NATIONAL GOVERNORS' ASSOCIATION

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PLENARY SESSION

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Tuesday, February 1, 1994
9:25 a.m.
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
participate at any time you would like during those
discussions. We felt that an open and free flowing format
would probably serve all of us very well.

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

   (Applause.)

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

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

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

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

Then there began to be a change in family structure and you had a large number of persons coming into the system early in life with young children and not much, if any, economic experience and thus the present situation. The statute was in need of redefinition, which we did in 1988. We said this is a reciprocal arrangement, it is not meant to be a permanent one. Society has a responsibility to help the mothers and dependent children involved and, in turn, there is a mutual responsibility to help yourself through the jobs program to get out into the regular economic mainstream: Point one.

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

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

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

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

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

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

There is also a condition of a new cadre -- is that the word? A new generation of welfare recipients who are, to a singular degree, single mothers. The Congressional Research Service has just given us a report on this that tells us the simple increase in the number of the population of never married mothers accounted for 71 percent of the families receiving AFDC during the two years. The President observed in the State of the Union message that in a decade or so we may be at the point where half the births in our country are non-marital. If that is the case the central social problem will be the successful transition of these families from dependency to independence, which is what you are about.
We want to help you. I can say to you that we can have both a health care reform bill and a welfare bill this year. The governors made an extraordinary success with the President yesterday. I have to tell you this: it's very refreshing when a President says "Oh, don't believe any of that stuff. It's just getting along and humoring the Congressional Budget Office." You made far more progress in one day yesterday than we've made in the last six months.

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

Thank you, gentlemen.

(Applause.)

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

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

Senator, as I said earlier, we ask you any time...
that you feel you want to pop into it, offer advice or ask a
question please do so.

Governor Engler.

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

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

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

There is considerable discussion in America -- as
recently as this morning USA Today carried an article about
ending welfare for single women having children. The debate
is a vigorous one nationally and it has impacted Capitol
Hill and certainly it's impacted the Administration. That's why there is a debate.

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

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

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

But when the President asked us to form a task force he specifically mentioned some elements that would need to be in any new welfare reform plan. A highlight of
that was making work pay. And this morning what I want to do is highlight some of the things we’ve done in Michigan and then open it up, as Governor Carper will, to other governors. Because I think that is the fundamental issue with welfare reform, making work pay. Work is key to any welfare. The first day that someone goes to work it brings them that much closer to the last day they’re dependent on the state.

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

The basis of making work the replacement for welfare comes through a social contract which is a requirement we ask everyone to sign up for. The premiss is that if you’re going to be on public assistance longer than 90 days, without waiting a year or even two years, we’re saying you have to be giving back. No longer do we simply just hand out a check and say that’s good enough. We’re
saying we'll help but you have to help yourself. You have
to do that by working, participating in job training or
community service for 20 hours per week.

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

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

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

We sought to eliminate some of the disincentives
that act as barriers to work. We tackled the income
disregard. Income disregard in Michigan has been changed as
a result of one of the waivers we received. We allow a
recipient to earn the first $200 and keep 100 percent of
that so there is a direct incentive. We have chosen not be
raising benefit levels. We’ve said look, we’ll remove some
of the barriers so you can go earn money to increase your
financial support. Above $200 is 20 percent of the
remainder of the earnings remains with the recipient.
That’s a continuous disregard while someone is on
assistance, the goal being to move someone off of
assistance.

As a result of that change we now have 50 percent
before that were working. We’re now up to 25 percent.

That’s just 16 months later. That’s some 50,000 families.
The national average is eight percent. And the average
earnings have been in excess of $400 so we’ve very pleased
with that.

We now seek to go further with waivers that we’re
talking to the Administration about that would allow us to
use the Earned Income Tax Credit and advance that monthly so
we could reinforce the work as it’s being done, not force
the recipient to be a taxpayer who has got to keep track of
this stuff and at the end of the year wait for a big check.

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

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

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

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

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

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

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

(Applause.)

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

As Governor Engler has mentioned, there are really four elements to welfare reform, as the President has outlined. One of those is to have limits on the amount of time that one would be eligible for welfare benefits. A
second component is to make work pay. A third component is
to ensure that non-custodial parents are making a
contribution toward the support of their children through
better child support enforcement. And, fourth, to give each
of us in our states, whether we’re from Ohio, Illinois,
Maine, Kansas or whatever, the opportunity to experiment and
to learn from one another.

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

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

One of the four elements that I mentioned in the
President’s initiative is that of child support enforcement.
That’s one of the areas where I think we’re doing a good job in my state and we would be pleased to share with you a little bit of what we’ve learned. I’m going to start out by talking for a minute or two about our work with respect to child support enforcement in Delaware and I’m going to recognize a number of other governors, starting with Governor Weld, and then go around the table to hear from other governors.

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

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

We have established through the help of our public health folks in Delaware a clinic where a gal who comes in for prenatal care also has explained to her the
opportunities and the advantages of helping us to determine who the father is of the child that she is about to have. And we see steady increases as a result of paternity determination flow out of that in other initiatives. They have now taken us to about 75 percent, three out of four pregnancies, births that have occurred to a gal who is eligible for AFDC. We know who the fathers are and are able to go after that person for child support.

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

The other thing which most of us have had the opportunity to pass along to you are a number of new initiatives that we’d like to do in Delaware. When I did that in Delaware last Thursday we talked a good bit about a new welfare reform initiative in our state which uses an innovative teen parent process where we work with the teenage mother and the child in order to break the cycle of dependency. Working on both of them at the same time.
The last thing I would mention is how we worked with computers. The person who runs child support in Delaware has a computer background, has majored in computer science in college and to a great extent she has empowered the people who work there to do a better job.

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

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

Bill Weld, from Massachusetts.

GOVERNOR WELD: One thing we've done for the past couple of years is to have the 10 most wanted poster program
where we would post the 10 highest owing deadbeat dads in
post offices around the state. That’s gotten a lot of
publicity for the duty of child support, particularly when
we nabbed a Red Sox pitcher who had fallen behind on child
support payments. Not a current one.

(Laughter.)

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

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

When you get the Social Security number on the
birth certificate on day one and you make the idea take root
that these young men are going to be paying for these
children until the children are 18 years of age you not only help on the money end but I think you may have an impact ultimately on the problem of children having children because there may be this idea of responsibility that will attach.

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

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

The other thing that’s going on in our state -- there’s a bill that’s not yet law but when we went around our state over the last two years we heard a lot of AFDC mothers say if they just had health care and day care they would go get a job. We proposed to reconfigure our welfare system to abolish the cash grant entirely and put all the
money into health care and day care and say to the recipients 'You go get a job. If you don't have a job in 90 days that's it. It's all over.'

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

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

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

Senator, would you like to comment or respond?

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

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

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

GOVERNOR THOMPSON: Thank you very much, Governor Carper.

Let me thank Senator Moynihan for being here. I am a great admirer of his leadership on this issue and I'm very happy that he has a gentleman from Wisconsin, Paul Hoffman, on his staff.
But we have been looking at welfare reform time limit of benefits for seven years and we’ve been very successful. We have led the nation as far as taking people off of welfare. When I came in as governor seven years ago we had a caseload of 100,000 cases. This past week we dropped down below 78,000. We have a 20 percent reduction when the country has gone up by 30 percent. We’ve taken more people off of welfare in the last seven years than the rest of the country combined.

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

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

Secondly: we got very tough on individuals who weren’t paying their child support checks. We started a program called Children First. We called the non-custodial parent in, usually the father. We give him a choice: go to jail or get a job. They were given 30 hours of non-
compensated community work and after about 10 days we’re finding that they usually find a job and start paying child support. And in the counties we’ve tried that and it’s gone up by 130 percent.

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

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

Anything you can do to change it that requires people to be on welfare, for the parents to work 100 hours is ridiculous. They set up another house so they can get welfare benefits, so it doesn’t work. A system that doesn’t reward initiative and individual responsibility is bound to...
fail in our society.

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

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

GOVERNOR CARPER: Thank you, Governor Thompson.

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

(Applause.)

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

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

And again, the first hearing of the Senate
Finance Committee on the President’s welfare bill. I think Governor Thompson made that connection very clearly in your proposals in Wisconsin. Health care reform will make it possible for us to move towards dissolving this whole AFDC system much more rapidly.

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

(Appause.)

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

GOVERNOR MILLER: Thank you very much, Governor.

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

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

That is why we have enacted and gotten a waiver on one of the more controversial reform measures, the so-called family cap which eliminates automatic increases in...
AFDC benefits when additional children are conceived after two years on the welfare rolls.

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

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

GOVERNOR CARPER: Thank you very much.

(Applause.)

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

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

Governor David Walters.

GOVERNOR WALTERS: Thank you.

I will be just very brief because Governor Thompson has already mentioned Learn Fare. We've joined a small number of states that now have a waiver to link AFDC receipt to school attendance. We are anxious to see how this works and we're looking forward to implementing it. It starts tomorrow. It's a three year program. It operates in
one rural city and one urban city. It covers a few thousand
kids that are in the program.

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

Let me mention two other things very briefly.
One of our Chambers of Commerce organized a program in Oklahoma. What they do is contract with businesses, they bring welfare mothers in in the morning and do piecework for the business. They give them some work training and work record. The money they make off of this employment they use to pay for the mother’s education in the afternoon. In six months they have a work record, they have some money and they have an education. It’s a great program. We’re looking for ways to expand it.

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

Thank you.

GOVERNOR CARPER: Thank you, David.

Joan Finney. We’ll have time maybe for a minute.

GOVERNOR FINNEY: On behalf of the procedure of the 10 most wanted list we’re running those on the
television and, of course, in the malls and the shopping centers. We've more than doubled our collections by this method in Kansas.

Thank you.

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

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

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

(Applause.)

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

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

To deliver the program we are going to develop a social contract concept with time limited benefits that are established in the contract spelling out the obligations of this public agency as well as the program participants. We intend to provide a case management program as a pivotal function in assessing employment needs and the employability of the recipient. Obviously, this would have the advantage of one case manager per family. The definition of a family will be based not on the number of parents or the type of disability but based solely on need. The eligibility of benefits, single payment levels, income disregarded to
encourage employment and maximum benefit levels will be 
correlated to appropriate percentages of the poverty level.

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

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

The long term portion of the program would be 
designed to assist individuals with whom employment is not
feasible or for whom an undetermined time and effort must be expended before gainful employment is achieved.

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

GOVERNOR ENGLER: Thank you.

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

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

GOVERNOR ENGLER: Thank you.

Governor Dean?

GOVERNOR DEAN: First of all, I think it's terrific that so many governors have done so much on the
benefits. I think that will help spur this on a national
level.

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

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

Governor Caperton.

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

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

GOVERNOR ENGLER: Thank you.

Governor Roberts.

GOVERNOR ROBERTS: I think as we have listened around the room today and around the table we've clearly looked at a number of the concepts of how we deal with
welfare reform. I think Zell Miller's comments today about attitudes are important. We've talked about a number of other social programs in the last few days and the effect of poverty, the effect of family breakdown and I think we have been very clear that that's an important component in dealing with other things, like alcohol and drugs and crime.

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

And I think that's the kind of thing we're looking at. If we can change family values, if we can change work values, if we can make stability in those families and still have a savings in government to do more with the prevention we all know we need so desperately. I think it's that combination we've been looking for. And I think around the table today we're hearing those success stories.
GOVERNOR ENGLER: Governor Nelson and Governor Wilson and Governor Sundlun.

GOVERNOR NELSON: Thank you, Mr. Chairman.

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

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

One of the ways we have identified in connection with time limits on payments is also to continue to provide some benefits for a period of time once they enter the work world. For example, until the health care issue is resolved many people won’t work because when they leave the welfare system they lose their Medicaid and they are not going to qualify for their employers health program for six months or so waiting period. So you’ve got more disincentives.
We’re going to continue to provide some of the benefits such as Medicaid and child care for a period of time, for another two years. We call our program the Two Plus Two, to recognize that the best way to normalize is to be able to bridge people into the work world.

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

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

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

I note that several of the states have done what California has done. We are determined to get these young women back into school. Get them to finish school. We provide, literally, a cash bonus to those that return and maintain a C average. Because if they don’t go back to school, if they drop out, have a baby and never go back to
school our experience has been that they will have more babies, that they are trapped in dependency for years and years. If they do go back they are very likely not to have another child until they graduate, the learn some marketable skills and have some realistic hope of being able to participate in the workplace.

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

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

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

GOVERNOR ENGLER: All right.

GOVERNOR THOMPSON: First, you and Governor Carper have done an excellent job. But I think what would really be helpful for the National Governors' Association is have our Association compile all of the waivers that have been given to every governor on the subject, all of the pilot programs that all of us have tried, put it into a compilation and mail it out to all the governors so that
they would have the expertise of what other states have done and they can try it and apply for these waivers. Then we can take this pamphlet or book which has got great ideas and give it to Senator Moynihan and use that as a structure for reforming welfare. I think it would be a great service to this organization.

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

(Applause.)

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

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

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

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

I think the point of the governors' discussion
this morning, for those on Capitol Hill who are watching, is that the laboratories for change are at the state level. The Administration and the Hill need to understand that. We need the tools and the flexibility to get the job done. And there’s going to be national welfare reform and it’s going to be led by the states. The national policy has to allow that.

Thank all of you for your participation.

(Applause.)

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

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

We also had another that I think is important and I wanted to call to your attention. We contracted through a
bid process with the Citibank Corporation and we're using a debit card for our food stamps. The first year savings is estimated just in the cost of mailing, not in the fraud part or anything else, just in the cost of mailing of $3 million. So there's a lot going on out there and we can learn from each other. And if we do we may be able to give Congress some things that they can put together.

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

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

You know, most families go through the day without thinking much about government but those of us in
government really shouldn't go through a day without
thinking about a family because when you look for the root
cause of all of these problems that we're dealing with you
find one thing and that's the deterioration of the family.

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

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

In the past fluctuations in the economy were
closely associated with increases and decreases in the
welfare caseload. Today -- and this is disturbing -- that
is not the trend. Today, even though our economy appears to
be in a significant upswing, there is not a corresponding
reduction in public dependency. Today the impact of the economy has been overwhelmed by the impact of social trends reflecting family breakdown and a change in values and responsibilities that we’ve traditionally associated with having children.

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

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

At the federal level the increase in the Earned Income Tax Credit is a way to do this and I compliment the President for his support in that endeavor. In our state we’re approaching it a little differently. Over the years
we've indexed retirement and other outlay programs of the
government to inflation. If state and federal governments
had done the same 20 years ago for the tax deduction that
parents take for their children that tax break would be
close to $8,000 today instead of in 1993 it was $2,350.

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

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

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

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

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

(Appause.)

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

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

(Laughter.)

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

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

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

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

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

First I'd like to speak about health care because it is an issue of great importance. I would point out that on the Finance Committee there are 11 Democrats and nine Republicans and those who are governors understand ratios on committees and what it means. It's a very good committee. It's a well balanced committee. There's not a lot of
partisanship on the Senate Finance Committee. At least I haven't noticed it over the 20-some years I've been on the committee.

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

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

(Laughter.)

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

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

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

(Laughter.)

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

(Laughter.)

SENATOR DOLE: The Democrats took the rest of it.

(Laughter.)

SENATOR DOLE: So many of us understand some of the problems that people are faced with and we understand that we need to find a solution.
But he's going to stick by the fact that we do have the best health care delivery system in the world and we ought to be proud of it. I heard somebody on TV say 'Well, Germany has a better system.' Well, I don't know. I don't see many Germans or many people from Kansas going to Germany. Maybe I've missed something but I see a lot of people from other countries coming to the United States. So I think they do have a good system but ours is pretty good too.

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

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

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

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

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

For example, many of you have concerns that our proposal does not preempt ERISA. I know that’s very important to governors. On the same end you also have
concerns with the Cooper bill, which leaves states totally responsible for the costs of acute care when it comes to Medicaid. As I learned last night, that can be a lot of money. Millions and millions and millions of dollars.

So there are a lot of things in all the bills you don’t like. If you can tell by reading the newspapers, the President seems to be flexible on global budgets and mandatory health care alliances and I think these issues -- the mandatory alliances, the global budgets, price controls -- are all going to be debated, of course. Employer mandates are all going to be debated amongst the country.

And, I might add, as a Republican, that every single Republican proposal -- And the call to action we passed yesterday resolved the problem so dramatically decided by the President last week -- and the report is in today’s People -- that people took bankruptcy to avoid some other debts.

But in any event, every single Republican proposal addressed the concerns expressed by the governors and they should address the concerns expressed by the President. We heard about the couple who lost their coverage when the husband lost his job. And let me repeat:
Every Republican bill solves that problem.

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

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

So my view is -- maybe I don’t understand it but my view is unless there’s a bipartisan bill there may not be any bill because I don’t find anybody -- and the President may have a better count than I do, he probably does have -- but I don’t know of anyone who has enough votes to pass anything right now, whether it’s the Cooper bill -- the Cooper bill has a lot of House co-sponsors but only has two
sponsors in the Senate. So we’ve got all kinds of bills.

Phil Gramm has 11 co-sponsors. Don Nickles has 25. Chafee has 23. That adds up to more than we have, of course. It means that some of us have co-sponsored more than one bill, which is not unprecedented, just in case the winds should shift.

(Laughter.)

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

I would just say this, if I could give any advice: First, to Mr. Magaziner, who hasn’t been here long: toughen up a little bit. Don’t call everybody liars because
they don't agree with what you say. He sort of had a little
attack yesterday. But it's going to be a long year and you
have to take a lot of heat in this business, as every
governor knows and as every legislator knows. And don't go
around calling people liars because they do not agree with
everything that you may have put together.

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

And despite all the talk on this issue one other
thing has not changed since we met in August. I said these
words: "Make no mistake, we still have much to learn on this
issue." And, as I said, today we have our first hearing.

We're going to hear from consumers and providers and
businesses and governors and state legislators and everybody
else in America who wants to be heard.

Senator Moynihan announced the hearing schedule.

It takes us up to April and maybe even through May. Then
you get into what we call the mark up and then we get into an August recess and it looks like health care is going to be up in maybe September or maybe later.

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

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

(Laughter.)

SENATOR DOLE: So I’ve heard your debate a lot and I know what you think about what we’re doing on crime. One governor even said they’re acting like politicians. I
couldn't believe it coming from a governor.

(Laughter.)

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

I listened to the resolution offered I think by Governor Wilson and then by Governor Hunt and we understand that we need to tighten up some of our provisions. Let me say right up front that we don't believe, at least most of us don't believe that just locking people up and throwing away the key will solve the crime problem by itself. And I noted a lot of consternation and disagreement, Governor
Leavitt and others, about the federal prisons. About $3 billion for 10 regional prisons. It's not a mandate that you send a state violent criminal. You don't have to send anybody. But if you do you need to pass a truth in sentencing law. Maybe that's not fair to ask but it does seem to many that at least they ought to serve 85 percent of their sentence.

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

So we understand the impact it has. They couldn't have committed another crime and that's why we make incarceration
a top priority.

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

You're on the firing line. We're a little far removed. We're dealing with federal crimes and you're dealing with many others. So again, having had the chance to meet a little bit on crime I think I'm well aware of your concerns and will try to reflect those concerns in the conference. But we have passed a bill -- you talk about bipartisanship -- and I think eventually maybe the health care bill will have about the same vote if we do it right -- the crime bill passed the Senate by a vote of 94 to 4.

That's got to be fairly bipartisan. It also indicates the Senate feels very strongly about it. Democrats and Republicans feel very strongly about it.

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

Now, one idea that was taken off the local level was the idea of buying back guns with cash, with toys, with clothes. Even with tickets for sporting events. In Chicago more than 1,000 weapons, including a projectile launcher, were recently exchanged in a guns for shoes program sponsored by the Footlocker company and the Chicagoland Chamber of Commerce. Last Christmas all America cheered a young man named Fernando Mateo, a New York City carpet store owner who initiated his own toys for guns program. The jury is still out, some may agree or some may disagree, whether this works at all. But, as skeptical New York City Police Chief Raymond Kelly recently put it, "I’m converted. I’m a believer."
I'm a believer too and I'm going to introduce some legislation later today that will lend a helping hand to these local initiatives by establishing a federal gun buy back program administered by the Attorney General. Under this program the federal government will match local and state buy back efforts on a dollar for dollar basis. The purpose of the program is not to supplant state and local efforts but to assist them with supplemental funding. $15 million for fiscal 1994 and another $15 million for fiscal 1995. And once the local effort gets off the ground the federal government can step in with additional funding.

If you add up all the numbers and you tell us there's 200 million guns out there, that this may only be a drop in the bucket and this, if it works, may take a million guns off the street. This might be a very small step and happen over the next two years. It's not going to stop crime. Not by a long shot. We can raise legitimate questions, and will raise legitimate questions about the mechanics of the buy back programs and these questions must be answered. But I have the view that the war on crime will not end with one big step. It's going to take a lot of little steps and this is a very little step. Many, many
small steps taken and the local level, the state level and
the federal level. And I think Congress has their own
place.

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

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

As I said, you’ve been tackling this problem head
on for years with programs to impose tougher work
requirements and recognize that for both the financial and
social heads of welfare families it's got to be done.

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

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

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

As we work on legislation this spring it seems
that our top priority ought to be to stay out of your way. That ought to be the top priority of the Congress and the federal government, to stay out of your way and not try to impose a one size fits all system on all the states across America.

(Appause.)

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

(Appause.)

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

So I just touch on those three major issues. And I would say also this, as I conclude my remarks: I think it’s fair to say, and you deal with legislators maybe more
than you like, depending on the make up of your legislature, we happen to be in the minority, Republicans in the Congress. We have 44 Republican senators. The Democrats have 56. The rules are a bit different in the Senate so sometimes we're able to bring about change in the Senate and change things generally on a bipartisan basis but sometimes not on a bipartisan basis.

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

(Applause.)

SENATOR DOLE: Again, I say thank you for the amendment, or whatever it was. I don't know what the
procedure us here but you adopted something here yesterday on health care.

(Laughter.)

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

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

Thank you very much.

(Applause.)

GOVERNOR CAMPBELL: A couple of governors said they had some questions. Senator Dole said he would take questions for a moment or two. I believe Governor McKernan had a question and Governor Jones has a question. We can go from there.
GOVERNOR MC KERNAN: Senator, first I'd like to commend you on a wonderful speech. We may make you an honorary member of this Association after listening to you. You certainly understand the governors point of view.

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

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

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

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

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

GOVERNOR CAMPBELL: Governor Jones?

GOVERNOR JONES: Senator Dole, I share the view of all governors here that I express my appreciation to you for your accessibility to this organization and your call for bipartisan cooperation as we address these very, very fundamental and important issues.
When we were in Oklahoma for our conference you gave a very good speech relative to health care. I recall when it was over I recognized that you had not mentioned universal coverage in the speech and asked you at that time if you favored universal coverage. I was very pleased with your answer that you did and, as I think most of us do, trying to get coverage for all people.

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

If, in fact, we say that universal coverage must not exist in order to solve this problem but that we will make it illegal to discriminate because of a pre-existing condition then obviously a person, particularly young people, would not be inclined to buy insurance until they thought they needed it. After you are diagnosed with prostate cancer then you go out and buy your insurance. Of
course, if that happens the whole system will fall apart.

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

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

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

But again, I think once we get into the hearings there are a lot of very bright people who are going to be testifying before us, including many from the governors' conference, I hope. We may be able to resolve some of these
issues that look impossible now because we haven’t started.

We’re starting today.

And I hope we can reconcile the problem you have.

I was just citing the fact that the President cited 81 million people. We believe we could do the same through insurance reform.

And we’re going to work together. It seems to me, as I’ve said, that you’ve got to say it’s a crisis to satisfy the New York Times well, go ahead. I’m not trying to satisfy the New York Times. We don’t read many of those out in Kansas. But I think we ought to drop the theatrics and talk about the problem. We have serious problems in health care. We have them in our state and every state represented here. We can talk all year about whether it’s a crisis. Now, whether it is or not we’re all prepared to work towards health care reform. But if we had to take a litmus test if we don’t want to call it a crisis does that mean we’re opposed to health care reform? Certainly not.

I agree with Senator Moynihan, we may have a crisis in other areas but not in health care.

GOVERNOR JONES: Senator, excuse me just a second. If I may follow up with that question just a minute
because the issue of whether it is or is not a crisis I
think is another issue. But I’m having difficulty in
understanding how you can deal with a pre-existing question
if, in fact, you don’t deal with the coverage question.

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

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

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

GOVERNOR WAIHEE: No.

SENATOR DOLE: So we’re going to be with the
Governor.

(Laughter.)

GOVERNOR WAIHEE: We’ve got 98 percent, though.

SENATOR DOLE: It’s a good start.

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

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

SENATOR DOLE: As I have said, I watched this on C-Span. I heard the specific concerns of a number of governors on that provision. We haven't gone to conference yet. The House hasn't passed the bill so there's still plenty of time. We're trying to make certain that we don't have these people back on the street again and we find that in some states you don't serve much of your time for rape or murder, as much as you should. One thing about incarceration is it works. You're not committing crimes if you're locked up. So I guess maybe we're overtaken by that
We'd be happy to try to resolve any differences. If you can give us any specific recommendations you have?

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

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

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

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

GOVERNOR FINNEY: Senator, as you know, we don't have any data relating to individual criminals and on these
criminals how many are repeat offenders. What we need is a
database so I’m going to ask your help in establishing
something so that we’ll have a national database on the
number of crimes that are committed by each criminal, how
many times they’re in and out.

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

GOVERNOR FINNEY: With Dr. Coke. So we’ll visit
with you about that.

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

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

GOVERNOR FINNEY: Thank you.

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

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

About 11 years ago I showed up in Washington as a
fresenman congressman, in December of 1982, and my recollection of orientation for freshmen congressmen is that, A: they took the Democrats and sent us off in one direction and they took the Republicans and they sent them off in the other direction, never the twain should meet. I was struck by the difference between that and the way we orient new governors.

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

A reporter said to me during an interview earlier this morning, the guy said 'Is it my imagination or is the federal government becoming less relevant and the state government becoming more relevant?' I said 'I don't know if that's the case.' But when you talked about the need for bipartisan support you struck a cord here, a nerve. And I don't know if you heard the applause but we've got to set
aside our partisan differences to some extent. We have to
lower that temperature here in Washington. The reason why
state government is working and why we work as an
association is because we set aside the politics and we
simply work together to solve our problems. We need to do
that here in Washington. I am encouraged from what you said
here today. To spread throughout the capitol. To the
extent that it does it makes all our lives easier.

(Applause.)

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

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

I certainly share your view and I think the
governors, maybe as chief executives you have a little
different view. I don't know how your state legislators
relate but we now bring everybody together on the Senate side. We have an orientation program for all members regardless of party, all new members. So we have changed since you arrived 11 years ago.

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

GOVERNOR CAMPBELL: A final question.

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

Yesterday when the governors met with the President I suggested and Governor Wilson agreed and we’ve talked since then about the potential of a summit between
the White House, the state house, city hall and Capitol Hill
to talk about mandates. To talk a little bit about what we
can do. We're talking about something that's comparable to
what the nation's governors did with President Bush on the
education goals to try to establish some goals and to talk
about how we can work together rather than get at cross
purposes. There are no villains here, it's just the way
that the system has worked in the past.

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

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

And there are a lot of states in the United

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

(Applause.)

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

SENATOR DOLE: Under our plan we have an individual mandate. The President, when he talked to us, I think last January 17th, he talked about health care -- in
the State of the Union, he talked about health care. He listed six goals or six areas. Number six was responsibility. I kind of thought that should have been number one.

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

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

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

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

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

Thank you very much.

(Applause.)

GOVERNOR DEAN: Senator Dole, we thank you very, very much for the bipartisan spirit of your remarks. We
look forward to working with you and other members of Congress as this goes on.

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

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

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

Governor Sullivan.

GOVERNOR SULLIVAN: The Committee on Economic
Development and Commerce reviewed a mission statement on telecommunications, released a study on business incentives. The committee also formed a working group on insurance regulations to meet with state insurance commissioners and the National Association of Insurance Commissioners to discuss the state accreditation programs. Any governors wishing to participate in that insurance work group please contact Governor Branstad, myself or the committee staff.

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

Mr. Chairman, the Committee adopted amendments to policies Military Base Disposal and Reuse and GATT negotiations and re-approved three new policies, Motor Carrier Transportation Safety, National Highway System and
the sale of lottery tickets by private companies. Those items are before you, Mr. Chairman. The policies were agreed to unanimously and I move their adoption en bloc.

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

VOICE: Second.

GOVERNOR DEAN: Any discussion?

The Governor from Wisconsin.

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

GOVERNOR DEAN: Thank you, Governor Thompson.

Further discussion?

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(No response.)

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

(Chorus of ayes.)

GOVERNOR DEAN: Opposed by saying no.

(Chorus of no’s.)

GOVERNOR DEAN: The ayes have it. We’re adopting the amendments and policies.

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

GOVERNOR WILSON: Thank you, Mr. Chairman.

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

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

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

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

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

HR 14 is a policy enacted by the chair urging Congress to enact legislation excluding prison inmates under the Fair Labor Standards Act. The specific problem this addresses is efforts by some federal court judges to impose minimum wage requirements upon prison administrators, the theory being that they are compelled to pay minimum age under the Fair Labor Standards Act. If that were upheld it would have the effect, we were told by a number of prison administrators, of virtually ending work programs, adding greatly to the idleness of inmates and, they think, the danger of insurrection within the prison system.
HR 15 is the resolution that relates to the community policing and to the regional prisons. The sense of this was essentially to be neutral with respect to the inducements offered by the federal government but to very strongly call out the need for state flexibility, for state discretion in the administration of any policies related to the criminal justice system.

I would offer the eight resolutions en bloc.

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

Is there a second?

VOICE: Second.

GOVERNOR DEAN: Further discussion? Governor Roberts.

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

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

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

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

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

GOVERNOR DEAN: Thank you, Governor. I suspect
the committee will be very willing to take a look at that.

Further comments? Governor Carnahan.

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

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

GOVERNOR DEAN: Thank you, Governor Carnahan. I was personally very heartened by Senator Dole's notation.
There are many governors who feel exactly that way about that issue on that bill.

Further comments?

(No response.)

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

(Chorus of ayes.)

GOVERNOR DEAN: Opposed no.

(No response.)

GOVERNOR DEAN: The ayes have it.

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

GOVERNOR MILLER: Thank you, Mr. Chairman.

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

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

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

I move the adoption of those four.

GOVERNOR DEAN: Is there a second?

VOICE: Second.

GOVERNOR DEAN: Thank you very much.

Governor Engler.

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

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

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

Working back through that, my first impression is that it's a little bit a walk in the dark, actually, in
terms of how we get from where we think we are with cleaned
up standards to that. So I hope we can put that as a
policy.

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

GOVERNOR DEAN: Further comments?

Governor Allen.

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

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

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

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

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

Are we ready for the question? Governor Roberts?

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

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

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

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

(Chorus of ayes.)

GOVERNOR DEAN: Those opposed say no.

(Chorus of no's.)

GOVERNOR DEAN: Let me restate the question. Governor Allen has the right, and it's not subject to a vote, to ask that anything be separated out. So he has asked here to do that. I think the rest of it is non-controversial. We will then vote on whether we should reaffirm NGA policy. That may be controversial.
So, having explained that, I would like to clarify the vote. If you want to have a split vote it's all right with me but this is meant to be the non-controversial part.

(Laughter.)

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

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

(Laughter.)

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

GOVERNOR ALLEN: Yes. I would like to confine it.
to clean air.

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

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

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

Governor Richards.

GOVERNOR RICHARDS: This is obviously a tempest in a teapot. What's happening here is a matter of semantics. Any governor is free to do anything they want to do in their states about these individual issues. If you start winnowing these out one by one you're going to turn this body into what we have avoided all these years and that is for whatever is the specific purpose of any individual member to try to dramatically highlight it or something. We're here more for cooperation than we are for grandstanding. I'm just saying to you I know you have to follow whatever is necessary as a presiding officer but in the interest of bipartisanship and harmony I am urging you just to try to get the thing passed and recognize this is a
semantic thing. It is not writing in stone what each of us intends to do in our own state.

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

Governor Thompson.

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

(Chorus of ayes.)

GOVERNOR THOMPSON: Opposed signify by saying no.

(No response.)

GOVERNOR THOMPSON: The ayes certainly have it. Now, the portion that's separated on the clean air and agriculture is a separate vote that is requested on each of those items.

Governor Roberts?

GOVERNOR ROBERTS: If I might, I'm not going to
go through the time to raise my concern. I raised a very serious concern that many members of the committee agreed with yesterday. Governor Miller was very clear that what we were doing was making sure that we had a policy on the books, that we had a resolution that represented the policy of this Association and that it did not represent our current thinking on some of the details of that policy.

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

GOVERNOR THOMPSON: The chairman has already indicated that he would, Governor Roberts. I appreciate your withdrawing your request. Therefore, the only request on the floor is the one by Governor Allen, who would like to separate the existing NGA policy on clean air and is requesting a vote on that. Is that correct or would you
agree with Governor Miller to allow it to be taken up at the summer meeting.

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

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

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

GOVERNOR THOMPSON: The motion in front of you, which you're voting on, if you vote aye you're voting to keep the current NGA policy with the understanding that Governor Miller, it would be taken up in the summer meeting.
If you wanted out of the existing NGA policy you would be voting no. Is that understood by everybody?

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

(Chorus of ayes.)

GOVERNOR THOMPSON: Opposed signify by saying nay.

(Chorus of no’s.)

GOVERNOR THOMPSON: The ayes clearly have it.

The ayes have it.

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

GOVERNOR FORDICE: Thank you, Governor Thompson.

In taking the lead from Governor Campbell’s agenda, our State Management Task Force priority this year is technology in government. This will be a main focus of the annual meeting in Boston next July. The task force has four major activities planned. I’ll briefly outline the first two and Co-Chairman Mel Carnahan will describe the others.
Building on the excellent work of this task force last year, we will continue to track governors' initiatives to redesign government. This year we'll put special emphasis on privatization, a subject dear to my heart and to many other governors. We invite you to submit write ups of your initiatives. We'll highlight them in NGA management briefs and weekly governors executive reports. We have an example from my state in front of all of you. Please take these videos home and look at them. There is a brochure about an illiteracy program that we have committed to interactive satellite technology. You're welcome to take those home with you.

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

GOVERNOR THOMPSON: I think we'd better go to hold. Thank you very much, Governor Fordice, for your
Governor Carnahan, if you want to add anything you’ll have to wait until after the President speaks. He is here. We will remain in recess for a few seconds.

(Brief recess.)

(Applause.)

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

President Clinton has been a good friend to governors and to states and the time he has spent with us during these meetings proves that he has not abandoned his ties to this organization and to us. We appreciate that. Throughout his years in state government, the President learned firsthand the value of states as
laboratories of democracy, which have the flexibility to
tailor programs to diverse needs. Good public policy must
be alive, vibrant and dynamic and that begs for less federal
prescription.

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

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

And I know that the Midwest governors, who
suffered devastating losses due to the 500 year flood, and
Governor Wilson, in the wake of the Los Angeles earthquake,
are grateful for the rapid response of the President's
administration in seeking to deliver the disaster relief. Having been through Hurricane Hugo, I know what a wrenching experience you went through.

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

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

(Applause.)

PRESIDENT CLINTON: Thank you very much.

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

(Laughter.)

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

I want to thank you all for being here and for your common concerns. Yesterday we had a good meeting.
especially, I thought, a very good discussion about the
problem of crime in our country and the crime bill, the
necessity to put more well trained police officers on our
streets and to take repeat violent criminals off the streets
forever. But also, the necessity to be smart about crime.
To do things that make sense to you and your law enforcement
officials.

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

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

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in the area of welfare reform.

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

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

We clearly have a system, as our SBA director, Erskine Bowles, of North Carolina, never tires of telling
me, where small businesses have premiums that are, on average, 35 percent higher than large businesses or government. We have a system in which state budgets have been extraordinarily burdened by the exploding costs of their Medicaid match so that last year, for the first time ever, states spent more money on health care than on state funded higher education.

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

Finally, we have a system in which three out of four insurance policies have lifetime limits, which means if you get really sick you might run out of insurance in the middle of the time when you need it most.
Now, those are facts. They can be seen in the

million letters, almost, that the First Lady has received

since we started this whole effort to deal with health care.

On the way in I was describing briefly to Governor Campbell

a letter I got, or she got from Joanne Austeen, of Sumpter,

South Carolina, who owns a small business, works six days a

week, raised three children by herself with diabetes and

arthritis. Although she had diabetes and arthritis when she

wrote us she hadn't been to the hospital one time in the 12

years that she had been with her insurers but her insurance

rates went up to $306 a month, even though she was taking

home only $205 a week from her business. He doctors told

her that the answer was quit and go on disability so she

wrote "Those high premiums are going to force people like me

to the welfare and food stamp lines with no insurance. I'm

a proud American and I don't want this to happen to me. I

have thought about nothing but this problem and I don't know

where to turn."

Well, I think we ought to heed her call for help.

A lot of you do too and that's why you've tried to reform

you health care systems. After all, this woman has values

that keep this country together. They're the ones that
built our nation and we shouldn't force people like that to consider seriously whether they should go onto public assistance in order to take care of their children.

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

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

So these two issues are clearly tied together and we need to see them together as a part of what it would take
to make America a place where people who work hard, play by
the rules, and believe in the kind of values that permeate
the efforts that all the governors around this table are
making, are rewarded for that.

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

But the welfare system has a lot of other
problems as well. Too often it still rewards values other
than family and personal responsibility. Instead of
encouraging those to stay together as we should it often
encourages families to break apart. Instead of encouraging
children who have children to live with their parents or
grandparents it often encourages them to leave home.
Instead of enforcing child support and asking those who
bring children into the world to take responsibility for
them it too often ignores -- it's too difficult to collect
the $34 billion absent parents should be paying to their
children.

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

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

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

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

(Laughter.)

PRESIDENT CLINTON: We never fully implemented
that act; you know it and I know it. So we ought to begin
asking ourselves did we do a good job then? What progress
has been made in the states? There is a lot of evidence
that significant progress has been made in the states that
have been most aggressive. Why was it never fully
implemented? Partly because Congress never fully funded it;
partly because, as you’ll never hear the end of it, they’ll
say well, but the states never fully used all the money we
came up with. The states must not have really cared about
this because they never provided the state match to use all
the funds. You know why the states never provided the state
match -- you had to spend all your money making the Medicaid
match, which was not optional; it was mandatory. And
building prison cells. That’s where we spent all of our new
money in the 1980s and the early ’90s.

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

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

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

Let me say just a few words about health care. I am encouraged by what I understand was said by the speakers before I got here today. And, again, I wish I could keep you in constant session here. You seem to have a leavening effect on the political weather in the Nation's Capital.
is the only way we'll ever be able to control the cost of this system. A simplified system to provide the American people with the security of health benefits that can never be taken away. Unless we do that, too many will continue to get their care in emergency rooms, which will add billions of dollars to the health care bills.

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

One of the things that I challenge all of the folks to do who believe that the beginning of health care reform is to tax the benefits of middle class workers who have generous health care packages is to say how can we do that, how can we start with that when we know we have a system where we spend 10 percent more on paperwork bureaucracy and insurance premiums than any other nation in the world. And these things have nothing to do with health care.
care. We just have a system that is organized so that we spend a dime on a dollar more on paperwork than any other country in the world. Paperwork in the insurance office; paperwork in the hospitals; paperwork in the doctors office.

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

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

(Appause.)

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

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

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

Now, in spite of some of the interesting art work that's been seen in the last couple of weeks, the Washington Post said that our approach would create, and I quote: "A surprisingly simple world for consumers." You make a decision once a year among at least three plans based on what you want. I wish we could have even more choice. We haven't figured out how to do that yet. But federal employees have a great deal. For example, many of you in
the states have given your state employees more and more choices. And because you have market power you can do that, which is why you have to give some framework for the small businesses to have the same market power that big business and government does.

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

We learned from Minnesota that health care cost targets can be set and met through strong leadership, market forces, competition and high quality. And I'd like to say, Governor Carlson, that the Mayo Clinic, if there were no other example in this country, and there are, if you just
take that one example it is a sterling and a stunning review
to those who say you can not provide the world's highest
class health care and control costs.

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

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

(Applause.)

PRESIDENT CLINTON: We also learned that better
tracking of costs and outcomes improves the quality and
lowers the cost. This is an amazing thing they did and our
approach encompasses this. Whatever the Congress does this
should be a part of it. Pennsylvania actually took the time
to study and report on the cost of different procedures in
different hospitals in different parts of the state and then
measured the cost against the results proving that there was
not a necessary connection in many areas between cost and
quality, and changing the whole environment in terms of what
the consumers could then ask for and get. This sounds like
a simple thing but in a system this complicated this
information, available in a way that people can act on it,
is a rarity, not the rule, in American health care.

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

Now, what normally happens around here is that
everybody gives their speeches and then we have Washington-
style reform where we tinker at the edges, expand the
Medicaid program for a little bit -- that's what we've been
doing for years. Sort of backing toward universal coverage
by expanding Medicaid mandates and then at the same time we
try to ratchet down federal spending a little more and pass
some other incremental reforms. You know what's going to
happen. We do that, more mandates on you and less money for
you to pay them. That's what's going to happen. More state
money put into a system that is fundamentally broken,
without enough security, where someone else is making the fundamental policy decisions.

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

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

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

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

So I ask you to help us do this. You all differ among yourselves, we have some differences with you. That’s fine. That’s good. That’s what this is all about. But I remember in 1987-88 we were struggling to deal with welfare reform and every governor in the country wanted to do something about it and the political rhetoric. So the governors were converging around an issue but the political rhetoric in Washington was diverging right and left. We sat
around here and talked, we tried to get agreement on a policy position. Governor Campbell had just left the Congress where he had been the minority leader of the subcommittee that dealt with welfare and he said to the Democrats and Republicans alike, 'Look, I had to go talk to a bunch of people on welfare and here is the way this works. Here is the intersection of welfare, health care, the whole thing.' It was an incredible moment where all of us had to say this is not about rhetoric, this is about real people. And we went on and passed the Family Support Act, which Senator Moynihan said was the most significant piece of social reform in the welfare area in three decades.

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

Thank you very much.

(Applause.)

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

Governor Carnahan.

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

The State Management Task Force works very much in sync with the effort to reinvent government so what we're trying to do is to use technology to reduce costs of government and deliver better service. So what we're looking for are other examples in this area. We're linking up technology between elementary and secondary education.
higher education, libraries and state agencies and we're also intent on using electronic benefits transfer in the welfare area, using smart cards to do a whole array of services between people and their government. We believe there is great possibilities there. We're instituting that in the area of the welfare system.

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

Thank you very much, Mr. Chairman.

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

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

Governor Voinovich.

GOVERNOR VOINOVICH: Thank you, Mr. Chairman.

Governor Sundlun and I have been working on this issue of federalism and unfunded mandates since our meeting in Tulsa and we've made some real progress. We had a very
good meeting yesterday with Senator Glenn and Senator Roth. It appears they’re getting the message. I think the points I’d like to make to all of you is that it’s very, very important that we work with our local officials in developing a consensus on what it is that we want out of Congress. I met last week with the big seven. In spite of the fact that two of them have come out for the Kempthorne bill, they have agreed with us that they will work with us to develop a set of principles that we can all agree on.

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

I think the good news is that local governments finally have gotten the message. In fact, Senator Roth yesterday said something very interesting. He said that now that the local governments are picking up about 12 percent of their general revenue funds on mandates, and in five years it will be one out of four dollars, they have less money to provide services to their citizens, including...
police protection. He said 'Here we are with mandates, loading them up with additional costs so they can't provide basic police protection on the state level.' You and I know either your taxes are going up or you're spending less money for higher education, secondary, primary education and so forth.

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

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

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

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

Thank you.

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

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

As Governor Voinovich said, the senators yesterday wanted us to talk to our municipalities but the problem is in the Congress. I ask you to lobby your Congressional delegation. There are four things that we would ask you to ask them to do. Number one: to pass an unfunded mandate relief bill that requires a real cost analysis and reimbursement of costs. The President has
asked for that in an executive order on October 26th but we need help in the Congress.

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

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

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

We should help him try and get those things passed in order to get the monkey off our back. The
President, if you remember, on the day before inauguration, when he talked to the governors at the Library of Congress, said we should ask, seek and knock if we expect to receive things from the White House. We’ve done that. He’s asking us now to give it a full blown NGA try and asks for determination in the Congress.

Thank you, Mr. Chairman.

GOVERNOR CAMPBELL: Thank you, Governor Sundlun.

I’d like to call on Governor Engler for a motion.

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

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

(Chorus of ayes.)

GOVERNOR CAMPBELL: Opposed, no.

(No response.)

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

The next motion is a motion for the suspension of
the rules, a motion that the rules be suspended. All those
in favor indicate by saying aye.

(Chorus of ayes.)

GOVERNOR CAMPBELL: Any opposed?

(No response.)

GOVERNOR CAMPBELL: The rules are suspended.

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

VOICES: So moved.

VOICES: Second.

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

(Chorus of ayes.)

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

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

(Chorus of ayes.)

GOVERNOR CAMPBELL: That is all accomplished now.

As we come to the end of this session I want to
thank everyone for the job that they have done. I want to
say how glad we were that Governor Casey is back with us. And I know that all of our concerns and prayers are with Governor King because of his son's accident. He had to leave. And I thank everybody for the way that they have contributed to what we have done.

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

There being no further business we stand adjourned.

(Applause.)

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

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.
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
Governor from Maine offer such a motion?

GOVERNOR MC KERNAN: So moved.

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

GOVERNOR MILLER: I second it.

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

(Chorus of ayes.)

GOVERNOR CAMPBELL: Any opposed, no.

(No response.)

GOVERNOR CAMPBELL: The rules of procedure are adopted.

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

Note that a copy of any proposal to suspend the
rules must be given to Jim Martin of the National Governors' Association staff no later than 5:00 p.m. Monday. If anything comes in after that then it would not be eligible. I'd also like to remind the governors that the policy on federal barriers to state health care reform will be considered and voted upon by the full Association at the Monday plenary session.

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

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

Last summer I was pleased to welcome City Year to Columbia and I look forward to building a network of service
programs throughout our state so that community service
becomes a common expectation and experience of every person
growing up in South Carolina.

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

(Applause.)

GOVERNOR CAMPBELL: I would like to tell you that
these young people are representatives of the more than
30,000 young people who currently serve in youth corps
across this country. I encourage you to take the
opportunity to talk to these young people during this
conference.
You know, with the problems that we see in youth it is so good to see most of the youth doing the right thing to help other people. And we are just delighted that they are with us today.

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

But there is no problem that looms larger for governors than the crisis surrounding the American family. Drug abuse, teenage pregnancies, teenage drop outs, juvenile crime: these are all symptoms of the disease that is threatening the health of the American family. And too often government itself can undermine families and drain their resources. For instance, we have not kept the personal exemption for children up with inflation like we did every other program that we indexed to inflation. And
we put pressure on families. In our state we're seeking to
double the personal exemption for children under the age of
six to take that pressure off.

    We should bolster family finances and help
educate the children, improve public safety and support
those in need just enough so they won't always need that
support. That is why it was governors who demanded that the
nation's education goals span not just from grade one to
grade 12 but literally from the cradle to the grave.

Education can not start at age six and end at 18 or 20 to be
effective. Really, what we have to do is have a goal of
education that goes on for a lifetime. Prenatal, parental,
young children, school children, school to work job training
and re-training: it must go on for a lifetime.

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

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

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

Dave’s leadership on this issue led me to propose a new adoption incentive in South Carolina for state
employees. We will build families in our state by paying
direct costs of up to $5,000 for state employees to adopt or
up to $10,000 for those adopting a child with special needs.
We have asked that the business community in our state
extend similar financial support to their employees who
adopt.

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

(Laughter.)

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

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

Mr. Thomas.

(Appplause.)

MR. THOMAS: Thank you, ladies and gentlemen.

It’s an honor to be here.

You know how I got started was that I really feel
that every child, boy and girl, deserves a home and love.
There are thousands today that need a home and love so that's why I'm here.

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

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

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

(Laughter.)

MR. THOMAS: My son called me up and said "Dad, don't be late." Now, I have five children -- I have four
daughters and one son -- but as I went out and talked to high school students about America, the greatest country in the world, you know, as I used to tell people: "I never had the spoon, let alone a silver spoon." But you can be poor and you can become rich in America and I think all of you can agree with that. Don't you agree?

(Applause.)

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

(Video shown.)

(Applause.)

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

Now, the National Adoption Center says we have over 100,000 special needs children out there. I hope that every state will put this benefit package in and I know a
lot of you have it now, some sort of one. And I not telling
you how much or mandates or anything like that, I’m just
asking. And I hope the federal government will see fit too,
so maybe you can help me there. In the private sector we’re
still working hard there because we have about 18 percent
and that’s not good enough.

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

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

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

The adoption people tell me, the social workers,
the more I talk about it, the more awareness, the more
things are happening. So I’m really not an expert on this.
I'm still trying to sell hamburgers and sandwiches and commercials are something I do. I didn't give up my day job.

(Laughter.)

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

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

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

(Laughter.)

MR. THOMAS: I don't know if that makes sense to
you or not.

(Laughter.)

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

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

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

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

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

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

And thank you very much.

(Applause.)

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

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

(Applause.)

GOVERNOR CAMPBELL: We now turn our attention to the nation's six education goals. While the majority of the governors that are sitting here today did not participate in
the historic summit with the governors and then-President
Bush in Charlottesville, a number did. And it's clear that
the goals have provided an important focal point for
education reform at the local, state and federal levels.

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

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

Governor Hunt and Governor Edgar, I will turn
this program over to you at this time.

GOVERNOR EDGAR: Thank you, Governor Campbell.

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

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

There was a politician -- and I use that word in a very positive sense -- from Illinois by the name of ACE-FEDERAL REPORTERS, INC.
Abraham Lincoln a few years ago. Mr. Lincoln, as a candidate for the state legislature said, and this was in the early 1800’s, that education is the most important subject that we as people can be engaged in.

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

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

GOVERNOR HUNT: Thank you, Governor.

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

I have been a governor before Charlottesville and it is my privilege to be a Governor of North Carolina after
that. I can tell you, I have been watching all of this very, very carefully. I want to commend my colleagues here and the governors across this country during these years who have played a major role in pushing for school reform, in changing our schools. Under the leadership of the governors almost every state in America -- I guess you could say every state has taken a major step toward raising standards and reforming schools.

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

I want to present the first, who is Governor Roy Romer, of Colorado. He was the first chair of the Goals panel but we all know he has been a terrific leader in his own state. More than that, he has been kind enough to go around to states around this country talking to educators
and business people and citizen leaders of all kinds urging us to really look at this hard and understand the worldwide competitive situation we're in, how we have to raise the bar, as he is fond of saying, and the kinds of changes that have to flow, and the kinds of changes it's going to take.

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

GOVERNOR ROMER: Thank you very much.

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

We have underway in this nation, and in many of the states, some very good work of developing educational standards. In one sentence this is what a youngster should know and be able to do. I want to quickly distinguish the standards that we have been working on from the OBE, or the Outcome Based Education. The standards we are talking about, in reference to the members of the Goals panel, are hard content standards. What is a youngster supposed to
know and be able to do to be a successful citizen. The best illustration out there in America are those in math. The National Council of Teachers of Math -- Now, we are developing standards not just in math but in science, geography, history and english. They will be available in some model form within the next six to nine months and then each state will have the opportunity to take it to every school district and have people really participate in the development of these standards.

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

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

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

That’s a very basic philosophical statement.

So, to conclude this I’d like to mention the Goals 2000 Bill, which has received bipartisan support in the House and the Senate and it is a bill which will enable the states and local districts to do what needs to be done to give themselves the ability to shape these standards, to begin to develop the right kind of assessments and to begin
to make the systemic reform in education that will bring
them about.

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

Governor McKernan?

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

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

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

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

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

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

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

But there are a number of problems that have been identified. Half of America's babies are at risk. 63 percent of our youngsters are not immunized by age two. Parents, even educated parents do not read enough to their
kids in the 1990s. Students don't feel safe in our schools. Our plan for this year is to look at some of these problem areas and figure out how we can do a better job of looking at ways to improve the situation.

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

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

Ken, if you could stand.

(Applause.)

GOVERNOR MC KERNAN: He heads the panel staff.
We are there to answer any of your questions, help you with any data, any ideas you may need on how to improve your own educational system.

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

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

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

As has been indicated by Governor McKernan, we are not doing well enough. We know that. As we think about our economy, and governors do that a lot, we know that, the truth is these are goals that we have set for ourselves as Americans but the strategies and the decisions and the
energy and the hard work to achieve them have to come in the states and the local areas. That's what an awful lot of us have been spending an awful lot of our time working at.

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

So we have by statute, at my urging, established something called our State Commission on Education Standards and Accountability. That commission is going around the state listening to employers from the private sector and the public sector tell us what their employees need to know and be able to do. Then we're going to make sure that our
standards reflect those and develop those new assessments that Governor Romer was talking about a minute ago to make sure they are the right ones and that we are measuring them in the right way and that we can use them.

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

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

Governor?

GOVERNOR CARPER: Thank you very much, Governor.

Some of you knew my predecessor, Mike Castle, who is now a freshman congressman in Washington. Mike was smart enough to hire a guy named Pat Forgione, who worked, I think, with Roy and others as he developed the national goals. Pat has been not really our secretary of education;
we don’t have a secretary of education. We have a state board of education appointed by the governor and confirmed by the senate and they hire the person who is really our secretary of education. They hired Pat a couple of years ago and I had the good fortune of coming in in his administration.

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

We built a sandwich and tell the people all over the state how we’re building that sandwich. I know some of you have talked about the sandwich in the past. Two pieces of bread, something in the middle. The first piece of bread on top is the standards, the high standards for math, science, reading or english. The bottom piece of bread is really the assessment to see how well our students are doing toward meeting those standards. And the stuff in the middle is the meat of the sandwich. I’m a politician, I don’t know
what should go in the meat of that sandwich. That's really up to our schools and we leave it up to them to determine how best to help their students meet those standards. Because these are the standards, these are what you ought to be able to do, or your kids ought to be able to do. We're going to hold you at the bottom piece of the sandwich, we're going to hold you accountable in assessing how well each school is doing toward meeting those standards. But we're going to leave it up to you at the local level, with your teachers, parents and so on, as to what's the best way to get there.

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

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

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

I wish I could sit here and tell you that we have the money to be able to finance for each school those kinds of alternatives. Instead what we’re going to be trying to do is trying in some schools longer school days for kids to
enable them to do better. In other schools we’re going to try a different approach, school on Saturdays. In other schools we’ll try running another couple of weeks or a month in the summer. See which works and see if any one is more cost effective than the other.

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

We have a principal’s academy at the University of Delaware. Principals from, I think, about two thirds of the states have actually come to the University of Delaware to participate in our principal’s academy. We’re now beginning to enlarge the enrollment in that academy so that over a six year period all of the principals in our state will also learn about New Directions and benefit from what the other principals around the nation are learning.
While Pat Forgione brought to our state the notion of high standards and the necessity for accountability and site based management, what I hope I've brought to the table is a commitment toward goal number one, and that's getting kids ready to learn. We have two young children in our home, boys, three and five. I understand especially how they learn. About halfway through their lives, by the age of six, and if they don't walk into first grade ready to read we shouldn't expect miracles at that point in time.

In my state of the state message this past Thursday we rolled out a proposal for a continual parent training in our state. Anywhere from somebody has a baby in the hospital, give them a five year calendar that says this is what you ought to be doing with your baby for the next five years. Two months, three months, up to two years, three years, up to five. Stuff that even a guy like me who didn't even know how to kiss a baby much less raise one six years ago. That's addresses what we call sort of low end needs. For those who have especially intensive needs.

Where's Mel Carney? Mel, I think in your state you were the folks who pioneered parents as teachers. We've done parents
as teachers statewide for really intensive learning needs.

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

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

    Those are some of the things that we're doing.

And, again, it's a real good team effort. We got a good hand off from Mike Castle and a lot of help from Pat Forgione and a terrific partnership that exists with our educators and our business community and a lot of our parents, who are very much concerned.

    Thank you.

GOVERNOR EDGAR: Thank you very much, Governor.
Reform is not easy; that’s an old saying but it’s very true, particularly when it comes to education reform.

Perhaps one of the reasons we haven’t got as far along as we would have liked is it’s tough to overcome some objections of established groups. Also, often when we try to achieve reform an awful lot of the focus seems to deal with school financing, an issue in itself that’s very difficult. In fact, many, many states have to deal with that issue. I think in some ways we ought to take advantage when we deal with school financing that we tie reforms to financing because that very often will give us the leverage with some groups that maybe would oppose reform otherwise to become supportive, or at least not stand in the way.

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

So we need to take advantage of maybe the
obstacle of school financing. And we've got to deal with that to also achieve many of the reforms that we would like to see accomplished so we can reach the goals that are up on the wall behind me.

Twenty one states currently are involved in various stages of litigation or court orders over school funding. I'd like to call on two of our colleagues who have dealt with that problem I think in a very positive manner. At least they've been able to mix school financing with very significant school reform. I'd like to get their comments.

First I'd like to call on Governor Engler, then Governor Carnahan.

John?

GOVERNOR ENGLER: Thank you very much.

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

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

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

The financing formula for all the schools is also completely rewritten as part of this process, including the establishment of the foundation grant. The other thing that changed was a complete focusing of all costs for education
in each school district. Previously, the state had paid 100 percent of retirement costs, paid all Social Security costs. Those are now back in the district. So as the district sits down and negotiates a contract they've got 100 percent of the cost of education in their local school district. And we have done a much better job, I think, of acquainting people with what's actually being spent on public education.

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

The cornerstone and the thing I am most proud of that I think is going to make the difference is the charter school legislation. I put a copy of that bill in front of everyone. Actually, if you look at it it's public school academies. The legislature changed the name but that's the same thing. These public school academies, the chartered schools -- we have no limit on the number of chartered
schools to be established in the state. We have over 600 public entities that create chartered schools. Every school district can do it. Every intermediate school district can do it. Community colleges. And the real key is that every one of our state universities can do it. The governor appoints the boards of 12 of the 15 four year universities. So my observation is that there is a good deal of interest on some of those boards in establishing chartered schools.

What this does is it really breaks the public education monopoly. It allows us to go into every district in the state, if we wish, and to have a competitor there. It allows the districts themselves to do that. It allows these to be structured in almost an unbelievable number of ways. We will see, I think, a profound change in public education in the state of Michigan because of competition in the very, very near future. You will see community colleges, for example, talking about expanding their programs to maybe a lot like we talked this morning, for those who were at the school. The work of transition, they might to the 11th and 12th grade to try to have an articulated program. In effect, where you could do the 11th and 12th grade and years one and two of the community
college and maybe take those four years, turn it into three years so you’d end up with an associate degree.

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

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

A lot of people are surprised that this was able to be accomplished in Michigan through the legislature but there's nothing like having $10 billion, which was the total education spending in Michigan, on the table up for grabs.

It does have a way of concentrating people and making people agree to things that maybe they might not normally be advocating.

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

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

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

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

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

GOVERNOR EDGAR: Governor Carnahan?

GOVERNOR CARNAHAN: Thank you, Jim.

Ladies and gentlemen, my story is four days after
I was inaugurated we had a sweeping court decision that
struck down our education finance system in our state.
That’s not unusual. There has been much litigation, as has
been knocking around for years, but to me it speeded up that
it came right at that time. It went through us in a
whirlwind. I had had in mind a meeting for education
reform. I had much of my ideas formed. They were very much
toward the idea of the national education goals. But then
the crisis in our state was what do we do and how do we
correct the equity problems of spending too little on some children and too much on others -- never too much but too much but too much of a disparity.

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

Now, that, of course, then became, after we got over the equity issue, became a rather substantial money bill for education and I was entirely opposed -- while I wanted to do what we were doing there I was opposed to having a substantial money bill that was not tied to increased student achievement. So we wrapped the reforms into that bill and they became, after we got over writing the formula they became the thing around which all the discussion centered. But I was not willing to lead that effort with whatever political cost it was or will be without having the reforms in. Fortunately, I was able to sell that and we got it out together.
So these reforms lead us to meet the national education goals and the first thing it does is establish performance standards for students. And, of course, the reason for that is to set that bar higher to make sure they'll be successful either at work or in going on to higher education. And we're going to have performance based assessments on how the students are doing on those standards and we're going to hold schools accountable for how they do. We're going to do it both by publishing results and we're also going to make a comparison against the school's baseline. How well were you doing, how are you doing? Are you improving. And if they don't there are consequences in our law.

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

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

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

GOVERNOR HUNT: Thank you, gentlemen.

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

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

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

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

We have some other governors who have done a lot
of leadership in this. Some of you may want to talk to
Governor Carlson, of Minnesota, where they started out
choice, their charter schools, Governor Leavitt, of Utah,
the centennial school program. There are many others. We
commend all of you who have worked so hard on it. We urge
now, as we go forward and recommit to these goals, that
every one of us, as governors, take a personal responsibility for making it happen in our state. Not a little change: drastic, dramatic, fundamental change. And if we do that this country will be strong economically and we can compete with the world.

GOVERNOR EDGAR: Let me just, in conclusion, say that one of the other things that we’ve heard over and over again from citizens is that we want accountability. We want to see results. Just recently more than 20 states produced a level of progress report to let their citizens know what progress is being made in education in those states. Mr. Chairman, I think a lot of things have happened under your leadership and others’ since you met at the summit. We agree there is still more that needs to be done but I think if we can give just a brief sampling here today from some of our colleagues, there are a lot of changes occurring in education, changes for the good throughout the United States. And as an organization we need to continue to encourage these changes in the year ahead.

GOVERNOR CAMPBELL: Thank you very much, Governor Edgar and Governor Hunt and all who made presentations.
I would be remiss if I did not point out that one of our sitting governors was the chair of this Association when we met in Charlottesville, Governor Branstad, of Iowa. He was a moving force in forming those education goals. I can well remember sitting up until 4:00 in the morning with Terry Branstad and Bill Clinton and myself trying to get things down on paper and then having them under people’s doors the next morning by 6:30.

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

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

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

As a follow up to that story, the governors deferred to then-President George Bush to announce the goals in the State of the Union address in 1990. The President
invited four of us governors to be present for that.

Carroll Campbell, Bill Clinton, Booth Gardiner and I. They showed us the private quarters at the White House and I guess Bill Clinton liked it pretty well.

(Laughter.)

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

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

You know, there is something else I want to say, and Governor Dean is out. Governor Dean, of Vermont, the vice chairman of this organization, is a delightful person to work with. I've worked with him on education and he has been a leader in this area also. But now I have the very,
very joyful undertaking of handing out some awards, the
National Governors’ Association’s Chairman Awards to states
that submitted outstanding awards on how the state is
progressing toward meeting the National Education Goals.

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

Before I call up this year’s award winners I’d
like to recognize one of last year’s award winners, not only
for an outstanding report this year but also for picking up
a good idea developed by a previous year’s award winner. In
1992 the state of Maine, under Governor McKernan, received
an award for its report and the newspaper supplement that
was used to educate people across the state about Maine’s
progress. This year the state of Ohio produced a fine report and reached more than 1.6 million Ohioans by distributing the report through a newspaper supplement in 42 papers across the state. This is exactly why we make these awards, to help share the ideas that work. As a 1992 award winner, Ohio is not eligible for a 1993 award. However, we wanted to recognize such outstanding work.

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

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

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

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

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

(Appause.)

GOVERNOR CAMPBELL: And they win a school bell, what else? That's exactly what they should have. I thank all three of you. You have done an outstanding job.
You know, in addition to struggling with education reform to improve students' academic skills many states are also attempting to help all children be prepared for school and to make schools places where learning can happen. This includes addressing the issues highlighted in Goal VI, drugs and violence.

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

To address these problems many states have focused on programs that strengthen families and help parents take better care of their children. States have also implemented school safety programs and toughened their laws dealing with juvenile criminals. In South Carolina we're working on all these fronts, as I'm sure every governor here is. The best way to get children ready for life and ready to learn is to get parents back into the
process as the child’s first teacher. But we had also
better convince our children that when you show up for
school it’s to learn and the only thing you’d better be
packing is a book bag.

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

Governor Wilson?

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

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

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

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

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

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

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

Some classroom teachers, who we really want to teach rather than to be cops or social workers or surrogate parents, are involuntarily thrust into those roles to the extent that we can't provide the kind of early mental health counseling, the kind of healthy start programs that solve
nutritional, physical and mental health problems for kids. We are well advised to do so. It is perhaps the second best investment after prenatal care that we can make in a civilized society.

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

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

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

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

David?

GOVERNOR WALTERS: Thank you, Governor Wilson.

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

We recently, in a small town in southern
Oklahoma, had somebody spray a parking lot with automatic
weapons fire and killed some people. So you're not even
safe going into a Walmart in small town America. Even if you're just out for toothpaste and laundry soap you have to have that kind of concern.

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

In addition to the school related measures that we can advance to make that happen I am encouraging our legislature to adopt a series of what I hope to be realistic laws to reduce crime and violence against and by our children. In Oklahoma we've approached these two issues in several ways. In our education reform efforts we've been doing a lot of the same thing that everybody else has: reducing class sizes, providing incentives to extend the school year and attempting to make the curriculum more relevant, particularly with the number of applied courses.
We’ve increased teachers, increased funding by over 30 percent in three years without a tax increase by cutting the budgets elsewhere in state government. We have advanced our vocational technical program, thus we hope to encourage attendance, discipline and a brighter future for our kids.

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

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

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

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

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

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

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

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

Isaac Compton is a high school graduate from Pittsburgh who is a member of Pennsylvania’s Youth Service Corps. He is currently serving as a mentor for the East End Cooperative Ministry in Pittsburgh to help young kids stay
out of gangs and make a positive contribution to their community.

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

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

Dr. Singer.

DR. SINGER: Thank you, Governor Walters.

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

Before hearing from them I'd like to take a moment or two to set a context to their statements. One very important concept for adults to understand is that the experiences of youth today are markedly different from
previous generations. Today, nine out of ten murders of
young people in the industrialized world occur in the United
States. Gunshot wounds are the leading cause of death for
both black and white teenage boys in America. There has
been over a 300 percent increase in homicide rates among 15
to 24 year olds in this country from 1950 to 1990.

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

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

Many of this country's youth are living in fear.

They are afraid to go to school. They're afraid to go to
parties. They're afraid to walk in neighborhoods.
Adolescents in our study expressed these fears. One 16 year old wrote "It's not fair that all these things are happening to us because when my mom was my age she didn't have to worry about all this. I wish things would be the same."

Another wrote "In today's world you don't know how long you will survive. It stays on your mind when you go out. You can't help who will hurt you." Finally, a third reported "Teenagers have a lot to worry about nowadays. Gangs, drugs and guns are the things most teenagers worry about today. When teenagers worry about things like that they have no time to think about more important things, like school, work and sports."

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

Our children are being robbed of a fundamental sense of security. They are being denied a safe childhood. Feeling secure and safe are important prerequisites for
healthy development. There is no doubt that our children pay a heavy emotional price for needing to be constantly vigilant, feeling unsafe and insecure. One of the prices they pay is to see their world as hostile, as constantly threatening and therefore believing they must be ready to defend themselves at all time. Studies show that youth raised with these insecurities and exposed to violence may well misinterpret others behaviors as being hostile and threatening and, as a result of that misinterpretation, act violently towards others.

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

Contrary to what many people believe, youth violence is not irrational. Violence is a learned behavior. Many young people have been consistently exposed to violence in movies, on TV, in music, in their neighborhoods, in their schools, in their homes. What they see and experience
translates into aggressive behavior. Contrary to what many
people believe, acts of violence by youth and on youth are
not confined to our inner cities. Violence in the United
States permeates all socioeconomic levels and geographic
locations.

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

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

MR. COMPTON: Well, personally I don’t really
believe that it’s any different than the way any of you grew
up, it’s just that what I do now is that me and my peers
we’re like numb to the fact that violence is not a norm in
today’s society. What I mean by that is that in the past
when we heard of somebody getting shot or hurt we were
shocked. It was abnormal. You couldn’t believe it. But
now, since this media promotes it so much and you see it all the time you’re always under the notion that it’s a normal thing. That it’s always going to be that way. And that becomes dangerous when you start accepting things because when you start accepting them you really don’t try to change them.

DR. SINGER: Thanks.

Emily?

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

There is also respect has left a lot of America’s youth. There’s no respect. And a lot of youth and children don’t have respect for themselves. When they don’t respect
themselves they're certainly not going to respect anyone else and that's going to lead to violence.

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

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

MR. ROBISON: I've grown up my whole life around violence and gangs in Oklahoma City. I'm used to them. I can go and not pay any attention. My whole life is based around gangs and violence. The reason I was withdrawn from school was because one of my friends was shot and they put out an insurance form for my safety in that school. I thought that if the school didn't think I was going to be
safe then I didn't want to be around it, so I dropped out of high school and tried to get my diploma in another way.

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

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

As Governor Campbell stated earlier, education is the secret to all of our problems. And I feel that by giving the students the skills that they need to solve their problems without resorting to violence, that is one of the things we can do to curb violence. These programs also need to establish realistic goals for youth. If they have
respect for themselves and know which direction they’re heading then they’re going to have respect for others and be more willing to stay out of trouble.

We also need to have very strict penalties to any violence that occurs. They need to know when they commit a crime they are going to have to suffer the consequences regardless of who they are or where they come from.

Violence affects everyone. It’s not regardless of what color you are, what family you come from. There’s going to be violence in your life one way or the other.

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

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

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

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

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

Birch, why don't we start with you?
MR. ROBISON: Oklahoma has a new program called The Challenge Program. I started that four months ago; we have a month left. It's a 22 week program to teach you life skills, to get your GED and to get $2,200 to start your new life with.

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

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

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

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

DR. SINGER: Emily?

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

Peer mediation is unique in that students are
being helped by their own classmates. They often feel less
intimidated and have more respect for their mediators. This
also means that they’re more cooperative and honest and more
willing to solve the problems. We like to think of our program as positive peer pressure.

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

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

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

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

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

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

(Applause.)

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

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

We are enormously impressed with the three members of the panel. And I think Dr. Singer's long erudite
At this point we would like to further take advantage of the resource available to us by opening the floor to the governors to make what comments, statements they wish and to, if we may, pose additional questions to the panel and to Dr. Singer.

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

Governor Finney?

GOVERNOR FINNEY: I'd like to just make a brief comment. Unless we address this problem of crime we won't be able to solve any of the problems in education and fulfill the other needs of the states. The fastest growing age group in this area is age seven to 14. If we look to the institutions where inmates are incarcerated I believe
that we will discover that 80 percent of the inmates come
from single parent homes. And we will find too that the
majority of them have been abused mentally, physically or
sexually as children.

These problems seem to accumulate in their
psyches as little children and they fester and grow and then
frequently manifest themselves in tragic manners. We've got
to in some way bring these problems of these young people to
the fore, address them, deal with them and see if we can get
them then to solve the problems which are deep within their
psyches.

In regard to drugs, the drug dealers frequently,
if they are convicted and incarcerated, they serve short
periods of incarceration so they, then, develop the practice
of using young children as pushers because the young
children are not convicted or incarcerated. So this is
another approach that I think we need to take to the drug
problem and to our problem of crime. Thank you.

GOVERNOR WILSON: Thank you, Governor Finney.
Governor Bob Miller, of Nevada, and then Governor
Lowry, of Washington.

GOVERNOR MILLER: I'd like to ask any of the
young people to answer a question. Safety within schools. Let me pose a dilemma that you already know but at a meeting I had last week with a superintendent of schools in Las Vegas, which is one of the largest school districts in the United States, he told me they had installed surveillance cameras inside the hallways because they had learned there were certain hallways that most of the students would not use because they were gang territory. They’d go four or five hallways out of the way and make circuitous routes to where they were going so they didn’t need to go down those hallways. Surveillance cameras, in his estimation, has at least opened up the hallways.

What do you think we can do to make schools safe? Surveillance cameras? Metal detectors? What, if anything, would you suggest as a student to help make our schools safe?

MR. COMPTON: What I feel is a lot of things you have to do is you have to put the rule down first right up front. You have to put the rule down to let them know when they do something violent or do something outside the rules that immediately they will get automatic full punishment for those things.
What I had in my school -- we had security guards in my school. They just wandered around. They didn’t carry any guns or anything. They just wandered around to keep things moving so people didn’t stay in the halls or do anything. Just keep them moving. That’s a start but you’ve got to get them to realize, the students to understand in their head we’re not going to accept this in our schools. We have to get that up front. Let them know we’re not going to accept all these violent things going on in the schools.

MR. ROBISON: In Oklahoma City they have metal detectors in certain schools to keep teenagers from bringing weapons in. They had it at the school I was at but those aren’t the things to do because if they don’t do it in the school they’ll get you after school, off school property where the security guards can’t do anything and there has to be police around. The only way I can see it that we can do it is to have the police patrol that area before and after school.

GOVERNOR WILSON: Governor Lowry.

GOVERNOR LOWRY: Thank you, Mr. Chairman.

I’d like to ask the excellent youth panel how important would job opportunities be to high school and other teenage
MS. RIDLEHOOVER: I think that would be very important. As I stated earlier, I feel that one of the things that encourages violence, or certainly doesn’t help stop it, is that many of today’s youth feel that there’s no point in reaching goals because they feel that all the goals that they hear talked about through the media and through school are goals that they can not obtain. And if you don’t know where you’re going and if you don’t have any respect for your future you’re not going to care about what you do in between now and then and you’re certainly not going to value anyone else’s future.

GOVERNOR WILSON: Thank you, Emily.

Governor Fordice.

GOVERNOR FORDICE: Thank you, Governor Wilson.

I wanted to take just a moment or two to thank Isaac Compton for reminding us of our beginning. The Declaration of Independence said that we are endowed by our creator, a higher being, with certain inalienable rights: life, liberty and the pursuit of happiness. Certain people, I think, tried to separate the Declaration and that clear statement that this nation was founded on rights that came
from a higher being from the later Constitution, which kind
of begins to codify how we are to operate in a civil sense.

But the basis of the country and the whole
foundation upon which we were started recognized God. When
that recognition was exorcised out of the public schools
beginning in 1962 really is when our problems began, whether
you make the direct connection between those two events or
not. Some may think it is problematic.

But we had an instance in my state that you might
have read about back about Thanksgiving where a school
principal was fired for allowing voluntary prayer initiated
by students voluntarily in a public school. That has since
been reversed and he's on suspension now.

But it seems clear to me that if you take the
Declaration, which bases this country on God, and the
Constitution together then the First Amendment, as it starts
out, "Congress shall make no law referencing establishment
of religion..." -- which says don't give us another Church
of England, that's what we're trying to get away from -- but
then says "...or prohibiting the free exercise thereof."
Certainly does not say keep religion and Godly influence out
of the schools. What Thomas Jefferson said it said, when he
mentioned the law that separates church and state, is that law has a one way door in it. And certainly it means for government to stay out of religion but never ever said that the door doesn't swing the other way and religion shouldn't permeate government.

I think that's kind of what you were alluding to, Isaac. If so, I want to thank you for reminding us of the foundation of America.

MR. COMPTON: Thank you.

GOVERNOR WILSON: Thank you, Governor Fordice.

Governor Folsom, of Alabama.

GOVERNOR FOLSOM: I would like to ask Dr. Singer a question. We kept running into this problem of violence in schools in Alabama and the student who continually caused trouble in the classroom, disrupting the class, disrupting the school, causing other students to go to school afraid -- most of our superintendents said that it's that four to five percent of the student population that is really the real problem as far as discipline goes. What do you think if you studied alternative schools?

For instance, we are proposing that an alternative school be provided in each county for that real
problem student and the dollars will follow the child to
that school. Have you studied alternative schools or
looking at the problem from that angle in your career?

DR. SINGER: I haven't studied them but I am
aware of alternative schools. We have one in the community
I live in. And I think in the main it depends on the
quality of that alternative school. Such schools with the
better ratios of students to teachers. They would need
social workers in the school. They would need people to be
able to link these students to appropriate community
programs. And in that sense I think it is probably if you
have quality programs it's probably a very good idea.

The difficulty, though, and there's almost no way
of escaping this -- when you create situations like that you
put a host of youngsters together, all of whom have
problems, and obviously that makes it very, very difficult
in terms of the social environment.

At the same time, I don't know that we have a lot
of alternatives for the type of individual that you might be
describing. But what needs to be emphasized is the
intensity and the integrity of those services.

GOVERNOR FOLSOM: We understand as a broader
society the problems of the development of children. But they’re not going to leave the problems after they leave the school building.

DR. SINGER: I think that is certainly one of the things we can do. I really believe that we have to have a host of programs that address the broad developmental needs of the children and adolescents. Certainly that includes educational. It also goes to health. It goes to social needs, physical needs, et cetera.

One of the things I think we have to do as a country is we have to have the courage to ask ourselves why are we producing so many violent individuals? Then I think we need to commit ourselves to answering this question with some meaningful programs. I really think that history has taught us that we can not create laws fast enough, we can not build our prisons quickly enough to effectively address this problem of violence just in that domain. We really have to invest in our children.

GOVERNOR WILSON: Thank you, Dr. Singer. Thank you, Governor.

GOVERNOR WALTERS: I just wanted to underscore
the point that Governor Folsom and others were touching on.
The program that Birch participates in is not the solution
to all the problems but it certainly is a very interesting
opportunity to triage the problem. For those people, if we
are committed not to convert our schools into armed camps
because of the five percent so that the 95 percent have to
go through that environment if, as Isaac suggests, we make
the consequences clear when we act on that -- there is a
segment of that population that's not involved in drugs,
they're not involved in breaking laws, they don't have
options and they don't have any place else to go.

Basically we've triaged them in this program.

There's programs for all the other segments. But we've
triaged them in this program and if they voluntarily want to
put up with this regimentation and discipline then it works
for many of them. In Birch's case it worked. We started
with 60 kids in the first class, 17 of them took off. They
didn't like it getting up at 6:00 a.m. and have their life
planned until 10:00 p.m. But in 40 kids or so it's going to
work. As with anything else, it's multifaceted.

Most of us have National Guard access. This is
one of 10 pilot programs around the country. The federal
government is putting around $2 million in it. If it works
we’re going to expand it as a state. So I would just point
out to you it’s just one of many solutions out there, a
triage program taking care of kids who finally decided they
want some help.

GOVERNOR WILSON: Thank you, Governor Walters.

Let me exercise the prerogative of the Chair and
make a point in closing. Governor Finney made an
observation. She bemoaned the fact that there are so many
violent youthful offenders who are the products of homes
where there have been no father, no real male role model.

Emily I think made a very telling point. She
made it repeatedly. I think she wanted to make the point,
and I think we should, she bemoaned the lack of respect
which youthful offenders have. I think that goes further
than a lack of respect. It is a lack of basic compassion.
We are seeing kids who have been effectively dehumanized.

Isaac Compton is involved in doing the Lord’s
work, both literally and figuratively, it seems to me, as a
mentor trying to deal with children at a time when they can
still be converted, when they can be moved from one path to
another.
I think that the absence of the father is a real problem in a number of homes. It's meant that young boys, in particular, have grown up without either a role model or without the kind of civilizing influence that really teaches respect for others. Basic human relationships. The result is that there is a need for tens and hundreds of thousands of Isaac Comptons. People who are credible as the caring adult whom a child has never otherwise experienced in his life.

I've said his in that example advisedly. There is a group in Los Angeles now, with chapters in San Francisco and Sacramento, called 100 Black Men. They are an example of the kind of non-profit organization that has taken on the responsibility of providing that caring adult who is credible to kids, both as a role model to be emulated and as actually caring about what happens to that child. They have made a great difference but it is a labor intensive effort.

So I not only congratulate Isaac Compton for what he's contributed to us today but he is involved daily, as I understand it, in a very labor intensive effort. That probably gives him great gratification because what he knows
is that to the extent that he is dealing with an individual child he's going to change the life of that child.

We can change attitudes if we, in fact, we get there early enough and provide a real alternative. There's an honest basis for home.

I thank him, I thank Emily and I thank Birch. And, Dr. Singer, we are in your debt. We are very grateful for the contribution that you have made. And I thank again my colleagues who indicated that by their questions as well as their applause.

Thank you, Mr. Chairman.

(Applause.)

GOVERNOR CAMPBELL: Thank you very much. We really appreciate your insight into a very serious problem.

In his book, Dr. Ken Majen drew a simple conclusion. That is that a child that doesn't establish a strong relationship with at least one parent, natural or adopted, legal or voluntary type of adopted parent, is more likely to grow up not knowing right from wrong. That's just a fact.

And when we are in a society that has a growing number of children having children, never having grown up
themselves, then we understand the magnitude of that problem.

You can not have education without discipline and I think we understand that. We also understand that virtually every action brings a reaction. As I listen to these young people talk about having a hall that belongs to a gang you can just picture a person who might be small in the school who is intimidated by a gang and does something violent to react. You know, the gang itself, they might not have had the weapons but the intimidation caused part of the problems.

Sometimes you have to deal with both sides of this problem. In our state it is against the law to buy a pistol if you are under the age of 21. You can’t carry a concealed weapon. And we’re asking our legislature to do something other than send kids to an alternate school or anything. We’re asking them to send them to a boot camp automatically for 60 days. The day they’re caught they’re sentenced and you go. We’re not going to put you on the streets. We’re going to put you in a boot camp.

In our juvenile justice system we have put in ROTC units. It’s been the most successful junior ROTC unit,
the most successful thing we've had because it brought discipline to the lives of people who never had any discipline.

So this is a major problem for all of us and your insights were, I think, welcomed and really very informative and we thank you again for being with us and I look forward to speaking individually with each one of you, especially since Emily is from my home state and from an area very near where I happen to live, right down from where my Dad lives.

I have just a little bit of business and that is to mention this: the Committee on Human Resources meets in this room directly following adjournment of this session. So I would ask that the governors exit quickly except for those who serve on the Human Resources Committee so that that can get underway.

With that we will declare this session adjourned. Thank all of you for participating.

(Whereupon, at 3:20 p.m. this conference was recessed, to reconvene in separate committees.)
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.

Monday, January 31, 1994
2:35 p.m.
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.
If I could ask the staff to please be seated so we could go ahead with the meeting. We’ll hear from Governor Weld and then directly from Chancellor Kohl.

Governor Weld, do you want to do this from your seat or up here? Okay, great. The floor is yours, Bill.

GOVERNOR WELD: The summer meeting is July 16 to 19 in Boston, Saturday through Tuesday. We guarantee that we’ll have all the snow cleared by that time. The weather in Boston in the middle of the month of July is absolutely ideal.

In terms of treats, which is what I’m in charge of -- Carroll’s in charge of the program -- we wanted to have an old-fashioned clambake by the shores of Boston Harbor. You all remember Boston Harbor from the 1988 presidential campaign, but it’s been substantially cleaned up. This will be on the grounds of the John F. Kennedy Library. It’s a nice spot, and when I say "old-fashioned," I mean rocks buried in the earth, seaweed, and potatoes wrapped in tinfoil, and corn, and lots of clams and lots of lobsters. This is a lobster in winter dress with its fur on, you’ll notice. You’ll get more of them than you’ll probably want.

We’re going to have an evening at the Boston
Pops. We’re going to have a dinner at the statehouse where the chef will be Julia Child, who is a good cook.

(Laughter.)

GOVERNOR WELD: If I hadn’t been told by my man I was to speak with Yankee understatement. I’ve been told she is a very good cook.

(Laughter.)

GOVERNOR WELD: The hotels where we’ll be staying are on Newberry Street, which is a very good shopping area. There’s a lot of color in that part of town. A lot of Tex-Mex places, Hard Rock Cafe, Irish pubs. A lot of good things to do there.

We’re going to try to work it out so you’ll get a little bit of free time in case you want to go down to Cape Cod or you want to take the kiddies out whale watching up north of Boston.

Everyone is going to be instructed to have a good time there. And I would just say to my good friend, Governor Dean, of Vermont, where we’re going next year, that we aim to be a very hard act to follow. Susan and I look forward to seeing you all in Boston.

(Appause.)
GOVERNOR DEAN: Thank you, Governor Weld.

The Republic of Germany has been one of our closest friends and allies for many, many years and the leadership of the National Governors' Association visited with our next guest and invited him to come here. We are extremely honored to present to you the Chancellor of Germany, Helmut Kohl.

GOVERNOR CAMPBELL: Before I introduce Chancellor Kohl I'd like to extend a warm welcome to Germany's Ambassador to the United States, Ambassador Emil Stabreit. Mr. Ambassador.

(Applause.)

GOVERNOR CAMPBELL: I would also like to present to you the United States Ambassador to Germany, Ambassador Richard Holbrooke. Ambassador Holbrooke.

(Applause.)

GOVERNOR CAMPBELL: I thank both of you for joining us this day.

As you can tell, I have a little laryngitis that I am working with. Chancellor Kohl, as best I can let me say this: (Welcome in German.)

We are pleased to welcome you on behalf of all...
the Governors and if you will permit me I will not go any
more and we’ll continue in English.

(Laughter.)

GOVERNOR CAMPBELL: You all know the
distinguished Chancellor, Dr. Helmut Kohl, who has been
Germany’s leader since 1982 and leader of the Christian
Social Union, CDU, since 1973. What you may not know is
that this scholar of law, political science and history also
served as a governor of Rhineland-Palatinate for seven
years. He knows what our problems are. We’ve been talking
with him in the back room about the problems of governors.
So we have a president who was a governor and a chancellor
who was a governor, so we have a kindred spirit with us.
Governors Terry Branstad, William Schaefer, Ned
McWherter and Tommy Thompson and I had the pleasure and
honor of meeting with Chancellor Kohl last fall in Bonn,
Germany. At our meeting Chancellor Kohl shared some of his
experiences as a governor and how that role compares to his
current service as Germany’s leader. During our discussions
it occurred to me that we, as governors and leaders of
states, confront a number of the same challenges facing the
leaders of nations.
In the spirit of the theme of this year's meeting, Partnerships for Progress, I invited Chancellor Kohl to come to Washington to address our nations governors. As individual states and as a nation we currently face the reform of our health care, education and welfare systems. I believe we can learn from the experiences and expertise that foreign nations such as Germany have accumulated on these subjects.

We're moving into a new era where global issues will have an increasing impact upon our states. This is highlighted by the recent passage of NAFTA and the upcoming vote on the general agreement on tariffs and trade.

As we move into the future together I hope this is just the first step for states toward reaching out across the globe to form partnerships of support and information exchange as we all tackle the difficult issues of our time.

May I present to you His Excellency, Chancellor Kohl.

(Applause.)

CHANCELLOR KOHL: Mr. Chairman, ladies and gentlemen, I have almost but I don't really dare address you as "Dear colleagues" because I have been prime minister, or
governor as you would call it, of the Rhineland-Palatinate, on of the German Lander, with nearly four million people. You know it better as the land or the state that houses the air bases of Remstein, of Bittburg and many others.

There was a time when there were nearly 100,000 U.S. citizens in the Rhineland-Palatinate and I think you can see that I am very well used to the sort of problems that you have as governors.

Let me say that it is an honor for me to be able to speak to you today. I view your invitation as a distinction for my country of which I am proud. It is, at the same time, proof of the excellent relations that exist between Germany and the United States.

It does not often happen in politics, after all, that people express their thanks to others and I must say that I very much regret that as one of the signs of the times that people think it old fashioned to thank other people for what they have done for them. Therefore I would like to do just that today. I would like to thank you, the governors of the United States, as representatives of the whole of the United States, thank you most warmly for what you and your fellow countrymen have done over in Germany.
during the last 50 years. The fact that I am able to
address you here today as chancellor of the reunified
Germany, the fact that I am here today as Chancellor of a
free Germany has a lot to do with what American friends did
over these past nearly 50 years.

Throughout these decades the United States have
borne the most important responsibility globally and they
have always tried to give their best. They did not always
succeed in that but the world would have taken a completely
different course, a completely different turn, certainly in
Europe, had the United States not pursued that
responsibility.

Actually, sometimes I think they often received
ingratitude for this. Nevertheless they did not let
themselves be thrown off course. The argued resolutely in
favor of those values that characterize America and made her
great: its desire for freedom, its pioneering spirit, people
who seek new frontiers, courage and self confidence, the
willingness to work hard and to help others.

Some people may call this too idealistic. I call
it realistic. A realistic view of the future. And this is
how you extend it: in a noble and generous gesture after the
Second World War, a helping hand to us after the end of the
Nazi barbarity.

And let me tell you how I feel it. Which other
country on Earth would have so quickly helped its newly
vanquished war enemies as President Truman and Secretary of
State George Marshall did at the time.

I would like to say this and have you believe it:
this is a very personal sort of thing for me because at the
end of the war I was 15 years old. I have a very personal
recollection of those years when we were starving and being
hungry means something different than having to go to an x-
ray examination at 3:00 in the afternoon and having to be
sober for that, not being able to eat before that. Hunger
is a very, very bitter experience. I remember the American
trucks that drove on to the schoolyard and brought us the
Hoover food and the Quaker aid.

We have not forgotten this and this is what I
would like to tell you here today, as a very personal
message. Please tell your people at home that we have not
forgotten that over these 48 years about 15 million
Americans -- I have asked my staff members to add up this
number and to give you that number officially -- 15 million
Americans have lived in our country, have served their country as soldiers in Germany together with their dependents. Far away from their home they defended our freedom, our common freedom.

This is something too that I do not want to forget and I won't forget. I think that this is comparable to the number of people of Texas, these 15 million, if I have my numbers right here. Think what that means. The United States did not repeat the mistake that was made after the first World War. They stayed and let me mention to you, I would want them to stay. In a changed world they should stay and they should do this for their own self interest.

Their steadfastness was a decisive factor in the collapse of Communist dictatorship and the freeing of Central and Southeast Europe and Germany's reunification in peace and freedom. It is particularly in these dramatic times of change and these are times that I am probably even more familiar with than anyone else since I have been in office ever since 1982. The close partnership and friendship between our two countries has stood the test of time. I remember with special gratitude the reward we've received all through these years.
This is why it is as important as it was then today that only a strong America will be in a position to assume its world responsibilities. I would like to include in my word of gratitude the two presidents who were very directly partners in that endeavor, namely Presidents Ronald Reagan and George Bush. And I must say that the experience of this year fills me with great optimism that Bill Clinton is going to be a very valuable and very reliable partner for us too and I am grateful to him for this.

Ladies and gentlemen, in these dramatic times now, after the collapse of the Soviet Union, your country is the only remaining superpower. The world continues to pin even more hopes and expectations upon you. And obviously this is sometimes regarded as a burden, particularly if I look at people such as you who have to contend with very dramatic changes internally in your states, in the country as a whole. Challenges that you have to face up to.

President Clinton gave priority during his first year in office and also in his State of the Nation address to the preservation of an internally strong and healthy America. We totally agree with this. Only a strong America can meet its global responsibility.
Now, after so many of our hopes and our yearnings have come true, now that we have talked so long about our hope that Communism and its empire collapses, now it is important that the hopes of those people who want freedom now, who want rule of law now, who want to introduce market economies that we offer something to these people, the Central and Eastern European states, but also the successor states of the former Soviet Union and the former satellites who suffered under imperialism. We should extend a helping hand to them.

President Clinton, in his important speech, in his great speech at the Brussels City Hall on January 29th, once again highlighted America's continuing commitment to Europe. And he also said that it was in the interest of America to maintain a military presence of around 100,000 men. Let me use this opportunity here to welcome his commitment. We think this is not only in the interest of the Europeans and the Germans.

Ladies and gentlemen, we Germans, we Europeans want to continue to develop a transAtlantic partnership. We reaffirmed this at the recent NATO summit. America needs Europe in the future too, although I do think there are some
people in America who do not seem to believe that America needs Europe too. These factors are of vital significance for us Germans. The TransAtlantic partnership with the United States of America, Canada and the political integration of Europe, for us this is not a choice between one or the other. We need a combination of both of these factors.

Our efforts to create a genuinely independent European security policy and defense policy are designed to compliment and strengthen the Atlantic alliance. And what we also need with this is to try to see to it that less of a burden falls on the United States and I am pleased that the American administration recognizes this.

European integration is also more important as an effort because there are very sad signs that war has not yet been banished forever from Europe and the suffering that wars bring about. The former Yugoslavia, the pictures that we see every day on our television is but one example of this, albeit the most troubling one at present. The evil spirits of nationalisms are not only at large in the Balkans. This is why in the final analysis European unity, apart from the economic aspect of that question, is a
question that has always been a question of war and peace in Europe.

Ladies and gentlemen, it is repeatedly heard that since the Communist threat has vanished the interests of Europe and America are no longer the same. Indeed, that we are entering a phase of intense rivalry and trade wars. I do not think that this holds true. The GATT agreement which, in spite of all the doomsayers was concluded at the end of last year, is positive proof that this is not the case. As I see it GATT is the most comprehensive liberalization package of the last few decades.

Obviously, this resounding success was based on the willingness of all sides to compromise the successful conclusion of the Uruguay Round. It is, particularly in today's economic situation, a major step toward increased trade, growth and employment.

I also very warmly welcome the entry into force of the NAFTA agreement. We will continue to urge in the future that Europe should not become protectionist and cut itself off from the rest of the world but embrace free and fair competition. Obviously, this is not a one way street. With us, however, this will not be a fortress Europe. We
will not opt for such a policy.

Ladies and gentlemen, for decades when we spoke about the bridge over the Atlantic we thought mainly about security and economic issues. Today I think we have to widen this bridge. We have to include two new lanes, so to speak. We have to add the cultural, the scientific lane to it so as to make it possible for young people to meet, not only students, not only in the world of academe. Exchange young scholars and scientists. And we should also establish the closest possible economic links.

I would like to see as many American investments as possible in Germany and vice versa, Germans investing in America so that our tradesmen, our industrialists, our merchants may add to that bridge. Added to security must be the exchange in these areas that I just mentioned. I am personally very much interested to see to it that exchange and meetings between young people take place increasingly.

This is my plea to you, ladies and gentlemen who are in charge of education in your states, that we create the necessary framework to bring young people together. I don't think that we can be very proud of the balance that we have achieved so far. Just look at the numbers, the figures
of students that were exchanged in the years before 1914. Those were much more significant numbers than the ones we see these days.

We should see to it that as many young people as possible are able to get their own picture, their own unprejudiced picture of the other country. This applies not just to the schools in both countries but it also applies to those young people who are outside the world of academia and are looking for a future.

In addition to a number of numerous other programs Germany promotes three centers of excellence in the United States of America at the Universities of Georgetown, Harvard and Berkeley which are dedicated to German American and European American relations.

Last year we set up the German American Academy of Science, something that was initiated with President Bush and we have pursued this with President Clinton, a body that is unique in worldwide bilateral relations. In view of the limited public funds we will need to rely to a far greater extent than previously on private initiatives in the promotion of cultural exchange and here too I would like to ask your support in this important task.
Mr. Chairman, ladies and gentlemen, our two countries are faced by quite similar domestic problems and challenges. The truth is -- and why should we not say this openly -- that in a certain sense the East-West conflict over these past decades kept us from concentrating more on these issues. This meant that some reforms were shelved which are overdue today. I'm speaking of the need to improve our competitiveness in the face of greater competition worldwide. I'm speaking of strengthening those institutions which guarantee the cohesion of our free societies.

Last year, irrespective of the fact that we have 19 elections in our country this year, which is a very unique record, even for us, we started to discuss Germany's status as a location for business. This has led to much discussion within our parliament and among the general public. We have seen that we can not maintain the status quo.

We have already initiated various therapeutic measures in order to redress that. In our system of social security we seek a reasonable balance between individual responsibility and care by the community. Here, in America,
medical care is the subject of wide ranging reform. And let me say, I am very familiar with this painful issue. There have been intense exchanges of opinions between American and German experts in the run up to this reform. And let me say that we are more than ready to give you information on this also in the hope that you may learn from the mistakes that we have made. One doesn't need to repeat mistakes all the time.

In united Germany we have about 80 million inhabitants. The area of our country is approximately equivalent to the state of Montana, where 800,000 people live. We need five million additional jobs. We have not become less strong. The others have just become better than we are. And we are, at the same time, in a position where we have to realize that international competition is heating up.

In addition to the expanding economies of the East, Asian and Pacific area we Central Europeans now have diligent and highly motivated competitors at our doorstep. I am referring to countries such as Poland, the Czech Republic and Hungary where, obviously, again it is in our interest to see to it that these countries introduce market
reforms but at the same time that they produce good at a fraction of our costs. We are, therefore, in a quandary here. We want these countries to be economic successes. They should not be dependent on Western assistance but should earn their hard currency themselves, but they are our competitors.

The unification of Germany was a unique and unprecedented event. From one day to the other, ladies and gentlemen, a dictatorship became a democracy and a Communist state run economy became a free market order. And a centralistic administration was turned into a federal system. 40 years of Communist mismanagement can not be shaken off overnight.

However, three years after German unity was achieved the worst has been overcome. Still, a lot has to be done yet. But if you look to Russia, to the Ukraine and we have these kinds of problems, problems of such magnitude after only 40 years I would plead patience for those in Russia and in the Ukraine who, after all that much longer period of time, have to contend with problems of an even greater magnitude. If you do not have the kind of support that we are able to give to our fellow countrymen in East
Germany. after the war we were able to do that, to get back
on our feet again.

Last, but not least, through the Marshall Fund,
in East Germany we will be able to solve these problems too,
although it may take a little longer than anticipated.

The sort of economic and ecological bankruptcy
that we see in Eastern Germany as a result of the Communist
regime also meant that these Communists have smashed the
middle class. They have smashed the small and medium
businesses, the keystone of a free economic and societal
order. This collapse of the socialistic planned economy
with its antiquated products and factories has created
unemployment.

Today almost 140 billion deutschmarks, this is
about $80 billion, are transferred annually from West to
East Germany. We are building a modern infrastructure and
the speed of development is sometimes breathtaking. We are
constructing new highways. We are totally changing the
system of telecommunications. We are converting the state
run factories there. Out of the 13,000 former state
enterprises these days only 260 remain to be dealt with, to
be privatized. This in only four years time. This year we
expect economic growth of 7.5 percent in the Eastern part of
our country. That means that capital investments are
apparently making a change there, actually bringing about
progress. But for many people it still takes too long.

A number of your colleagues took up my invitation
to come to Germany. I would be pleased if other members of
the Association were to come and get a first hand impression
because Germany could serve, in a way, as a test case, as a
model case for how difficult it is to get rid of the
Communist legacy in Eastern and Central Europe.

In one word we are realistic optimists. I am
certain and confident that we will be able to cope with this
task, particularly since we only have to repeat what the
generation of our fathers did in the years after the war in
the Fifties, something that was called the economic miracle
of Germany at the time. It was not a miracle. It was a
situation of a people that were in a desperate situation
after the end of the national Socialist barbarity. After
the complete destruction of our country, with more than a
million refugees in our country. Our forefathers had the
will -- and I want to mention Konrad Adenauer here -- to
make it in spite of all of these hardships.
Ladies and gentlemen, no matter what you may read about Germany, we are the children of those founding fathers and I don't really see why we should be weaker or less resolved than those who came before us. There are the young ones among us, the grandchildren of that founding father generation, and I have great confidence in them. So if I look at all this I think I have every reason to be at least carefully optimistic.

Ladies and gentlemen, I would like to ask all of you to accompany us a little bit along our way, to cast a sympathetic eye on what we do and as regards the exchange of young people, young scientists, scholars, students and peoples. Think about what we can do and help us in our endeavors.

The confidences laid down in your Constitution and our Constitution give particular importance to federalism. And I must say I am a great champion of federalism. The separation of powers between central state and the individual states I think is one of the most successful and one of the most fundamental elements of our democracy. But he who has rights also has obligations and duties and part of this is that we jointly try to mediate
between not only the states and the central authority but also between our two countries.

Ladies and gentlemen, the fact that I was received by you, that I was given the opportunity to address you in my capacity as German Chancellor I think would have been inconceivable only a short while ago. I would like to take this as a positive sign of how positively our world of today has changed. Today we have living in 1994. In only a few years time the century will end. A century that has seen so much suffering. It has seen two wars in which 50 million people were killed. It has seen a lot of distress and despair. And now towards the end of the century we have been given an opportunity that has never existed before. An opportunity to create peace and freedom for so many countries.

We have a unique opportunity for the generation of our children and our grandchildren to build a world in which peace and freedom can be assured to a much larger degree than ever before. This is our joint responsibility. Your responsibility as representatives of the great American people and our responsibility in Germany. And it is my wish and my request, and this is also the wish of my fellow

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countrymen at home, to go along this road together with you, the Americans.

I would like to wish all of you in the accomplishment of your difficult tasks in the service of your country the best of success, luck and may God bless you.

(Applause.)

GOVERNOR CAMPBELL: Chancellor Kohl has agreed to take some questions. The first question, I understand, is coming from Howard Dean.

GOVERNOR DEAN: The first question was going to come from the chairman but the question disappeared along with his voice.

Chancellor Kohl, you have what is reputed to be one of best health care systems of the entire world. We have spent most of this meeting and many of our last few meetings talking about health care and what I would ask you is for some advice specifically on what we might do here in this country. And perhaps tell us a little bit about how your system works and how you control the costs, which we understand is a problem everywhere, but particularly in the United States.
CHANCELLOR KOHL: Well, if one is among friends one has to be very cautious when one wants to give advice. Therefore I will try to answer your question cautiously.

First of all, with respect to our situation for more than a hundred years we have had a universal insurance system. And there is no doubt about it, that despite its weaknesses, it is certain that this institution has proven itself. If a sick person knows that irrespective of his economic situation treatment will be covered and the cost of treatment will be covered by insurance -- as you know, the premiums are paid half and half. Half by the employer, half by the employee; something that has proven itself especially well. And I can speak only about our situation. The insurance system is based on federal laws. But that is the administration, it is not handled by the government.

It is a self-administering system. This means that the labor unions and their employers are working together in this area and through the strength of this cooperation there -- there has been a consensus to cooperate in this area based on the legislation we have.

But the situation is not free of difficulties. We have found that the costs have been rising. There are a
number of objective reasons for that that have nothing to do
with the system as such. We have the luxury for about 30
years that we are the country with the lowest birthrate for
the last two or three decades, together with two other
countries.

When I was a student I learned that the
population pyramid should look -- that you have the largest
number of persons on the bottom and the old people, a very
small number on top. We’ve had a reversal of this pyramid.
In 2000 we will have between three and four million people
who are older than 80 years and you can try to compute that
to the situation in your country. We will have an average
life expectancy where women will be close to 80 years and
men will have a little less life expectancy. What that will
mean for medicine and for our social system is quite
obvious. You have a complete change, for instance, in the
hospital population. We still have a lot of nurseries but
we need larger geriatric wards.

And, of course, here we get into the area of
medical questions with all the difficulties associated with
it. That is, the existing system has to continue to evolve
and this is difficult. That is, the use of medicines, of
drugs. Whether you’re using it in limited amounts or whether you’re using too much of it. This is a question that has to be raised.

We are trying to contain costs and everybody has to contribute to this. It’s like savings in public budgets, everybody is for savings but they always want the other person to be cut. And now you have the insured, the physicians and the pharmaceutical companies and each will have to cut their costs and everybody is for the other person to use less of the funding to achieve savings. Therefore, there’s a very intense debate ongoing.

In the federal government we have tied it to the development of wages. Our health insurance premiums, therefore, are stable. And I think, at least with respect to the present time, I can say that we are able to meet this challenge. But I do not deny that my concern is not the cost of today but it is the demographic development which causes me concern. If you have a demographic development like we have it must have consequences.

But it is the free decision of the population in Germany whether they want to marry, whether they want to have children. This is a free decision. In some major
cities more than 50 percent of the apartment owners are singles. And since experience has shown that singles have fewer children than married couples we do not have a great expectation that there will be a change in behavior. Therefore, you have to remember the demographic development because in your country demographic development is quite different and you have to keep this in mind when you look at the German system. But, overall we can say that the system has proven itself.

GOVERNOR DEAN: Thank you.

Are there further questions for the Chancellor?

Yes, Governor Brandstad.

GOVERNOR BRANDSTAD: Chancellor Kohl, first of all, as one of the governors who accepted your invitation to go to Germany and learn about the reunified Germany, I want to thank you for your hospitality and also thank you for accepting our invitation to come and address the National Governors' Association.

One of the issues we talked about when you hosted us for dinner was the GATT agreement that had not been finalized at that time. Now, of course, it has been. I want your opinion on the subsidies of agricultural products.
you mentioned in your remarks on the GATT agreement. You were very optimistic and we were encouraged about that.

I am from an agricultural state and we’re interested in the agricultural subsidies for producers in the European and also the United States, along with access to markets throughout the world. These were two of the focal issues of the negotiations in the Uruguay Round of GATT.

In your opinion does the current GATT agreement provide a positive impetus towards resolution of these key issues on the subsidies of agriculture and market access and what impact with the GATT agreement have on the European agricultural producers, on your farmers? And how will the GATT agreement affect the farmers, the producers in the United States? What effect do you see this current GATT agreement having on the European economic union’s role in world trade, especially as it pertains to agriculture?

CHANCELLOR KOHL: Mr. Governor, as I said, GATT, of course, represents a compromise and compromises always contain some things which I would have preferred to be different from the German point of view. My British colleague, John Major, if he were standing here would have
liked it different. Mitterand would have liked it different
or you might have wanted it different. But we each had to
compromise.

Agricultural rates were, in fact, the most
difficult questions. Especially difficult for Europe and I
am happy that we found a compromise. And I did a lot in
this area irrespective of the domestic policy problems that
I got from it.

But I would like to add that the discussion
occurs on many levels. We are talking about farmers but the
major beneficiary is industry, or at least part of industry.
But in Germany you need everything. You need industry and
you need agriculture, therefore this compromise was
necessary.

The second thing we have to say here is when I
see Europeans and Americans together is that there are
tremendous differences in agriculture and those differences
have to be tied together. I want to mention three figures
which I wrote down for this purpose. In Germany before
unification we had an average size of 17 hectares and after
unification 23 hectares. That would be 69 acres in U.S.
terms. In Britain you have 160 acres as an average farm
size and in the United States the average size is 491 acres. These three figures alone show that you have totally different agricultural structures, organizational structures. And you have to add the economic fundamentals based on the climate. And, of course, also the traditions.

For example, in Germany we have a tradition which I think is really very fortunate but, unfortunately, it does no longer fit within the image of international agriculture but is of great importance. That is secondary income derived from agriculture. That is people who inherited a farm, have a regular job but continue to farm their small farm. Very often they have specialized crops they grow and have a second income from it.

From the social point of view, and I don't have to elaborate on this, this is a basis which creates a lot of social stability. But if you look at the periods of poverty during this century it was these people who did not turn towards a radical ideology. They had a basis for their existence.

These differences exists already within the European union, as I mentioned. And, of course, this applies specifically to France: In our discussions within
the GATT round the question of the wheat price was a very important fundamental question. And I must say that for more than a hundred years our French friends had been the export country for wheat. This is also reflected in the French language because you speak of the green gold. You don’t call it wheat. It shows that for French economy and for French business this was of great importance and therefore it was one of the most difficult topics to settle.

However, if I look at the overall GATT agreement I believe that we have achieved important progress here and that now in Europe and in Germany we not just should accept the results, but we should actively make it work. And this has the result when we have small farms that are marginal and a large number of farmers will lose their livelihood that farms will have to be combined and then we are going to have a large number of set asides in Germany. These are going to be fields that are going to be reforested. These are areas where the yield is not great. But we have to change our thinking, as we need to do in other areas.

However, I think that although compromise should be accepted by us -- and if I may say that to a governor from an agricultural country, because Rhineland-Palatinate
is not very unlike your state -- I always promoted the
existence of our farmers. I always tried to help them
because if I tried to think of a Germany where right now,
although it is only four percent of the population working
as farmers, if I look at a Germany that wouldn't have
farmers it would no longer be the Germany I know.

Especially also the ecological aspect is of great
importance. If we didn't have the farmers our countryside
would change tremendously because I do not see anybody who
is going to do the upkeep on meadows and on the fields who
is not involved in agriculture. This goes all the way to
the ecological distortions that you see in the Alps. We see
wherever the farmers in the alpine region have withdrawn
from this there is a quick change in the country. The
topsoil erodes. There is a lot of erosion and the water
changes because the water is no longer retained.

Therefore, it is not just a question of the milk
price, which is important, but that there might be long term
ecological damage. And this is something that people in the
cities do not think about although they enjoy the
countryside for their vacations. And, without trying to get
involved in the development of the United States, I think
this is going to be of great importance here too. It’s important for farmers to take care of the countryside irrespective of the difficulties that might result from it.

GOVERNOR DEAN: Thank you very much, Chancellor. We have run out of time. We deeply appreciate your visit and we hope you will return one day. Thank you so much.

(Applause.)

GOVERNOR DEAN: As the Chancellor is leaving I want to again thank those of you who went to Germany, who invited him. I found that very helpful. I was extremely interested to hear the answers to both the health care question and Terry’s question on dairy, since our state is a major dairy state as well.

We are going to now move along to the second portion of our afternoon plenary. During the last few years there have been some remarkable changes in the health care industry. I think I am going to wait for about three or four minutes because we have an excellent panel here and we have an exodus of governors and I want them to hear what they have to say. Governors are going out and stretching. They can come back in a minute or two and we’ll start with the panel.
(Brief recess.)

GOVERNOR DEAN: Okay, we will get started.

Over the last decades there has been a remarkable change in the health care industry. This is independent of the need for universal coverage, the need for health financing and the need for cost control. Plus, the private sector has done a number of things that have not been the product of government regulation. They've simply done this on their own.

Probably the most significant development of all is the development of HMOs, health maintenance organizations or preferred provider networks. The number of people receiving care through HMOs has increased from approximately 10 million in 1981 to 45 million people -- that's almost a fifth of our population -- in 1993. In California today more than 80 percent of all Californians are either enrolled in an HMO or a preferred provider network. In Boston, Philadelphia, San Francisco, Los Angeles, Baltimore and Washington, D.C. HMOs are now providing more than 30 percent of the market.

HMOs have not been without problems but they are heavily relied on in the President's plan and others to
control costs. As the HMO and preferred provider network
grown so has their sophistication.

I would like to introduce the co-chairmen of the
Health Care Leadership Team, Governor Thompson, of Illinois,
and Governor Romer, of Colorado. Governor Thompson will
introduce us to this topic, followed by Governor Romer, who
will make remarks and introduce our afternoon panelists.

Governor Thompson.

GOVERNOR THOMPSON: Thank you very much, Governor
Dean.

GOVERNOR DEAN: Pardon me for getting your state
wrong. There was a Governor Thompson, of Illinois.

GOVERNOR THOMPSON: I know. Now it's represented
by Governor Edgar.

Thank you very much, Governor Dean, from
Massachusetts. I appreciate that very much.

(Laughter.)

GOVERNOR THOMPSON: But the health care plenary
session that we're in right now is very important.

Yesterday, if you all remember correctly, the governors sat
around the table, we discussed the problems we're having

with health care and I made a suggestion at the end of the

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meting that we would try to pull together some of the items that we could all agree upon.

Since yesterday noon the staff of Governor Dean and Governor Romer and my staff, with Governor Campbell's -- and I believe my staff took the lead role in drafting it -- but there should be at your desks a resolution amendment that I would appreciate it if you would take some time to review during the time that the panel is going to be discussing issues so that at the end of that we could take it up and hopefully vote on it. I think it's a pretty good bipartisan basis for which we can build our support for health care reform in this country. I want to thank Howard Dean for his leadership, and that of Carroll Campbell and Roy Romer.

We had a hearing on Saturday afternoon which was chaired by Governor Romer and myself. We had a really good roundtable discussion and debate on the future of health care. One thing is certain: more and more Americans are receiving their care through organized health care networks. These networks range from loose physician groups to highly structured health maintenance organizations.

As major purchasers of health care, as well as
stewards of public health within our states it is necessary
that we become familiar with issues surrounding the delivery
of health care. Specifically, what advantages and
disadvantages do health care networks offer. One key aspect
of service delivery is the accessibility as well as the
quality of care that these networks provide. And can health
care networks be effective as well as cost efficient in
rural areas, such as states like the upper Midwest. Are
there special issues in providing care to Medicaid and other
low income populations through such networks?

So, ladies and gentlemen, I would like to now,
before I turn it back to Governor Romer for the introduction
and for his comments and the introduction of the panel, I
would like to tell you that there are two policy papers that
will be taken up at the end of our discussion today. One
deals with the barriers, and that, of course, is the federal
barriers to state health care reform. And the other one
dealing with illegal immigrants and how that affects state
health policy as well as state costs.

The amendment that I am referring to that we
worked on yesterday is at your desk, you place and that
would be an amendment to the barriers to health care.
That's probably the one that I would direct your attention
to mostly because that one summarizes what I think is the
best compromise reached in a unified bipartisan agreement
and I hope that everybody can go along with that. But I
think you should look at it and it should be, hopefully,
endorsed by all of us today.

With that, Governor Dean, I thank you. I now
call on Governor Romer for opening comments as well as the
introduction of the panel.

GOVERNOR DEAN: Thank you, Governor Thompson, of
Wisconsin.

Governor Romer.

GOVERNOR ROMER: Of Colorado.

Let me first say that we've come a long ways in
the last year discussing the framework, the legislation, how
to pay for it but there's a whole world out there and the
private sector has been responding in anticipation of this
in terms of how you put together provider networks.

We all anticipate certain purchasing pools,
alliances in some form, who will turn to provider networks
in order to deliver certain services. Now, we've known
those networks traditionally as HMOs but they're going to
take some other forms: groups of physicians, hospitals and physicians working together and other forms we may not yet imagine. We have with us today four individuals who represent various experiences in that area. I'd like to introduce them.

The speakers are Sister Lynn Casey, President and CEO of St. Mary's Hospital and Medical Center, in Grand Junction, Colorado; Dr. Stephen Cohen, President of the National Organization of Physicians Who Care; Dr. Charles DeShazer, Director of Clinical Information Systems, at Southeast Permanente Medical Group; and George Halvorson, the President and CEO of HealthPartners.

I'd like to, first of all, call on Sister Lynn Casey. And note that she also represents an area that is fairly rural and there is a unique challenge to provide this kind of service in rural areas.

I know you've taken out a good part of your day and I appreciate your coming, Sister Lynn.

SISTER CASEY: Thank you, Governor Romer.

Today I speak to you from a point of view more with a passion for justice than a mastery of economics.

However, I do feel it is with the realistic point of view
spoken of earlier.

One of the prerequisites for reform, I believe, and also for network formation is to already have in place insurance reforms which prevent screening out pre-existing conditions and also allows for community rating rather than individually rating the company or the person. Once this is in place I believe the next step is for the federal government to establish the floor or the basic benefit package that is acceptable to most people in our society.

We are too mobile a society to have a health care boutique in every state yet every state has many creative demonstrations going on that do allow people access to care. If we do have a basic set of benefits, which I assume we will with all the reform talk that is going on, it will allow us the ability to compare both outcomes and costs.

One of the comments made about Medicaid has already been the practice in our state where there is a contract for Medicaid with the HMO in the area that I serve in. This saves the state five percent of its Medicaid costs and allows for Medicaid recipients to go to any physician in the community. The incentives are in line for the physicians to accept them as well as the institutional care
providers also to accept them. However, state Medicaid administrative oversight is found to be much more cumbersome than any other type of contract in our state. Frequently this is due to the interpretation of the rules and regulations at the state level.

As you look across the states today there is a limited amount of experience in collaboration due to the competition that has been the characterization of our past several decades. As we move toward networks, however, there are some lessons to be learned from those service entities that have sprung up to serve the uninsured and underinsured today.

In our town we have a clinic and we have several lessons we can learn from it. They have made excellent use of mid-level practitioners, physician assistants, et cetera. Primary care is the focus instead of trying to do everything. There is a commitment of the institutional providers and the physicians to accept the referrals from the clinic as part of their community accountability. The clinic has no overhead required to manage insurance forms due to disparity of coverage. It is very attractive to the users because of its lack of complexity and the small local
flavor that can be sustained.

As we move toward networks there are some key quality characteristics that we all would like to see in place. One of them is the focus on maintaining community health; the second one being a seamless continuum of care, Management within fixed resources and community accountability.

The concept that is driving the network formation is realignment of incentives to move toward a care of the whole person rather than piece work. To maximize our resources we must address the fragmentation that exists with public health, VA, auto insurance, workers comp and the various aspects of care and work toward full integration and to change the incentives so that collaboration can thrive.

Regardless of how networks are formed we already know some things that we can do. Modify the utilization patterns that we all engage in where we want access to care immediately and we go to the most costly provider. Those are patterns that we, the public, must modify. We can involve patients in their care and the decisions about their care, respecting the wisdom that they bring. This will also have an impact on reducing unwanted and ineffective care at
the end of life, which is often pursued due to the need of
the family rather than the person, the patient. But with
the assurance of comfort measures replacing high cost, high
tech interventions.

There are some unintended effects that can be
minimized as we watch the projects that will come together
to form networks. We all know there has to be an insurance
product, a physician group and a hospital. These are being
formed in different ways and in different communities. One
of the tests will be that the kind of thinking that created
the problem can not be the kind of thinking that derives the
solution. We must encourage our people to come together to
look at all aspects of access and care and respect the
collective wisdom that will bring new thinking to the
resolution.

Testing models at the state level. We need to
have more than two years in order to measure the other
unintended consequences. Very quickly we can show cost
savings but less quickly determine those who have not
received care or access to basic health and preventive
services.

As governors, I would encourage you to endorse
the Healthy People 2000 agenda, which is already available to you for health promotion and disease prevention in your states. As governors, also, I would commend you for addressing the issues that contribute to costly health care that you did yesterday working on the violence in children. Those certainly do impact the health care system.

As I conclude I would ask you to include the health providers in your area in creating learning contexts to reshape the fundamental patterns of thinking about health care and to harness their thinking in creating the will for local action. Together we have a stewardship and leadership opportunity and I commend you for taking the leadership today.

Thank you.

GOVERNOR ROMER: Why don't you just continue to follow on. The next one is Dr. Stephen Cohen, President of the National Organization of Physicians Who Care.

Dr. Cohen?

DR. COHEN: Thank you, Governor Romer.

I am honored today to have the opportunity to relate to the governors of America the Physicians Who Care perspective on health care reform.
I am a private practice oncologist in the more than full time practice of medicine and I recognize that what I’ll be presenting is not a politically correct model but it’s one that will preserve the best medical care system in the world. More importantly, it will preserve the doctor/patient relationship, a process which we believe will be forever destroyed by the whole managed care concept being considered.

We concur with President Clinton that universal access is essential. We also agree that portability of health insurance, elimination of pre-existing and issue restrictions, guaranteed issue, guaranteed renewability and a modified community rating based on lifestyle and health hazards are also highly desirable.

We believe these goals are achievable by the Congress without destroying the fiber of American health care. We further believe that such changes would go a long way towards solving the majority of our health care problems.

We believe the President’s plan and other similar designs have relied on managed care and would decrease caring and increase rationing. It will cause a burgeoning
bureaucracy, the likes of which we have never seen and can
not afford. It will absolutely deny patients the right to
see physicians of their choice. I repeat: Your constituents
and you, yourselves, with no longer be able to choose your
doctor like you can your banker, minister, barber or
attorney. How dreadful a thought for a persons most private
professional interpersonal relationship, that between a
doctor and his patient, would only be marginally in the
hands of the individual.

Managed care initiatives reverse relations just
to the utilization of gate keepers. These are physicians
who are paid to do less, to care less, consult less, test
less all for their personal gain and it's an abhorrent
concept to most physicians. Physicians that are not their
patient's advocate are, frankly, not to be trusted by their
patients.

The presence of such perverse reimbursement
policies of managed care programs should be known to
patients. Managed care physicians will not be their
patients' advocates. Global budgeting, national health care
boards and price caps should frighten Americans to no end.

Imagine running out of resources when the Governor of
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Pennsylvania needs a liver transplant. Imagine how this will cripple innovation in new drug research. It is no accident that in Canada medical services disappear when the budget it exceeded. New drug development has virtually vanished in Canada. Is this what we want for America?

The health care alliance, with its managed competition, is a concept that is so bureaucratic and complex that it defies description. It will limit choices to for-profit health care corporations and giant insurance companies that have, as their primary concern, profit and not health care. The scenario of rationing, restricting, delaying and limiting choices, as I noted previously, will certainly result.

The concept is congruous for those of you concerned with rural health care. Managed care and managed competition make absolutely no sense in markets that can not get adequate numbers of health care personnel to begin with, much less bringing to bear the process of contentiousness to those vital souls who have dedicated themselves to the rural life.

Under the Administration's health care reform I assure you the burden that you will have as individual
states will increase several-fold. The federal government is famous for mandating to the states without helping out with funding. Presently you are all wrestling with growing Medicaid budgets that are strangling your states. You are looking for managed care programs to rescue you from financial disaster. What you will be giving birth to is a tiered health care system for the poor with restrictions in quality and choice. You know that you, nor your families, would want to be part of such Medicaid managed care programs and you know that to be the truth.

You are all familiar with the concept of health care IRAs. The criticism of such proposals are that it’s for the middle class and above because it requires a high deductible. I suggest to you that this concept be adopted immediately by the states to solve the Medicaid crisis. Imagine the process of having a $1,000 deductible paid by the states for care of their Medicaid patients. The incentive is that by prudent purchasing and utilization of care, the individual can retain any residual funds at the end of the year in their own personal IRA account. This will drastically and remarkably cut unnecessary utilization of services leading to marked savings in the program. The
reduction in utilization, at the minimum, will result in 25 percent savings. Imagine, free choice of doctors and the development of responsibility by patients.

We propose, additionally, that the long term care requirements of Medicaid be eliminated so that the acute medical problems can better be addressed and funded. In its place: tax relief to help families pay for such care; federal and state long term assistance and loans; tax exemptions of long term care policies; life insurance policies that convert to long term care insurance plans; and home equity conversions allowed to fund long term care.

We all know health care costs are rising because of the greying of America, the expansion of technology, the insatiable appetite of those insured without being primarily responsible for the bills and the introduction of for-profit non-healthcare professionals into medical care. To stem the rising costs we must create individual responsibility in spending the health care dollar and that is why you must adopt this proposal for those for whose care you have financial responsibility.

The American Health Security Act, that places Americans in managed care programs, that virtually
eliminates judicious utilization of services, will result in excessive usage and skyrocketing health costs no matter what our government estimates might be. While you hear repeatedly that managed care can save money there is almost no proof of such. In fact, the CBO has shown that Medicare HMOs cost more money than traditional Medicare programs. Cost increases for managed care have been the same as for indemnity health care for the last decade.

Even when savings can be demonstrated what price must patients pay in the form of diminished quality of care and caring?

Physicians Who Care, our organization, believes that employer funded health insurance that presently exists can insure most Americans by utilizing high deductibles, such as the $1,000 a year, combined with medisave accounts. Even the smallest businesses can afford to provide quality insurance since such high deductibles dramatically drop the insurance rate.

In addition, poorly funded patients can utilize pre-tax medisave account dollars, that is the IRA concept, making them prudent buyers of health care with a vested interest by individual employees and their families since
they can accumulate any savings in their personal IRA accounts. By this quality technique complete patient choice can be maintained.

For individuals such as those who are self employed or who would like to opt out of their employer based plan there should exist individual tax credits plus medisave accounts that will additionally provide insurance coverage for this part of the population.

We believe the measures we have suggested build on the present system of private insurance, prevent government intrusion into health care, allows freedom of choice for the patients, promotes personal responsibility among patients, allows research innovation and autonomy of health care providers, scientists and doctors to continue.

Thank you.

(Applause.)

GOVERNOR ROMER: We have just proven that this is an organization that has a full pluralism of views. And the applause recognized that that is approved by some.

I was under the apprehension or the instruction that we were going to talk about how we organize provider networks. I will assume the rest of the panel will direct
their attention to that issue, not a philosophic debate. But I think everything goes.

Go ahead.

DR. DE SHAZER: Thank you for the opportunity to participate in your panel discussion today. I am honored to be asked to address an important set of issues for the states and for our health care system.

A little bit of background about myself. I was born and raised in Chicago, Illinois in an inner city area not too far from Cook County Hospital. I attended the University of Illinois Hospital for my medical training and also my residency. So I've had experience at West Side VA Hospital, Cook County and the University of Illinois Hospital.

I then practiced for four years as an attending physician in internal medicine in Cook County Hospital. Subsequently, I took a position as Director of Clinical Information Systems for Kaiser Permanente Southeast Permanente Medical Group in Atlanta, Georgia.

I've been asked to talk about the challenges of setting up provider networks for Medicaid in the inner cities and I think my background reflects a special
sensitivity to these issues. Many states are now turning to
managed care in order to more effectively manage their
Medicaid programs.

The motivation is concerned with both the quality
and the cost of fee for service medicaid program, however,
given the current level of fee for service reimbursement
under most Medicaid programs there is considerable doubt
that managed care can provide significant cost savings.
There is more widespread support for the view that the
quality and coordination of care in Medicaid can be improved
under some managed care arrangements.

The best managed care arrangements can bring to
more Medicaid beneficiaries and inner cities the benefits
they have already brought to more than two million Medicaid
and Medicare beneficiaries and the millions of working and
middle class enrollees that they currently serve. These
include comprehensive services and emphasis on preventive
care, clear responsibility for the coordination of primary
and secondary specialty care, sharing of information and
best practices among physicians and a focus on quality of
service and care.

However, I would caution you that quality and
coordinated care would not be enhanced and may even be
reduced if inadequate managed care arrangements are allowed
to proliferate or if managed care is not carefully
implemented. Loose network arrangements that simply manage
costs do not bring added value to Medicaid beneficiaries.

The history of managed care in some states in the
early years of Medicaid has been a sorry one. Not enough
attention paid to assuring that participating organizations
had the management capability, the financial wherewithal,
the quality of providers and the experience to effectively
provide for prepaid health services. Some operators enter
with the intention of reaping short term financial gain and
did at the expense of the beneficiaries and the taxpayers
until they were removed from programs.

Much has been learned from those difficult times.
Some federal and state standards now require that we pay
Medicaid organizations. These standards should be
maintained and perhaps enhanced. They should not be ignored
in the interest of expanding managed care too quickly.

One of the lessons learned is that it’s important
to provide Medicaid beneficiaries with choices. These
should include high quality managed care organizations that
are also providing care for substantial non-Medicaid and
Medicare populations. Also, existing providers under either
a managed care or fee-for-service arrangement.

Managed care can be expanded into Medicaid and
into inner cities through the use of main stream
organizations or by creating networks of traditional
Medicaid and other inner city providers. The main stream
managed care programs have a major challenge in
participating in Medicaid in the inner cities.

Many Medicaid beneficiaries and other poor
persons in the inner cities have special medical and social
needs which must be met. They often are sicker, have less
access to necessary medical care, less physical access to
services and the transportation they need to obtain them.
They represent diverse cultures and often have linguistic
and other requirements which may be difficult to satisfy
through mainstream organizations. The utilization of
services reflects these difficulties. For example, they use
emergency rooms more than most. Many face major social
problems: crime, violence, broken families, homelessness and
substance abuse, which exacerbate their health care needs.

Any managed care program directed to Medicaid and
the inner cities is faced with these medical and social realities. Even the best mainstreamed managed care arrangements do not necessarily offer all the services needed to meet the special needs of this population. But neither does the current system.

There is another problem. To the extent mainstream managed care arrangements seek to participate more fully in Medicaid and the inner city they threaten the financial base of the current providers of that care: clinics, public hospitals and other inner city providers. Although many mainstream managed care providers consider Medicaid financially undesirable, current Medicaid providers consider it a relatively reliable source of finance.

In seeking to expand managed care in Medicaid and the inner city it's very important that this issue be addressed. On the other hand, to continue a fragmented fee for service system is inconsistent with the objectives of the delivery system reform. This means that movement of beneficiaries into managed care should be incremental and based on beneficiary choice. It should not be a crash program adopted in the hope that it will solve this year's budget crisis.
It is therefore desirable for at least some traditional Medicaid and inner city providers to become organized into managed care arrangements to be able to compete on a level playing field for the Medicaid population, the newly insured under health care reforms and the currently insured.

There are a number of barriers to this. First, there’s a lack of management depth and management prepaid organizations, particularly medical management. Second, there’s a lack of marketing expertise, both in obtaining access to the individuals and in developing appropriate rates. Third, there’s an imbalance between primary and specialty care. Fourth, higher than average risk beneficiaries may not be accurately accounted for by our current risk adjustment methods. Fifth, these providers are and will remain providers of last resort for the uninsured, including undocumented aliens with attendant financial and service burdens. Sixth, information management systems are all but non-existent and, as we know, you can not manage what you can’t measure.

As a physician, it’s very important for us to have good information to make quality decisions within
budgetary constraints. There are potential solutions to 
these problems. Technical assistance in management; 
marketing and information systems could be provided; 
guaranteed access to the newly insured and privately insured 
through purchasing cooperatives or regional alliance could 
be provided; competition for Medicaid beneficiaries should 
take special consideration of existing providers, at least 
initially; better risk adjustment approaches should be 
developed in government to provide active financing for the 
provider of last resort.

Each of these approaches entails complexities and 
challenges of their own. As governors, you might consider 
initiation of efforts to bring about closer collaboration 
between these safety net providers and existing managed care 
organizations.

In conclusion, states are on the right track in 
seeking to take advantage of the strengths of managed care. 
They should move prudently and should retain high standards. 
And, difficult as it may be, they should seek to develop and 
encourage high quality managed care arrangements in inner 
cities and in Medicaid.

Thank you.
(Applause.)

GOVERNOR ROMER: George Halvorson, President and CEO of HealthPartners.

MR. HALVORSON: Thank you for inviting me to speak today. I'd like to thank Governor Carlson for his leadership in Minnesota health care reform.

So that you'll know, my perspective is I'm president of a 600,000 member not-for-profit consumer and government health plan.

Let me first make a point that's critical to understand if you want to understand health care and health care reform in this country. We do not have a health care delivery system in this country. We have a health care non-system. A vast resource consuming health care industry that spends more than any other country in the world by a wide margin due to its inherent and pervasive inefficiency.

The problem, in large part, is structural. We have over a million separate health care profit centers in this country. Doctors offices, labs, pharmacies, ambulance services, hospitals, et cetera. And those profit centers act consistently to optimize their own revenue at the expense of both overall efficiency and the quality of care.
Let me give you an example. A short while ago graduate students at a university near here decided to take a look at the cost of saving lives in this non-system. They decided to see how much it cost to save the lives of heart attack patients brought by ambulance to a local hospital. They focused on patients who were unconscious when they arrived at the hospital. They studied 185 consecutive cases. What they discovered amazed them. They couldn't compute the cost per life saved because every single one of those 185 patients died. Not one survived to leave the hospital.

What was particularly amazing was that no one in the entire health care delivery non-system knew that all of those patients had died. The ambulance drivers didn’t know it; the emergency room workers didn’t know it; the intensive care units didn’t know it because they were all unrelated units of care. When asked they estimated that upwards of 40 percent of the patients survived.

The problem wasn’t a shortage of data. The doctors and hospitals had reams of billing data about each patient. How many trays had been used, how many sponges had been used, how many miles the ambulance had driven and what their market share was of hospital patients brought by
ambulance. What they didn’t know was that every single patient had died and that care had been useless.

Why was that? The reason for that was because we pay our providers in this country per units of care. We pay them for procedures and we do not pay them for outcomes or results. There are tens of thousands of billing codes in this country for procedures and units of care. There is not one single billing code for cure. There is not one single billing code for an approved outcome.

As happens in any economic system, we get exactly what we pay for. In this case we get a health care system that has more services than we need but with no measurement and no accountability for the result.

Look at the numbers. Our C-section rate in this country has doubled from medically appropriate numbers. Why is that? Because doctors in this country are paid twice as much money if they do a C-section. Paying doctors on a fee basis is like having a sales incentive plan for excess and unnecessary care.

The overall surgery rate in this country is twice as high as the surgery rates in Great Britain, 50 percent higher than Canada. We do six times as many hysterectomies...
as the Japanese, four times as many as the Swedes. Coronary
bypass surgery in this country is done at a rate 10 times
higher than Great Britain.

Do we get better quality care for that excess?

Let me site a recent study of the New England Journal of
Medicine: 68 percent of heart patients in the U.S. receive
high tech imaging services compared to 35 percent in Canada.
31 percent of U.S. patients have surgery compared to 12
percent in Canada. And 23 percent of U.S. patients died
compared to 22 percent in Canada. We clearly didn’t receive
much benefit from the additional volume and cost.

Why do we have such immense expense and waste in
U.S. health care? Because we pay doctors and other care
providers very lucrative fees for every procedure, whether
or not the procedures work and whether or not they’re
appropriate. We pay more if the procedure is complicated
and we pay even more if the procedure involves technology.
We overpay the procedure rates of some specialists and we
underpay primary care doctors and then we wonder why we have
this great dollar guzzling health care industry. It eats up
our resources without even reporting the results of their
efforts.
And we wonder why only 14 percent of our medical students are going into primary care. Because our caregivers are paid as separate business units and profit centers. They function as separate business units and profit centers with little quality control and very uncertain consistency.

Another recent study took 135 fee-for-service doctors and they had each of them look at the same patient. 135 doctors, one patient. They came up with 82 different treatments. Some of the treatments were good; some of them were bad; some were very expensive; some were very cheap. The best results in that case tended to be the least expensive. All of those 82 different treatments were paid for by insurance companies.

What caused that level of inconsistency? The doctors in those individual cottage industry practices practiced based on the most current information that they have. They may have graduated from medical school last week. They may have graduated last year. They may have graduated 10 years ago. They may have graduated 30 years ago. They may have read a recent article on the condition or they may not. There's a great inconsistency in health
care delivery systems. It’s an inconsistent and expensive approach to care.

It’s time to change all of that in this country. We want a health care delivery system that is both efficient and high quality. And we need an outcomes focused approach to care. We need teams of providers who work as teams to deliver the most scientifically valid quality focused care in consistent ways. And we need health care outcomes data in the hands of consumers so the consumers can make real and meaningful choices about the health care delivery systems.

You, as governors, need to know that outcomes vary from provider to provider. Several studies have shown that death rates from coronary artery bypass grafts can go from 1.2 percent to 5.9 percent. That means that your chances of dying are four times higher if you pick the wrong health care system at hospitals across the street from each other. We need to compare quality and price and then reward value with choices.

What is the Minnesota experience? Because we now have an 80 to 85 managed care market share in our major metropolitan areas competition has brought the cost of care down in Minnesota from more than a thousand dollars per
employee per year to below the national average. And we provide higher benefits. Our health care costs are 22 percent below the national average. And at the same time, because we approach health care in a systematic way rather than the haphazard, traditional fee-for-service way we enjoy a much higher quality of care. We have the best cancer detection rates. The best C-section rates. The best heart surgery survival rates and the best birth survival rates in the country. We don’t ration care for one pound babies. Our health care systems have created proactive programs that have cut the premature birth rate in half. That’s higher quality care and it’s also much less expensive. Our experience is that real systems based quality saves money and health care. It doesn’t cost money.

I don’t have time right now to go into a lot of details but the results that happen in Minnesota can happen in your states as well if you truly understand what we did with comparable market forces. A major problem for you will be emotional anecdotes thrown out by the physicians whose primary interest is their personal incomes. The good news is that most of their arguments are shallow, self serving and easily rebutted. So be sure to hear both sides.
of the story.

Health care reform in your states should first be focused on systematic delivery of quality. Secondly, on limiting the perverse incentives of fee for service medicine. And, third, on giving consumers sufficient information so they can make real choices about their care and, as a result, create a real marketplace. All the other alternatives lead to rationing and waste, including medical IRAs, which I hope to address later. Please choose quality.

Thank you very much.

(Applause.)

GOVERNOR THOMPSON: As you can tell by the applause panel you were very well received. We thank you so very much, all of you, for giving us your insights into this very complex, as well as controversial, subject.

We, as governors, are attempting to bring together some degree of consensus and, as you can tell by your testimony, it is impossible even for the experts to reach a consensus, let alone us individuals around this table.

We do want to open it up for questions of the panel. Any governors have any questions of any one of the
four panelists?

Yes, Governor Fordice, from Mississippi?

GOVERNOR FORDICE: Dr. Cohen, I don't know who brought you here but I'd like to know so I can hug their neck. I truly appreciate your being here and putting a different perspective on the thing that we haven't heard much of in the last couple of days since we've been discussing.

Is it reasonable, Dr. Cohen, to expect that we can require insurance companies to take off all pre-existing conditions to guarantee issuance and renewal to all comers without an explosive cost increase in that insurance?

DR. COHEN: I certainly think there will be increases in cost. I don't think that you can not do that and not expect insurance companies to increase the cost of their premiums. On the other hand, by doing that there will be a certain level of cost which we can then control.

In terms of managed care, one of the suggested benefits of that is that one company is going to compete with another. In this one you have community ratings. Everybody will be charged a similar rate and there will be very little difference. So it's a better way, I think, to
control costs.

GOVERNOR FORDICE: You then just use universality to spread these increased risks to other people?

DR. COHEN: Well, the more universal the more the spreading of the risk. That’s the most optimum thing you can have. That’s why we want universal access.

GOVERNOR FORDICE: And that’s kind of rub. You’ve got to force these youngsters, haven’t you, kicking and screaming into the system in order to make the costs spread adequately and a lot of them don’t have insurance, don’t want insurance. And they’re right, until something happens to them they’re saving a whole lot of money. So we’ve got to drag them kicking and screaming in there and take their total lack of need of health care into account to help spread these costs.

DR. COHEN: I agree with that.

GOVERNOR THOMPSON: Any other questions?

Yes, Governor Caperton.

GOVERNOR CAPERTON: I’d like to ask Mr. Halvorson, Dr. Cohen said the use of a gatekeeper as a doctor meant they are paid to do less, consult less, care less because they are part of an organization with a budget.
Would you respond to that?

MR. HALVORSON: I'd be delighted.

(Laughter.)

MR. HALVORSON: In the fee-for-service environment everything the doctor does is touched by the dollar. In the pre-paid environment when the physicians are on salary they are insulated from the perverse impact of the dollar and make decisions on the most appropriate care. One of the reasons that physicians enjoy going into managed care environments -- and you can structure a managed care inappropriately, but if you structure it appropriately the doctor gets to make all the decisions based on the most appropriate care. He does not have to make any decisions based on whether this particular surgery is going to add $1,000 to the bank account or $3,000 to the bank account.

So I think that just the opposite is true. I think the doctors who really care about their patients want to get in an environment where cost conclusions are insulated and the system is set up to be efficient. And doctors who care about running a business tend to go into the other approach.

DR. COHEN: Can I respond to that?
GOVERNOR CAPERTON: Sure.

DR. COHEN: First of all, maybe in his managed care approach that may be the case but that’s not true universally, I can assure you. There are physicians who get specific benefits based on how few consultations they ask for, how few radiographic x-rays they ask for. In fact, someone just recently showed me a check that they received from their HMO as a gatekeeper because he used more generic drugs than he would otherwise. So there are clear incentives which patients have the right to know and frequently don’t about what the gatekeeper is going to do.

In terms of the gatekeeper it’s very unusual for a gatekeeper today to do surgery so your example, Mr. Halvorson, is fraught with error.

GOVERNOR THOMPSON: Governor Engler, from Michigan.

GOVERNOR ENGLER: I guess if anyone cares to comment, I’m sure there might be some different viewpoints, but I’m just curious about the cost of defensive medicine and how important tort reform is in all of this. We’ve seen the RAND Corporation come out with some pretty good sized numbers on what the cost of defensive medicine is and I kept
thinking if we just had the right kind of tort reform would
we not have the capacity then to open up these dollars and
re-target those and reprogram them to the people who aren’t
currently covered.

MR. HALVORSON: That issue is often used as kind
of a smoke screen. The total cost of malpractice premiums
in this country is about $8 billion. That’s against the
$800 billion.

GOVERNOR ENGLER: I’m talking about defensive
medicine.

MR. HALVORSON: The first issue is that. The
second issue in defensive medicine that may have run into
the $20-30 billion range, if you take some of the more
extreme studies. But even then it’s a relatively small part
of the health care dollar.

The other thing to think about is that most of
the defensive medicine is unprofitable. The likelihood of
most defensive medicine going away once it’s become the
standard of care is fairly small but a major portion of it
will stay because it’s part of the revenue stream of the
health care delivery system.

DR. COHEN: As usual, I’m on the opposite side of
that view. I can tell you that daily, as a medical oncologist, patients come to me who have malignancies and they tell me they have a headache. They could have a potential metastasis to spread the tumor to their brain. It takes about three microseconds for me to decide to make the test on their brain which, in the final analysis, is probably not going to make any difference. It’s very difficult to tell a family it’s not going to make any difference. In two seconds I use an entire year’s premium to get a scan, basically to cover myself. I think it’s a very expensive phenomenon. $20-30 billion is a significant amount of money and I, frankly, believe it’s very conservative.

We certainly need tort reform. I’m actually also, I think, since Mr. Halvorson has talked about the New England Journal, there was recently an article in which New York State looked at inappropriate coronary artery evaluations in terms of coronary artery bypass and coronary artery angioplasties. They found almost no inappropriate utilization in the state of New York.

It’s very easy to say that there’s all this extra utilization. If there is such I want to see someone
actually prove it. Where are the studies that show that
there’s such fraud? The government, in terms of Medicaid,
has been looking at doctors every day through a microscope.
They don’t show this kind of evidence.

MR. HALVORSON: I didn’t mean to speak against
tort reform. We need tort reform but it’s not going to
solve the problem. There are some inequities and some
issues that can be dealt with relative to tort reform
relative to making protocols as a defense against
malpractice suits. But if you’re looking to
solve the entire tort reform problem it would make a very
small dent.

If I could possibly speak to the issue of medical
IRA’s for a second?

GOVERNOR THOMPSON: Just a second. We need to
keep our response time down just a little bit because the
governors would like to ask some questions.

Governor Romer, then Governor Weld and Governor
Dean.

GOVERNOR ROMER: I was trying to keep our debate
on the focus of disagreement where we are. This Association
has already passed the point of saying that managed care is
a good or bad thing. This association, in its policies --
and we may want to change those policies -- but this
Association has said that we do need to try to find a way to
restructure that free market out there to get some better
quality and better price.

I think the debate that's before us, and was
before us in this resolution that we'll look at in a moment,
is how to do that. How to organize it. Whether you do it
in one way or do it in another. '

I think over the last two years we have already
passed over the debate that we are hearing. And I just
wanted to reflect on that. There may be those at the table
who want to go back and re-debate that. But this discussion
we're having, quite frankly, is not where our focus is. We
already are past the point of saying the system as it is,
based on fee-for-service, the way it is now organized, it is
not adequate. I think it's, frankly, past us. I think it's
past most people in this country. And right now we're
trying to figure out, okay, how do we use the free market in
the best way?

I think that it's just important before we close
off this debate for those who are viewing this that we, as
an Association, have already bought into the fact that we need to do something different. We’re trying to figure out how we can do it.

GOVERNOR THOMPSON: Any quick response to Governor Romer by any one of the panelists?

MR. HALVORSON: One quick response. One of the reasons the Minnesota costs have come down substantially in the past number of years has been that employers have been sophisticated enough to reward the low priced plan. So they base their contributions on the low priced plan. In many other states the employers base their contribution on the fee-for-service plan or the average amount. That encourages shadow pricing and stops price competition. It doesn’t reward the plans for coming in with the most efficient system.

GOVERNOR THOMPSON: Governor Weld?

GOVERNOR WELD: Mr. Halvorson, you indicated, I think, that you’re not a fan of medical IRAs. Can you tell us why?

MR. HALVORSON: Thank you, Governor. I’d be delighted.

Medical IRAs have a couple of issues which I
don't think have been explored. The first one is that there are problems to administrative savings. In order to compute whether or not you've met the thousand dollar deductible you have to process all of the claims that add up to a thousand dollars so you still go through the front end claims processing. But rather than have those claims paid you generate an entirely administrative expense. On top of that you have the cost of administering the IRA. That adds an administrative burden. So at that level the administration does not go away, it increases.

The second point is the deductibles are high enough so they're a burden and a barrier to care for low income people. And that doesn't affect medical subspecialists because their patients burn through the barrier very quickly but it does affect primary care doctors.

What we are trying to do in this country is increase the number of primary care doctors, not decrease them. We can actually hurt our primary care infrastructure if we create an environment where the primary care doctors have to chase the patient down to get a bill paid and only the specialists and subspecialists end up having the high
enough fee that they can have it paid by the insurance company.

So I think there are a number of issues. The other issue that is critical to that is a significant portion of the patients in any given year right now don’t cost the system anything. They have a zero expense. If those patients all are given an expense account they may all suddenly cost the system something. It takes tremendous savings in the rest of the system to offset the fact that you now have 40 percent of your patients who used to cost you nothing costing quite a lot of money.

So the whole principle of insurance is to spread risk from the people who are using it in a given year to ones who are not using it. And if we guarantee that we don’t spread the risk because we don’t bring down the total cost of care to the catastrophic cases and we add to the expense of the people who used to cost nothing, basically it’s voodoo actuarial economics.

GOVERNOR THOMPSON: Governor Dean has a final wrap up question.

GOVERNOR DEAN: I’m actually not going to ask a question. As a practicing physician -- or I was a
practicing physician before I came into this position -- I'm actually very pleased with myself for not having jumped up at several junctures and made some remarks. But I've enjoyed this discussion very, very much. We've had a lot of the same kinds of discussions in our state where we're enacting this kind of reform and debating it. I think it's been an excellent discussion. A very controversial discussion. But I have to say I think we have heard all sides of the issue and I appreciate the panelists very, very much. Thank you.

(Applause.)

GOVERNOR DEAN: We have what I think is really quite a remarkable opportunity now. There was a lot of discussion about health care yesterday at the Governor's lunch and there was some discussion about moving our own views along. Here at NGA it's a bipartisan organization. Over the last 24 hours or so the staffs of a number of governors have worked very hard and come up with something that I think may not go far enough for some Democrats and may be going a little too far for some Republicans. But I think it's really quite a remarkable effort on the part of the National Governors' Association.
I want to express my gratitude to the staffs of Governor Romer, Governor Thompson, myself, Governor Campbell and others, Governor Jones and others, who had the opportunity to work on this resolution.

This is a resolution that I'll call on Governor Thompson in a moment to speak on, which would advance our policy here at NGA. It's a substitution of our previous policy. I think it doesn't solve the issue but it does move us down the road together. That's what this is all about.

I'm very, very pleased and very proud of all the work that went into this.

Governor Thompson.

GOVERNOR THOMPSON: Thank you very much, Governor Dean.

I, too, am very pleased with the bipartisan support. Yesterday noon it looked a little bleak and it has come together, I think, quite nicely.

First, Mr. Chairman, I've got to move the change for federal barriers to state health care reform, then we will get to the amendment to that. This policy was adopted unanimously by the Health Committee, chaired by Governor Romer and myself. It's basically three basic differences
from our original policy. One deals with the flexibility for states on getting Medicaid waivers. This was worked out specifically by Governor Romer and I want to thank him for doing that.

The second one was on the Boren Amendment that all of us know, as governors, is very expensive. This was worked on by Governor Campbell and Governor Waihee. This makes it easier, hopefully, for the states to get some kind of relaxation of the Boren Amendment and allow us to have a little bit more flexibility because it’s really breaking a lot of us in the government.

The third area is the ERISA changes.

Mr. Chairman, I would move those. We need a second and then I will go on to the amendment.

GOVERNOR DEAN: Do I hear a second?

VOICE: Second.

GOVERNOR DEAN: All those in favor signify by saying aye.

GOVERNOR THOMPSON: We have to amend this amendment, Mr. Chairman.

GOVERNOR DEAN: I see. We’ve got to get this motion on the floor. Let me just take a moment while we do
that. A motion has been made and seconded. What we are
doing, I believe every governor is familiar with the three
changes that we discussed having to do with, as Governor
Thompson said, with ERISA and the federal barriers to state
reform. That’s what we’re voting on now.

The statement that I was referring to, which I
was amused to hear that this is being portrayed by some of
the new media as a retreat from NGA policy -- that’s
particularly amusing because we’re not changing NGA policy,
we’re adding this to it, so it’s an advancement of NGA
policy.

We will vote to amend this and then we will vote
to tack an opening on the NGA policy. Is that correct,
Governor Thompson?

GOVERNOR THOMPSON: I hate to disagree with you,
Mr. Chairman, but I would like now to amend this amendment
so that it will all be included in this one policy.

GOVERNOR DEAN: That’s what I thought I said.

But, okay.

GOVERNOR THOMPSON: I think we have to amend what
I just said.

GOVERNOR DEAN: Go ahead.
GOVERNOR THOMPSON: What we have now is the piece of paper with several items in front of you dealing with insurance reform, state organized purchasing cooperatives, core benefits and access, tax deductibility of health care premiums, low income subsidies -- and on that one, if the governors would look at it there has got to be the word "partially" in the last sentence between the words "be" and "financed". "This program could be --" and insert the word "partially. Then you go on to the changes to the current Medicaid system. This has three items under it, the medical malpractice and liability reform, relief from antitrust statutes and relief from Employee Retirement Income Security Act, federally organized outcome and quality standards and administrative simplifications.

Now, as Governor Dean has indicated, several of our staffs have worked very hard over the course of yesterday afternoon and last evening and this morning and they’ve come up with this. I think it’s in very good shape. I think everybody that’s worked on it, as well as the governors, did support this. I think we have moved a giant step forward to reach a bipartisan thing. What should be a basic plan that passes Congress.
What I was somewhat fearful about yesterday when we were discussing this was having a fragmented system in which all governors would go off in 50 different ways and we'd end up with nothing. At least now we have a unified position that I think all of us can embrace.

I would move, Mr. Chairman, at this time this amendment to the amendment that we have already moved, which is an amendment to our existing policy.

GOVERNOR DEAN: You have that right. Were you a presiding officer at one time in your career, Governor?

GOVERNOR THOMPSON: Yes, I was.

GOVERNOR DEAN: Thank you.

Is there a second?

GOVERNOR CAMPBELL: Second.

GOVERNOR DEAN: Governor Campbell has seconded it. Is there discussion? Governor McKernan?

GOVERNOR MC KERNAN: Mr. Vice Chairman, I would like to just, before we vote on this, once again congratulate our Chairman and you, as Vice Chairman, and the two leaders of our health care reform team, Governor Thompson and Governor Romer. I say that because I am not sure that people fully appreciate the efforts that have gone
into these amendments.

Health care reform, as we all know, is an incredibly complex, emotional and difficult issue. It would have been very easy for this Association to leave in disarray but I think that this policy that is before us is a major step forward in the kind of discussion that needs to take place on this issue because it indicates how close, I believe, Republicans and Democrats are. I think this Association will be adding significantly to the level and the coherence of the debate in Congress because of this action and I know how hard all of you have worked on it and I just want to commend you for it.

GOVERNOR DEAN: Thank you, Governor McKernan.

Governor Jones?

GOVERNOR JONES: I think it's important for us to realize exactly what we're doing here and I, too, want to commend the bipartisan effort that has allowed us to get to this point.

I believe, Governor Thompson, when you said that this was the unified position of this group, I would insert the word "minimum" position. It is the unified minimum position. This is not to be perceived and certainly my vote
on this should not be perceived as retreating from the
commitment to universal coverage, for example, which is not
included here because we can not get everyone’s agreement
that universal coverage is what is necessary. So I want to
make certain that the press and the people all across this
country know that this is a unified minimum position and
there will be efforts to go further.

I would also call your attention at the
beginning, under Insurance Reform, when it says we "support
minimum federal standards that result in renewability of
coverage, guaranteed renewability of policies, limitations
on both medical underwriting and pre-existing conditions and
exclusions..." There will be those who will read that, I
think, and believe that we are all agreeing that we should
not have exclusions for any pre-existing conditions, that
all pre-existing conditions should be covered and, of
course, that is not possible unless you have universal
coverage. And the reason that is not possible is because
people could wait until they had a pre-existing condition
and then go apply for their insurance and if they were not
already covered they could get it at the same rate then as
someone else and that, of course, would absolutely bankrupt
the system.

So I heard a call in show the other day -- I think you, Governor McKernan, were on that -- and a lady called in saying that as she read the policies or the health care plans of other people the only one she saw that would cover her pre-existing condition was the President’s plan. And as I recall, the answer to the question was well, we all favor that and it either should be or will be or is in everyone’s plan. I’m not sure she was totally satisfied but the truth of the matter is if, in fact, we do not have universal coverage there will be many people with serious pre-existing conditions that will be either unable to get coverage or will be unable to afford the high cost of that coverage. So we have no solved that problem.

But again, I would reiterate that what we are agreeing to is not that this is what the plan ought to be but that this is a minimum level at which we can all agree.

I would like to offer one additional change, though, under the low income subsidies. When it says "low income families and individuals will require subsidies in order for us to reach the goal of universal access..." I can not go on record as saying the goal is universal access.
because for me the goal is universal coverage. So if we could find some way to eliminate the inference that that is the goal I would feel much more comfortable. If, perhaps, we would eliminate the words "the goal" and have it read "low income families and individuals will require subsidies." And eliminate the rest of the sentence and say "Governors support a streamlined eligibility process for these subsidies and believe that these subsidies must be sufficient to make access financially available to all Americans." I could certainly live with that. That is not saying that we are taking a stand in favor of universal coverage, which, of course, I do but some do not, but would refer to it as access that is financially available to all Americans.

GOVERNOR DEAN: Thank you, Governor Jones.

The language that was chosen was really meant as compromise language. We did discuss this ahead of time. I'm going to turn this over to Governor Campbell in a moment and he'd like to use what remains of his last dying bit of voice to have some further discussion about this. But I think we all recognize that the word universal access is a word that has been a political buzzword for some time and
that people are beginning to split hairs over what that
means.

I think the best way that I could reply to your
concern would be to let Governor Campbell explain why he
chose the words "universal access" and after that
explanation maybe the use of the word "goal" may be more
palatable to those of us who understand that we really do
want every American to be covered.

Governor Campbell.

GOVERNOR CAMPBELL: Thank you very much, Governor
Dean.

The words "universal access" was used because to
cover people with insurance where there is no doctor, where
there are no health clinics, where, in fact, they would have
to go a long way to get health care if you had insurance
only you don’t provide it. We’re not concerned in talking
about access, Governor Jones, they would have to have
access.

I have just gone through a complete study of our
state trying to put in the universal access system and we
found that in order to do that we were going to have to use
the health department, move them into clinics. We were
going to have to use the migrant centers to get out where we can provide enough access so they'll have somewhere to go. The idea of creating coverage without access is not going to work and I didn't want anybody to think that we were out trying to just give coverage when, in fact, they may not have anywhere to go or access to anywhere to go.

I guess you can split hairs on it but that was what our intent was. It wasn't that access meant that you don't get to walk into the hospital. We mean access to the basic primary care for health which people need and don't have access to today. That's really what we're driving at.

GOVERNOR DEAN: Let me just -- I tried to make clear, and perhaps I didn't, that this is an addition to the NGA policy. This is not a substitute. So everything on record as our policy starting more than a year ago still continues and is in effect.

And I'd like to read once sentence from the introduction to the NGA policy, which I think will allay your concerns, Governor Jones. That is in the last paragraph it says "The kinds of structural changes that must occur in the health care system to control costs can not be effective unless and until every legal resident has health
insurance." So I think we are still on record in that way and I would hope that we could let this amendment go forward as it is written because I think it does represent a good faith effort both to reaffirm current NGA policy and to bring us further as the rest of this statement does.

GOVERNOR CAMPBELL: Could I address one more point, Governor Jones? Your first sentence reads "Low income families and individuals require subsidies in order for us to reach the goal..." I think we could put in there without doing any damage and making your point "...in order for them to afford health care." That's very much better if we could do that.

GOVERNOR JONES: I think that is better.

GOVERNOR ROMER: That's very much better. Could we just substitute your words? That's very much better.

GOVERNOR CAMPBELL: I would move that amendment if there's a second to it.

GOVERNOR THOMPSON: Why don't we just include it?

GOVERNOR CAMPBELL: All right. Without objection we're going to include that amendment.

The next thing is your to adopt the policy.

GOVERNOR DEAN: Is there any further discussion?
GOVERNOR ROMER: I just want to emphasize that this is not a retreat. We have a policy. We’re giving a further statement than we have today and it’s obvious there are other issues that have yet to be addressed and we’ll do that in the future individually or collectively.

GOVERNOR DEAN: Governor Weld?

GOVERNOR WELD: I think this is a substantial step forward. I think it’s very helpful. You’re absolutely right, Governor Dean, it goes a little bit too far for some of us and I’m sure not far enough for others. But if we don’t adopt and pass this thing I think people could pardonably ask us why we traveled all the way to Washington to peddle our food for three days in January and February.

GOVERNOR CAMPBELL: One more thing on this. Generally when we come out of a meeting the tendency of people is to focus on what we don’t agree on. And your walking out of here with agreement between Democrats and Republicans on a large part of the health plan, not everything but a large part of it, shows there is some bipartisan support for trying to deal with this problem.

I want to commend Roy Romer and Tommy Thompson and Brereton Jones and Howard Dean on the great work that
you all have done. You just had to be in some of the meetings to see how far apart people were to understand that there is a desire to find answers. And the answer offered by me may not be the same thing Howard wanted or the same thing Bob Miller wanted but somewhere out of this we’ll come up with some answers. That is this process. And I think Governor Weld was absolutely correct, it advances our process dramatically.

GOVERNOR DEAN: Is there further discussion?

(No response.)

GOVERNOR DEAN: All those in favor of amending the amendment say aye.

(Chorus of ayes.)

GOVERNOR DEAN: All those opposed.

(No response.)

GOVERNOR DEAN: The ayes have it.

All those in favor of amending NGA policy by adding the three things that Governor Thompson initially discussed in barriers to flexibility and the piece that we have just adopted please say aye.

(Chorus of ayes.)

GOVERNOR DEAN: Those opposed?
(No response.)

GOVERNOR DEAN: The ayes have it. You have adopted the policy.

GOVERNOR THOMPSON: Thank you, Mr. Chairman.

GOVERNOR DEAN: Thank you very much Governor Thompson and Governor Romer.

That concludes the plenary session. We'll see you at the corporate fellows issues briefing.

(Whereupon, at 4:45 p.m., this session was adjourned.)