposals are that it's
13 for the middle class and above because it requires a high
14 deductible. I suggest to you that this concept be adopted
15 immediately by the states to solve the Medicaid crisis.
16 Imagine the process of having a \$1,000 deductible paid by
17 the states for care of their Medicaid patients. The
18 incentive is that by prudent purchasing and utilization of
19 care, the individual can retain any residual funds at the
20 end of the year in their own personal IRA account. This
21 will drastically and remarkably cut unnecessary utilization
22 of services leading to marked savings in the program. The

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1 reduction in utilization, at the minimum, will result in 25
2 percent savings. Imagine, free choice of doctors and the
3 development of responsibility by patients.

4 We propose, additionally, that the long term care
5 requirements of Medicaid be eliminated so that the acute
6 medical problems can better be addressed and funded. In its
7 place: tax relief to help families pay for such care;
8 federal and state long term assistance and loans; tax
9 exemptions of long term care policies; life insurance
10 policies that convert to long term care insurance plans;
11 and home equity conversions allowed to fund long term care.

12 We all know health care costs are rising because
13 of the greying of America, the expansion of technology, the
14 insatiable appetite of those insured without being primarily
15 responsible for the bills and the introduction of for-profit
16 non-healthcare professionals into medical care. To stem the
17 rising costs we must create individual responsibility in
18 spending the health care dollar and that is why you must
19 adopt this proposal for those for whose care you have
20 financial responsibility.

21 The American Health Security Act, that places
22 Americans in managed care programs, that virtually

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1 eliminates judicious utilization of services, will result in
2 excessive usage and skyrocketing health costs no matter what
3 our government estimates might be. While you hear
4 repeatedly that managed care can save money there is almost
5 no proof of such. In fact, the CBO has shown that Medicare
6 HMOs cost more money than traditional Medicare programs.
7 Cost increases for managed care have been the same as for
8 indemnity health care for the last decade.

9 Even when savings can be demonstrated what price
10 must patients pay in the form of diminished quality of care
11 and caring?

12 Physicians Who Care, our organization, believes
13 that employer funded health insurance that presently exists
14 can insure most Americans by utilizing high deductibles,
15 such as the \$1,000 a year, combined with medisave accounts.
16 Even the smallest businesses can afford to provide quality
17 insurance since such high deductibles dramatically drop the
18 insurance rate.

19 In addition, poorly funded patients can utilize
20 pre-tax medisave account dollars, that is the IRA concept,
21 making them prudent buyers of health care with a vested
22 interest by individual employees and their families since

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1 they can accumulate any savings in their personal IRA
2 accounts. By this quality technique complete patient choice
3 can be maintained.

4 For individuals such as those who are self
5 employed or who would like to opt out of their employer
6 based plan there should exist individual tax credits plus
7 medisave accounts that will additionally provide insurance
8 coverage for this part of the population.

9 We believe the measures we have suggested build
10 on the present system of private insurance, prevent
11 government intrusion into health care, allows freedom of
12 choice for the patients, promotes personal responsibility
13 among patients, allows research innovation and autonomy of
14 health care providers, scientists and doctors to continue.

15 Thank you.

16 (Applause.)

17 GOVERNOR ROMER: We have just proven that this is
18 an organization that has a full pluralism of views. And the
19 applause recognized that that is approved by some.

20 I was under the apprehension or the instruction
21 that we were going to talk about how we organize provider
22 networks. I will assume the rest of the panel will direct

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1 their attention to that issue, not a philosophic debate.

2 But I think everything goes.

3 Go ahead.

4 DR. DE SHAZER: Thank you for the opportunity to
5 participate in your panel discussion today. I am honored to
6 be asked to address an important set of issues for the
7 states and for our health care system.

8 A little bit of background about myself. I was
9 born and raised in Chicago, Illinois in an inner city area
10 not too far from Cook County Hospital. I attended the
11 University of Illinois Hospital for my medical training and
12 also my residency. So I've had experience at West Side VA
13 Hospital, Cook County and the University of Illinois
14 Hospital.

15 I then practiced for four years as an attending
16 physician in internal medicine in Cook County Hospital.
17 Subsequently, I took a position as Director of Clinical
18 Information Systems for Kaiser Permanente Southeast
19 Permanente Medical Group in Atlanta, Georgia.

20 I've been asked to talk about the challenges of
21 setting up provider networks for Medicaid in the inner
22 cities and I think my background reflects a special

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1 sensitivity to these issues. Many states are now turning to
2 managed care in order to more effectively manage their
3 Medicaid programs.

4 The motivation is concerned with both the quality
5 and the cost of fee for service medicaid program, however,
6 given the current level of fee for service reimbursement
7 under most Medicaid programs there is considerable doubt
8 that managed care can provide significant cost savings.
9 There is more widespread support for the view that the
10 quality and coordination of care in Medicaid can be improved
11 under some managed care arrangements.

12 The best managed care arrangements can bring to
13 more Medicaid beneficiaries and inner cities the benefits
14 they have already brought to more than two million Medicaid
15 and Medicare beneficiaries and the millions of working and
16 middle class enrollees that they currently serve. These
17 include comprehensive services and emphasis on preventive
18 care, clear responsibility for the coordination of primary
19 and secondary specialty care, sharing of information and
20 best practices among physicians and a focus on quality of
21 service and care.

22 However, I would caution you that quality and

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1 coordinated care would not be enhanced and may even be
2 reduced if inadequate managed care arrangements are allowed
3 to proliferate or if managed care is not carefully
4 implemented. Loose network arrangements that simply manage
5 costs do not bring added value to Medicaid beneficiaries.

6 The history of managed care in some states in the
7 early years of Medicaid has been a sorry one. Not enough
8 attention paid to assuring that participating organizations
9 had the management capability, the financial wherewithal,
10 the quality of providers and the experience to effectively
11 provide for prepaid health services. Some operators enter
12 with the intention of reaping short term financial gain and
13 did at the expense of the beneficiaries and the taxpayers
14 until they were removed from programs.

15 Much has been learned from those difficult times.
16 Some federal and state standards now require that we pay
17 Medicaid organizations. These standards should be
18 maintained and perhaps enhanced. They should not be ignored
19 in the interest of expanding managed care too quickly.

20 One of the lessons learned is that it's important
21 to provide Medicaid beneficiaries with choices. These
22 should include high quality managed care organizations that

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1 are also providing care for substantial non-Medicaid and
2 Medicare populations. Also, existing providers under either
3 a managed care or fee-for-service arrangement.

4 Managed care can be expanded into Medicaid and
5 into inner cities through the use of main stream
6 organizations or by creating networks of traditional
7 Medicaid and other inner city providers. The main stream
8 managed care programs have a major challenge in
9 participating in Medicaid in the inner cities.

10 Many Medicaid beneficiaries and other poor
11 persons in the inner cities have special medical and social
12 needs which must be met. They often are sicker, have less
13 access to necessary medical care, less physical access to
14 services and the transportation they need to obtain them.
15 They represent diverse cultures and often have linguistic
16 and other requirements which may be difficult to satisfy
17 through mainstream organizations. The utilization of
18 services reflects these difficulties. For example, they use
19 emergency rooms more than most. Many face major social
20 problems: crime, violence, broken families, homelessness and
21 substance abuse, which exacerbate their health care needs.

22 Any managed care program directed to Medicaid and

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1 the inner cities is faced with these medical and social
2 realities. Even the best mainstreamed managed care
3 arrangements do not necessarily offer all the services
4 needed to meet the special needs of this population. But
5 neither does the current system.

6 There is another problem. To the extent
7 mainstream managed care arrangements seek to participate
8 more fully in Medicaid and the inner city they threaten the
9 financial base of the current providers of that care:
10 clinics, public hospitals and other inner city providers.
11 Although many mainstream managed care providers consider
12 Medicaid financially undesirable, current Medicaid providers
13 consider it a relatively reliable source of finance.

14 In seeking to expand managed care in Medicaid and
15 the inner city it's very important that this issue be
16 addressed. On the other hand, to continue a fragmented fee
17 for service system is inconsistent with the objectives of
18 the delivery system reform. This means that movement of
19 beneficiaries into managed care should be incremental and
20 based on beneficiary choice. It should not be a crash
21 program adopted in the hope that it will solve this year's
22 budget crisis.

1 It is therefore desirable for at least some
2 traditional Medicaid and inner city providers to become
3 organized into managed care arrangements to be able to
4 compete on a level playing field for the Medicaid
5 population, the newly insured under health care reforms and
6 the currently insured.

7 There are a number of barriers to this. First,
8 there's a lack of management depth and management prepaid
9 organizations, particularly medical management. Second,
10 there's a lack of marketing expertise, both in obtaining
11 access to the individuals and in developing appropriate
12 rates. Third, there's an imbalance between primary and
13 specialty care. Fourth, higher than average risk
14 beneficiaries may not be accurately accounted for by our
15 current risk adjustment methods. Fifth, these providers are
16 and will remain providers of last resort for the uninsured,
17 including undocumented aliens with attendant financial and
18 service burdens. Sixth, information management systems are
19 all but non-existent and, as we know, you can not manage
20 what you can't measure.

21 As a physician, it's very important for us to
22 have good information to make quality decisions within

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1 budgetary constraints. There are potential solutions to
2 these problems. Technical assistance in management;
3 marketing and information systems could be provided;
4 guaranteed access to the newly insured and privately insured
5 through purchasing cooperatives or regional alliance could
6 be provided; competition for Medicaid beneficiaries should
7 take special consideration of existing providers, at least
8 initially; better risk adjustment approaches should be
9 developed in government to provide active financing for the
10 provider of last resort.

11 Each of these approaches entails complexities and
12 challenges of their own. As governors, you might consider
13 initiation of efforts to bring about closer collaboration
14 between these safety net providers and existing managed care
15 organizations.

16 In conclusion, states are on the right track in
17 seeking to take advantage of the strengths of managed care.
18 They should move prudently and should retain high standards.
19 And, difficult as it may be, they should seek to develop and
20 encourage high quality managed care arrangements in inner
21 cities and in Medicaid.

22 Thank you.

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1 (Applause.)

2 GOVERNOR ROMER: George Halvorson, President and
3 CEO of HealthPartners.

4 MR. HALVORSON: Thank you for inviting me to
5 speak today. I'd like to thank Governor Carlson for his
6 leadership in Minnesota health care reform.

7 So that you'll know, my perspective is I'm
8 president of a 600,000 member not-for-profit consumer and
9 government health plan.

10 Let me first make a point that's critical to
11 understand if you want to understand health care and health
12 care reform in this country. We do not have a health care
13 delivery system in this country. We have a health care non-
14 system. A vast resource consuming health care industry that
15 spends more than any other country in the world by a wide
16 margin due to its inherent and pervasive inefficiency.

17 The problem, in large part, is structural. We
18 have over a million separate health care profit centers in
19 this country. Doctors offices, labs, pharmacies, ambulance
20 services, hospitals, et cetera. And those profit centers
21 act consistently to optimize their own revenue at the
22 expense of both overall efficiency and the quality of care.

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1 Let me give you an example. A short while ago
2 graduate students at a university near here decided to take
3 a look at the cost of saving lives in this non-system. They
4 decided to see how much it cost to save the lives of heart
5 attack patients brought by ambulance to a local hospital.
6 They focused on patients who were unconscious when they
7 arrived at the hospital. They studied 185 consecutive cases.
8 What they discovered amazed them. They couldn't compute the
9 cost per life saved because every single one of those 185
10 patients died. Not one survived to leave the hospital.

11 What was particularly amazing was that no one in
12 the entire health care delivery non-system knew that all of
13 those patients had died. The ambulance drivers didn't know
14 it; the emergency room workers didn't know it; the intensive
15 care units didn't know it because they were all unrelated
16 units of care. When asked they estimated that upwards of 40
17 percent of the patients survived.

18 The problem wasn't a shortage of data. The
19 doctors and hospitals had reams of billing data about each
20 patient. How many trays had been used, how many sponges had
21 been used, how many miles the ambulance had driven and what
22 their market share was of hospital patients brought by

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1 ambulance. What they didn't know was that every single
2 patient had died and that care had been useless.

3 Why was that? The reason for that was because we
4 pay our providers in this country per units of care. We pay
5 them for procedures and we do not pay them for outcomes or
6 results. There are tens of thousands of billing codes in
7 this country for procedures and units of care. There is not
8 one single billing code for cure. There is not one single
9 billing code for an approved outcome.

10 As happens in any economic system, we get exactly
11 what we pay for. In this case we get a health care system
12 that has more services than we need but with no measurement
13 and no accountability for the result.

14 Look at the numbers. Our C-section rate in this
15 country has doubled from medically appropriate numbers. Why
16 is that? Because doctors in this country are paid twice as
17 much money if they do a C-section. Paying doctors on a fee
18 basis is like having a sales incentive plan for excess and
19 unnecessary care.

20 The overall surgery rate in this country is twice
21 as high as the surgery rates in Great Britain, 50 percent
22 higher than Canada. We do six times as many hysterectomies

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1 as the Japanese, four times as many as the Swedes. Coronary
2 bypass surgery in this country is done at a rate 10 times
3 higher than Great Britain.

4 Do we get better quality care for that excess?

5 Let me site a recent study of the New England Journal of
6 Medicine: 68 percent of heart patients in the U.S. receive
7 high tech imaging services compared to 35 percent in Canada.
8 31 percent of U.S. patients have surgery compared to 12
9 percent in Canada. And 23 percent of U.S. patients died
10 compared to 22 percent in Canada. We clearly didn't receive
11 much benefit from the additional volume and cost.

12 Why do we have such immense expense and waste in
13 U.S. health care? Because we pay doctors and other care
14 providers very lucrative fees for every procedure, whether
15 or not the procedures work and whether or not they're
16 appropriate. We pay more if the procedure is complicated
17 and we pay even more if the procedure involves technology.
18 We overpay the procedure rates of some specialists and we
19 underpay primary care doctors and then we wonder why we have
20 this great dollar guzzling health care industry. It eats up
21 our resources without even reporting the results of their
22 efforts.

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1 And we wonder why only 14 percent of our medical
2 students are going into primary care. Because our
3 caregivers are paid as separate business units and profit
4 centers. They function as separate business units and
5 profit centers with little quality control and very
6 uncertain consistency.

7 Another recent study took 135 fee-for-service
8 doctors and they had each of them look at the same patient.
9 135 doctors, one patient. They came up with 82 different
10 treatments. Some of the treatments were good; some of them
11 were bad; some were very expensive; some were very cheap.
12 The best results in that case tended to be the least
13 expensive. All of those 82 different treatments were paid
14 for by insurance companies.

15 What caused that level of inconsistency? The
16 doctors in those individual cottage industry practices
17 practiced based on the most current information that they
18 have. They may have graduated from medical school last
19 week. They may have graduated last year. They may have
20 graduated 10 years ago. They may have graduated 30 years
21 ago. They may have read a recent article on the condition
22 or they may not. There's a great inconsistency in health

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1 care delivery systems. It's an inconsistent and expensive
2 approach to care.

3 It's time to change all of that in this country.
4 We want a health care delivery system that is both efficient
5 and high quality. And we need an outcomes focused approach
6 to care. We need teams of providers who work as teams to
7 deliver the most scientifically valid quality focused care
8 in consistent ways. And we need health care outcomes data
9 in the hands of consumers so the consumers can make real and
10 meaningful choices about the health care delivery systems.

11 You, as governors, need to know that outcomes
12 vary from provider to provider. Several studies have shown
13 that death rates from coronary artery bypass grafts can go
14 from 1.2 percent to 5.9 percent. That means that your
15 chances of dying are four times higher if you pick the wrong
16 health care system at hospitals across the street from each
17 other. We need to compare quality and price and then
18 reward value with choices.

19 What is the Minnesota experience? Because we now
20 have an 80 to 85 managed care market share in our major
21 metropolitan areas competition has brought the cost of care
22 down in Minnesota from more than a thousand dollars per

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1 employee per year to below the national average. And we
2 provide higher benefits. Our health care costs are 22
3 percent below the national average. And at the same time,
4 because we approach health care in a systematic way rather
5 than the haphazard, traditional fee-for-service way we enjoy
6 a much higher quality of care. We have the best cancer
7 detection rates. The best C-section rates. The best heart
8 surgery survival rates and the best birth survival rates in
9 the country. We don't ration care for one pound babies. Our
10 health care systems have created proactive programs that
11 have cut the premature birth rate in half. That's higher
12 quality care and it's also much less expensive. Our
13 experience is that real systems based quality saves money
14 and health care. It doesn't cost money.

15 I don't have time right now to go into a lot of
16 details but the results that happen in Minnesota can happen
17 in your states as well if you truly understand what we did
18 with comparable market forces. A major problem for you
19 will be emotional anecdotes thrown out by the physicians
20 whose primary interest is their personal incomes. The good
21 news is that most of their arguments are shallow, self
22 serving and easily rebutted. So be sure to hear both sides

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1 of the story.

2 Health care reform in your states should first be
3 focused on systematic delivery of quality. Secondly, on
4 limiting the perverse incentives of fee for service
5 medicine. And, third, on giving consumers sufficient
6 information so they can make real choices about their care
7 and, as a result, create a real marketplace. All the other
8 alternatives lead to rationing and waste, including medical
9 IRAs, which I hope to address later. Please choose quality.

10 Thank you very much.

11 (Applause.)

12 GOVERNOR THOMPSON: As you can tell by the
13 applause panel you were very well received. We thank you so
14 very much, all of you, for giving us your insights into this
15 very complex, as well as controversial, subject.

16 We, as governors, are attempting to bring
17 together some degree of consensus and, as you can tell by
18 your testimony, it is impossible even for the experts to
19 reach a consensus, let alone us individuals around this
20 table.

21 We do want to open it up for questions of the
22 panel. Any governors have any questions of any one of the

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1 four panelists?

2 Yes, Governor Fordice, from Mississippi?

3 GOVERNOR FORDICE: Dr. Cohen, I don't know who
4 brought you here but I'd like to know so I can hug their
5 neck. I truly appreciate your being here and putting a
6 different perspective on the thing that we haven't heard
7 much of in the last couple of days since we've been
8 discussing.

9 Is it reasonable, Dr. Cohen, to expect that we
10 can require insurance companies to take off all pre-existing
11 conditions to guarantee issuance and renewal to all comers
12 without an explosive cost increase in that insurance?

13 DR. COHEN: I certainly think there will be
14 increases in cost. I don't think that you can not do that
15 and not expect insurance companies to increase the cost of
16 their premiums. On the other hand, by doing that there will
17 be a certain level of cost which we can then control.

18 In terms of managed care, one of the suggested
19 benefits of that is that one company is going to compete
20 with another. In this one you have community ratings.
21 Everybody will be charged a similar rate and there will be
22 very little difference. So it's a better way, I think, to

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1 control costs.

2 GOVERNOR FORDICE: You then just use universality
3 to spread these increased risks to other people?

4 DR. COHEN: Well, the more universal the more the
5 spreading of the risk. That's the most optimum thing you
6 can have. That's why we want universal access.

7 GOVERNOR FORDICE: And that's kind of rub.
8 You've got to force these youngsters, haven't you, kicking
9 and screaming into the system in order to make the costs
10 spread adequately and a lot of them don't have insurance,
11 don't want insurance. And they're right, until something
12 happens to them they're saving a whole lot of money. So
13 we've got to drag them kicking and screaming in there and
14 take their total lack of need of health care into account to
15 help spread these costs.

16 DR. COHEN: I agree with that.

17 GOVERNOR THOMPSON: Any other questions?

18 Yes, Governor Caperton.

19 GOVERNOR CAPERTON: I'd like to ask Mr.

20 Halvorson, Dr. Cohen said the use of a gatekeeper as a
21 doctor meant they are paid to do less, consult less, care
22 less because they are part of an organization with a budget.

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1 Would you respond to that?

2 MR. HALVORSON: I'd be delighted.

3 (Laughter.)

4 MR. HALVORSON: In the fee-for-service
5 environment everything the doctor does is touched by the
6 dollar. In the pre-paid environment when the physicians are
7 on salary they are insulated from the perverse impact of the
8 dollar and make decisions on the most appropriate care. One
9 of the reasons that physicians enjoy going into managed care
10 environments -- and you can structure a managed care
11 inappropriately, but if you structure it appropriately the
12 doctor gets to make all the decisions based on the most
13 appropriate care. He does not have to make any decisions
14 based on whether this particular surgery is going to add
15 \$1,000 to the bank account or \$3,000 to the bank account.

16 So I think that just the opposite is true. I
17 think the doctors who really care about their patients want
18 to get in an environment where cost conclusions are
19 insulated and the system is set up to be efficient. And
20 doctors who care about running a business tend to go into
21 the other approach.

22 DR. COHEN: Can I respond to that?

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1 GOVERNOR CAPERTON: Sure.

2 DR. COHEN: First of all, maybe in his managed
3 care approach that may be the case but that's not true
4 universally, I can assure you. There are physicians who get
5 specific benefits based on how few consultations they ask
6 for, how few radiographic x-rays they ask for. In fact,
7 someone just recently showed me a check that they received
8 from their HMO as a gatekeeper because he used more generic
9 drugs than he would otherwise. So there are clear
10 incentives which patients have the right to know and
11 frequently don't about what the gatekeeper is going to do.

12 In terms of the gatekeeper it's very unusual for
13 a gatekeeper today to do surgery so your example, Mr.
14 Halvorson, is fraught with error.

15 GOVERNOR THOMPSON: Governor Engler, from
16 Michigan.

17 GOVERNOR ENGLER: I guess if anyone cares to
18 comment, I'm sure there might be some different viewpoints,
19 but I'm just curious about the cost of defensive medicine
20 and how important tort reform is in all of this. We've seen
21 the RAND Corporation come out with some pretty good sized
22 numbers on what the cost of defensive medicine is and I kept

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1 thinking if we just had the right kind of tort reform would
2 we not have the capacity then to open up these dollars and
3 re-target those and reprogram them to the people who aren't
4 currently covered.

5 MR. HALVORSON: That issue is often used as kind
6 of a smoke screen. The total cost of malpractice premiums
7 in this country is about \$8 billion. That's against the
8 \$800 billion.

9 GOVERNOR ENGLER: I'm talking about defensive
10 medicine.

11 MR. HALVORSON: The first issue is that. The
12 second issue in defensive medicine that may have run into
13 the \$20-30 billion range, if you take some of the more
14 extreme studies. But even then it's a relatively small part
15 of the health care dollar.

16 The other thing to think about is that most of
17 the defensive medicine is unprofitable. The likelihood of
18 most defensive medicine going away once it's become the
19 standard of care is fairly small but a major portion of it
20 will stay because it's part of the revenue stream of the
21 health care delivery system.

22 DR. COHEN: As usual, I'm on the opposite side of

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1 that view. I can tell you that daily, as a medical
2 oncologist, patients come to me who have malignancies and
3 they tell me they have a headache. They could have a
4 potential metastasis to spread the tumor to their brain. It
5 takes about three microseconds for me to decide to make the
6 test on their brain which, in the final analysis, is
7 probably not going to make any difference. It's very
8 difficult to tell a family it's not going to make any
9 difference. In two seconds I use an entire year's premium
10 to get a scan, basically to cover myself. I think it's a
11 very expensive phenomenon. \$20-30 billion is a significant
12 amount of money and I, frankly, believe it's very
13 conservative.

14 We certainly need tort reform. I'm actually
15 also, I think, since Mr. Halvorson has talked about the New
16 England Journal, there was recently an article in which New
17 York State looked at inappropriate coronary artery
18 evaluations in terms of coronary artery bypass and coronary
19 artery angioplasties. They found almost no inappropriate
20 utilization in the state of New York.

21 It's very easy to say that there's all this extra
22 utilization. If there is such I want to see someone

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1 actually prove it. Where are the studies that show that
2 there's such fraud? The government, in terms of Medicaid,
3 has been looking at doctors every day through a microscope.
4 They don't show this kind of evidence.

5 MR. HALVORSON: I didn't mean to speak against
6 tort reform. We need tort reform but it's not going to
7 solve the problem. There are some inequities and some
8 issues that can be dealt with relative to tort reform
9 relative to making protocols as a defense against
10 malpractice suits. But if you're looking to
11 solve the entire tort reform problem it would make a very
12 small dent.

13 If I could possibly speak to the issue of medical
14 IRA's for a second?

15 GOVERNOR THOMPSON: Just a second. We need to
16 keep our response time down just a little bit because the
17 governors would like to ask some questions.

18 Governor Romer, then Governor Weld and Governor
19 Dean.

20 GOVERNOR ROMER: I was trying to keep our debate
21 on the focus of disagreement where we are. This Association
22 has already passed the point of saying that managed care is

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1 a good or bad thing. This association, in its policies --
2 and we may want to change those policies -- but this
3 Association has said that we do need to try to find a way to
4 restructure that free market out there to get some better
5 quality and better price.

6 I think the debate that's before us, and was
7 before us in this resolution that we'll look at in a moment,
8 is how to do that. How to organize it. Whether you do it
9 in one way or do it in another. '

10 I think over the last two years we have already
11 passed over the debate that we are hearing. And I just
12 wanted to reflect on that. There may be those at the table
13 who want to go back and re-debate that. But this discussion
14 we're having, quite frankly, is not where our focus is. We
15 already are past the point of saying the system as it is,
16 based on fee-for-service, the way it is now organized, it is
17 not adequate. I think it's, frankly, past us. I think it's
18 past most people in this country. And right now we're
19 trying to figure out, okay, how do we use the free market in
20 the best way?

21 I think that it's just important before we close
22 off this debate for those who are viewing this that we, as

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1 an Association, have already bought into the fact that we
2 need to do something different. We're trying to figure out
3 how we can do it.

4 GOVERNOR THOMPSON: Any quick response to
5 Governor Romer by any one of the panelists?

6 MR. HALVORSON: One quick response. One of the
7 reasons the Minnesota costs have come down substantially in
8 the past number of years has been that employers have been
9 sophisticated enough to reward the low priced plan. So they
10 base their contributions on the low priced plan. In many
11 other states the employers base their contribution on the
12 fee-for-service plan or the average amount. That encourages
13 shadow pricing and stops price competition. It doesn't
14 reward the plans for coming in with the most efficient
15 system.

16 GOVERNOR THOMPSON: Governor Weld?

17 GOVERNOR WELD: Mr. Halvorson, you indicated, I
18 think, that you're not a fan of medical IRAs. Can you tell
19 us why?

20 MR. HALVORSON: Thank you, Governor. I'd be
21 delighted.

22 Medical IRAs have a couple of issues which I

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1 don't think have been explored. The first one is that there
2 are problems to administrative savings. In order to compute
3 whether or not you've met the thousand dollar deductible you
4 have to process all of the claims that add up to a thousand
5 dollars so you still go through the front end claims
6 processing. But rather than have those claims paid you
7 generate an entirely administrative expense. On top of that
8 you have the cost of administering the IRA. That adds an
9 administrative burden. So at that level the administration
10 does not go away, it increases.

11 The second point is the deductibles are high
12 enough so they're a burden and a barrier to care for low
13 income people. And that doesn't affect medical
14 subspecialists because their patients burn through the
15 barrier very quickly but it does affect primary care
16 doctors.

17 What we are trying to do in this country is
18 increase the number of primary care doctors, not decrease
19 them. We can actually hurt our primary care infrastructure
20 if we create an environment where the primary care doctors
21 have to chase the patient down to get a bill paid and only
22 the specialists and subspecialists end up having the high

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1 enough fee that they can have it paid by the insurance
2 company.

3 So I think there are a number of issues. The
4 other issue that is critical to that is a significant
5 portion of the patients in any given year right now don't
6 cost the system anything. They have a zero expense. If
7 those patients all are given an expense account they may all
8 suddenly cost the system something. It takes tremendous
9 savings in the rest of the system to offset the fact that
10 you now have 40 percent of your patients who used to cost
11 you nothing costing quite a lot of money.

12 So the whole principle of insurance is to spread
13 risk from the people who are using it in a given year to
14 ones who are not using it. And if we guarantee that we
15 don't spread the risk because we don't bring down the total
16 cost of care to the catastrophic cases and we add to the
17 expense of the people who used to cost nothing, basically
18 it's voodoo actuarial economics.

19 GOVERNOR THOMPSON: Governor Dean has a final
20 wrap up question.

21 GOVERNOR DEAN: I'm actually not going to ask a
22 question. As a practicing physician -- or I was a

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1 practicing physician before I came into this position -- I'm
2 actually very pleased with myself for not having jumped up
3 at several junctures and made some remarks. But I've
4 enjoyed this discussion very, very much. We've had a lot of
5 the same kinds of discussions in our state where we're
6 enacting this kind of reform and debating it. I think it's
7 been an excellent discussion. A very controversial
8 discussion. But I have to say I think we have heard all
9 sides of the issue and I appreciate the panelists very, very
10 much. Thank you.

11 (Applause.)

12 GOVERNOR DEAN: We have what I think is really
13 quite a remarkable opportunity now. There was a lot of
14 discussion about health care yesterday at the Governor's
15 lunch and there was some discussion about moving our own
16 views along. Here at NGA it's a bipartisan organization.
17 Over the last 24 hours or so the staffs of a number of
18 governors have worked very hard and come up with something
19 that I think may not go far enough for some Democrats and
20 may be going a little too far for some Republicans. But I
21 think it's really quite a remarkable effort on the part of
22 the National Governors' Association.

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1 I want to express my gratitude to the staffs of
2 Governor Romer, Governor Thompson, myself, Governor Campbell
3 and others, Governor Jones and others, who had the
4 opportunity to work on this resolution.

5 This is a resolution that I'll call on Governor
6 Thompson in a moment to speak on, which would advance our
7 policy here at NGA. It's a substitution of our previous
8 policy. I think it doesn't solve the issue but it does move
9 us down the road together. That's what this is all about.
10 I'm very, very pleased and very proud of all the work that
11 went into this.

12 Governor Thompson.

13 GOVERNOR THOMPSON: Thank you very much, Governor
14 Dean.

15 I, too, am very pleased with the bipartisan
16 support. Yesterday noon it looked a little bleak and it has
17 come together, I think, quite nicely.

18 First, Mr. Chairman, I've got to move the change
19 for federal barriers to state health care reform, then we
20 will get to the amendment to that. This policy was adopted
21 unanimously by the Health Committee, chaired by Governor
22 Romer and myself. It's basically three basic differences

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1 from our original policy. One deals with the flexibility
2 for states on getting Medicaid waivers. This was worked out
3 specifically by Governor Romer and I want to thank him for
4 doing that.

5 The second one was on the Boren Amendment that
6 all of us know, as governors, is very expensive. This was
7 worked on by Governor Campbell and Governor Waihee. This
8 makes it easier, hopefully, for the states to get some kind
9 of relaxation of the Boren Amendment and allow us to have a
10 little bit more flexibility because it's really breaking a
11 lot of us in the government.

12 The third area is the ERISA changes.

13 Mr. Chairman, I would move those. We need a
14 second and then I will go on to the amendment.

15 GOVERNOR DEAN: Do I hear a second?

16 VOICE: Second.

17 GOVERNOR DEAN: All those in favor signify by
18 saying aye.

19 GOVERNOR THOMPSON: We have to amend this
20 amendment, Mr. Chairman.

21 GOVERNOR DEAN: I see. We've got to get this
22 motion on the floor. Let me just take a moment while we do

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1 that. A motion has been made and seconded. What we are
2 doing, I believe every governor is familiar with the three
3 changes that we discussed having to do with, as Governor
4 Thompson said, with ERISA and the federal barriers to state
5 reform. That's what we're voting on now.

6 The statement that I was referring to, which I
7 was amused to hear that this is being portrayed by some of
8 the new media as a retreat from NGA policy -- that's
9 particularly amusing because we're not changing NGA policy,
10 we're adding this to it, so it's an advancement of NGA
11 policy.

12 We will vote to amend this and then we will vote
13 to tack an opening on the NGA policy. Is that correct,
14 Governor Thompson?

15 GOVERNOR THOMPSON: I hate to disagree with you,
16 Mr. Chairman, but I would like now to amend this amendment
17 so that it will all be included in this one policy.

18 GOVERNOR DEAN: That's what I thought I said.
19 But, okay.

20 GOVERNOR THOMPSON: I think we have to amend what
21 I just said.

22 GOVERNOR DEAN: Go ahead.

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1 GOVERNOR THOMPSON: What we have now is the piece
2 of paper with several items in front of you dealing with
3 insurance reform, state organized purchasing cooperatives,
4 core benefits and access, tax deductibility of health care
5 premiums, low income subsidies -- and on that one, if the
6 governors would look at it there has got to be the word
7 "partially" in the last sentence between the words "be" and
8 "financed". "This program could be --" and insert the word
9 "partially. Then you go on to the changes to the current
10 Medicaid system. This has three items under it, the medical
11 malpractice and liability reform, relief from antitrust
12 statutes and relief from Employee Retirement Income Security
13 Act, federally organized outcome and quality standards and
14 administrative simplifications.

15 Now, as Governor Dean has indicated, several of
16 our staffs have worked very hard over the course of
17 yesterday afternoon and last evening and this morning and
18 they've come up with this. I think it's in very good shape.
19 I think everybody that's worked on it, as well as the
20 governors, did support this. I think we have moved a giant
21 step forward to reach a bipartisan thing. What should be a
22 basic plan that passes Congress.

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1 What I was somewhat fearful about yesterday when
2 we were discussing this was having a fragmented system in
3 which all governors would go off in 50 different ways and
4 we'd end up with nothing. At least now we have a unified
5 position that I think all of us can embrace.

6 I would move, Mr. Chairman, at this time this
7 amendment to the amendment that we have already moved, which
8 is an amendment to our existing policy.

9 GOVERNOR DEAN: You have that right. Were you a
10 presiding officer at one time in your career, Governor?

11 GOVERNOR THOMPSON: Yes, I was.

12 GOVERNOR DEAN: Thank you.

13 Is there a second?

14 GOVERNOR CAMPBELL: Second.

15 GOVERNOR DEAN: Governor Campbell has seconded
16 it. Is there discussion? Governor McKernan?

17 GOVERNOR MC KERNAN: Mr. Vice Chairman, I would
18 like to just, before we vote on this, once again
19 congratulate our Chairman and you, as Vice Chairman, and the
20 two leaders of our health care reform team, Governor
21 Thompson and Governor Romer. I say that because I am not
22 sure that people fully appreciate the efforts that have gone

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1 into these amendments.

2 Health care reform, as we all know, is an
3 incredibly complex, emotional and difficult issue. It would
4 have been very easy for this Association to leave in
5 disarray but I think that this policy that is before us is a
6 major step forward in the kind of discussion that needs to
7 take place on this issue because it indicates how close, I
8 believe, Republicans and Democrats are. I think this
9 Association will be adding significantly to the level and
10 the coherence of the debate in Congress because of this
11 action and I know how hard all of you have worked on it and
12 I just want to commend you for it.

13 GOVERNOR DEAN: Thank you, Governor McKernan.

14 Governor Jones?

15 GOVERNOR JONES: I think it's important for us to
16 realize exactly what we're doing here and I, too, want to
17 commend the bipartisan effort that has allowed us to get to
18 this point.

19 I believe, Governor Thompson, when you said that
20 this was the unified position of this group, I would insert
21 the word "minimum" position. It is the unified minimum
22 position. This is not to be perceived and certainly my vote

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1 on this should not be perceived as retreating from the
2 commitment to universal coverage, for example, which is not
3 included here because we can not get everyone's agreement
4 that universal coverage is what is necessary. So I want to
5 make certain that the press and the people all across this
6 country know that this is a unified minimum position and
7 there will be efforts to go further.

8 I would also call your attention at the
9 beginning, under Insurance Reform, when it says we "support
10 minimum federal standards that result in renewability of
11 coverage, guaranteed renewability of policies, limitations
12 on both medical underwriting and pre-existing conditions and
13 exclusions..." There will be those who will read that, I
14 think, and believe that we are all agreeing that we should
15 not have exclusions for any pre-existing conditions, that
16 all pre-existing conditions should be covered and, of
17 course, that is not possible unless you have universal
18 coverage. And the reason that is not possible is because
19 people could wait until they had a pre-existing condition
20 and then go apply for their insurance and if they were not
21 already covered they could get it at the same rate then as
22 someone else and that, of course, would absolutely bankrupt

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1 the system.

2 So I heard a call in show the other day -- I
3 think you, Governor McKernan, were on that -- and a lady
4 called in saying that as she read the policies or the health
5 care plans of other people the only one she saw that would
6 cover her pre-existing condition was the President's plan.
7 And as I recall, the answer to the question was well, we all
8 favor that and it either should be or will be or is in
9 everyone's plan. I'm not sure she was totally satisfied but
10 the truth of the matter is if, in fact, we do not have
11 universal coverage there will be many people with serious
12 pre-existing conditions that will be either unable to get
13 coverage or will be unable to afford the high cost of that
14 coverage. So we have no solved that problem.

15 But again, I would reiterate that what we are
16 agreeing to is not that this is what the plan ought to be
17 but that this is a minimum level at which we can all agree.

18 I would like to offer one additional change,
19 though, under the low income subsidies. When it says "low
20 income families and individuals will require subsidies in
21 order for us to reach the goal of universal access..." I can
22 not go on record as saying the goal is universal access

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1 because for me the goal is universal coverage. So if we
2 could find some way to eliminate the inference that that is
3 the goal I would feel much more comfortable. If, perhaps,
4 we would eliminate the words "the goal" and have it read
5 "low income families and individuals will require
6 subsidies." And eliminate the rest of the sentence and say
7 "Governors support a streamlined eligibility process for
8 these subsidies and believe that these subsidies must be
9 sufficient to make access financially available to all
10 Americans." I could certainly live with that. That is not
11 saying that we are taking a stand in favor of universal
12 coverage, which, of course, I do but some do not, but would
13 refer to it as access that is financially available to all
14 Americans.

15 GOVERNOR DEAN: Thank you, Governor Jones.

16 The language that was chosen was really meant as
17 compromise language. We did discuss this ahead of time.
18 I'm going to turn this over to Governor Campbell in a moment
19 and he'd like to use what remains of his last dying bit of
20 voice to have some further discussion about this. But I
21 think we all recognize that the word universal access is a
22 word that has been a political buzzword for some time and

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1 that people are beginning to split hairs over what that
2 means.

3 I think the best way that I could reply to your
4 concern would be to let Governor Campbell explain why he
5 chose the words "universal access" and after that
6 explanation maybe the use of the word "goal" may be more
7 palatable to those of us who understand that we really do
8 want every American to be covered.

9 Governor Campbell.

10 GOVERNOR CAMPBELL: Thank you very much, Governor
11 Dean.

12 The words "universal access" was used because to
13 cover people with insurance where there is no doctor, where
14 there are no health clinics, where, in fact, they would have
15 to go a long way to get health care if you had insurance
16 only you don't provide it. We're not concerned in talking
17 about access, Governor Jones, they would have to have
18 access.

19 I have just gone through a complete study of our
20 state trying to put in the universal access system and we
21 found that in order to do that we were going to have to use
22 the health department, move them into clinics. We were

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1 going to have to use the migrant centers to get out where we
2 can provide enough access so they'll have somewhere to go.
3 The idea of creating coverage without access is not going to
4 work and I didn't want anybody to think that we were out
5 trying to just give coverage when, in fact, they may not
6 have anywhere to go or access to anywhere to go.

7 I guess you can split hairs on it but that was
8 what our intent was. It wasn't that access meant that you
9 don't get to walk into the hospital. We mean access to the
10 basic primary care for health which people need and don't
11 have access to today. That's really what we're driving at.

12 GOVERNOR DEAN: Let me just -- I tried to make
13 clear, and perhaps I didn't, that this is an addition to the
14 NGA policy. This is not a substitute. So everything on
15 record as our policy starting more than a year ago still
16 continues and is in effect.

17 And I'd like to read once sentence from the
18 introduction to the NGA policy, which I think will allay
19 your concerns, Governor Jones. That is in the last
20 paragraph it says "The kinds of structural changes that must
21 occur in the health care system to control costs can not be
22 effective unless and until every legal resident has health

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1 insurance." So I think we are still on record in that way
2 and I would hope that we could let this amendment go forward
3 as it is written because I think it does represent a good
4 faith effort both to reaffirm current NGA policy and to
5 bring us further as the rest of this statement does.

6 GOVERNOR CAMPBELL: Could I address one more
7 point, Governor Jones? Your first sentence reads "Low
8 income families and individuals require subsidies in order
9 for us to reach the goal..." I think we could put in there
10 without doing any damage and making your point "...in order
11 for them to afford health care." That's very much better if
12 we could do that.

13 GOVERNOR JONES: I think that is better.

14 GOVERNOR ROMER: That's very much better. Could
15 we just substitute your words? That's very much better.

16 GOVERNOR CAMPBELL: I would move that amendment
17 if there's a second to it.

18 GOVERNOR THOMPSON: Why don't we just include it?

19 GOVERNOR CAMPBELL: All right. Without objection
20 we're going to include that amendment.

21 The next thing is your to adopt the policy.

22 GOVERNOR DEAN: Is there any further discussion?

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1 GOVERNOR ROMER: I just want to emphasize that
2 this is not a retreat. We have a policy. We're giving a
3 further statement than we have today and it's obvious there
4 are other issues that have yet to be addressed and we'll do
5 that in the future individually or collectively.

6 GOVERNOR DEAN: Governor Weld?

7 GOVERNOR WELD: I think this is a substantial
8 step forward. I think it's very helpful. You're absolutely
9 right, Governor Dean, it goes a little bit too far for some
10 of us and I'm sure not far enough for others. But if we
11 don't adopt and pass this thing I think people could
12 pardonably ask us why we traveled all the way to Washington
13 to peddle our food for three days in January and February.

14 GOVERNOR CAMPBELL: One more thing on this.
15 Generally when we come out of a meeting the tendency of
16 people is to focus on what we don't agree on. And your
17 walking out of here with agreement between Democrats and
18 Republicans on a large part of the health plan, not
19 everything but a large part of it, shows there is some
20 bipartisan support for trying to deal with this problem.

21 I want to commend Roy Romer and Tommy Thompson
22 and Brereton Jones and Howard Dean on the great work that

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1 you all have done. You just had to be in some of the
2 meetings to see how far apart people were to understand that
3 there is a desire to find answers. And the answer offered
4 by me may not be the same thing Howard wanted or the same
5 thing Bob Miller wanted but somewhere out of this we'll come
6 up with some answers. That is this process. And I think
7 Governor Weld was absolutely correct, it advances our
8 process dramatically.

9 GOVERNOR DEAN: Is there further discussion?

10 (No response.)

11 GOVERNOR DEAN: All those in favor of amending
12 the amendment say aye.

13 (Chorus of ayes.)

14 GOVERNOR DEAN: All those opposed.

15 (No response.)

16 GOVERNOR DEAN: The ayes have it.

17 All those in favor of amending NGA policy by
18 adding the three things that Governor Thompson initially
19 discussed in barriers to flexibility and the piece that we
20 have just adopted please say aye.

21 (Chorus of ayes.)

22 GOVERNOR DEAN: Those opposed?

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1 (No response.)

2 GOVERNOR DEAN: The ayes have it. You have
3 adopted the policy.

4 GOVERNOR THOMPSON: Thank you, Mr. Chairman.

5 GOVERNOR DEAN: Thank you very much Governor
6 Thompson and Governor Romer.

7 That concludes the plenary session. We'll see
8 you at the corporate fellows issues briefing.

9 (Whereupon, at 4:45 p.m., this session was
10 adjourned.)

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