

COPY

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INDEX**PAGE****SPEAKERS:**

Howard Dean, M.D., Governor, Vermont, Chair	3
Opening Remarks	
Cornelius D. Hogan, Secretary, Agency of Human	14
Services, Vermont	
Louree Holly, Director, Mothers of Simpson	20
Street, Wisconsin	
Vicki Wallach, Administrator, Child and Family	28
Services, Hawaii	
Khatib A.F. Waheed, Director, Caring Communities	33
Program, Missouri	
Olivia Thomas, M.D., Community Pediatric and	40
Adolescent Services, Ohio	
Consideration of Proposed Policy	62
Christine T. Whitman, Governor, New Jersey	72
Nominating Committee Report	
Howard Dean, M.D., Governor, Vermont, Chair	73
Recognition of Departing Governors	
Tommy G. Thompson, Governor, Wisconsin	75
Recognition of Departing Chair	
Tommy G. Thompson, Governor, Wisconsin	77
Remarks of the 1995-96 Chairman	

GOVERNOR DEAN: Good morning. Last December we had an extraordinarily interesting group of people come to talk to us about programs for children in their communities and in their states, and this year as Chairman I've been traveling around the country looking at different children's programs, and we've got four programs to talk about today that are going to be, I think, really remarkable. And I really wanted all the Governors to have the benefit of our opportunities, Governor Thompson, myself and other of these Governors who have come to some of these sessions, to hear what's going on on a national basis for children and also to learn about what we can do. A lot of these programs were started without any help from states or anybody else, just plain people getting together and doing what needed to be done in their communities, and what we can do as a result of this, I think, is to go back and encourage these kinds of programs elsewhere.

There are a few little things I wanted to take care of beforehand. Some of the Governors that are involved in those are not here, so I'm

going to just start by recognizing some individuals, and if we have an opportunity, we'll go back. And I want to recognize Governor Whitman and some others who have a couple of short remarks they'd like to make.

Before I get into this, I want to start by recognizing Michael Levine from the Carnegie Corporation. Is Michael here? We want to thank you and the Carnegie Corporation, Michael, for your personal involvement, your extraordinarily generous financial support. This has been successful because of the leadership role that Carnegie and you have taken, not just in conjunction with the NGA but as national leaders on children's issues.

I want to thank a number of other foundations and charitable organizations. The Foundation for Child Development, the WK Kellogg Foundation, the AT&T Foundation, Charles Stewart Mott Foundation, the David and Lucille Packard Foundation, the Pewd Charitable Trust and the Robert Wood Johnson Foundation for their incredible support of the campaign.

I also very much want to thank Governor Thompson, Governor Carnahan and Governor

Carlson for their support during the campaign and their participation in all of the campaign activities. I want to thank Governor Caperton, Governors Engler, Glendening, Governor Hunt, Governor Leavitt, Governor Romer, Governor Rossello, Governor Voinovich and Governor Whitman for their support and involvement as well. Their personal participation in the campaign has been deeply appreciated, and their initiatives at home in their home states have also been deeply appreciative as we've had an opportunity to exchange information and learn about what we are each doing. And I've come to admire these Governors and others who have really made tremendous efforts in their home states on dealing with the problems of young children.

I still don't see Governor Engler here, Governor Whitman, so I'm afraid we're going to have to just wait till he gets here before we make a little presentation. The way the campaign is run is that each Governor has been asked to identify communities where individuals are working together to improve the well-being of children and their families. Several of

these initiatives were featured during the national hearing on building communities in December of '94. The remaining initiatives are highlighted in the new report that you have in front of you.

In June of '95 Governor Glendening hosted the National Summit on Young Children, which the President attended, and the summit emphasized the need for states and communities to craft new visions and to clearly define the results that they want for their children. In addition to the President, several of my colleagues and I were joined by representatives of the National Conference of State Legislatures, the National Association of Counties, U.S. Conference of Mayors, the International City County Management Association. Secretary Shalala and Carol Racicot were also present. And very much like the new Governors' seminar in Colorado Springs in '92, I found a tremendous amount of satisfaction sitting around the table with the elected representatives at other levels, the counties, the mayors. Those folks have a lot to say to us, and one of the things that I hope

will continue in this organization is a closer working relationship with the mayors, the county officials and so forth. They execute many of the programs, they share the responsibility for many of the programs that we have, and we need to continue to coordinate with them to the best of our ability.

Families have the primary responsibility for their children. The majority of families want to do what's best for their children. Many parents, for whatever reason, are unable to provide the physical and emotional support that young children need to become happy, caring and productive adults. We have learned, and certainly John Engler as the father of six month old triplets has learned, that sometimes families need help. States and communities need to create new partnerships with business leaders, religious leaders and parents so that we can create better support systems. In Vermont, for example, we've started a program that will provide an offer to visit all parents with newborns right at the time of birth and shortly thereafter to determine whether they need help and let them know about available

services. We now cover 50 percent of the children born in this state with that service, and only 12 percent of those to whom we offer a home visit turn us down. I thought that was a terrific program until I went to Hawaii last June to talk about children's issues and found out that they have a program, which we're going to hear about today, which covers nearly 100 percent of children.

The second lesson we've learned this year is that communities are in the best position to support families. There are hundreds of communities that are already doing this, many with the encouragement and support of their states, and we've heard from some of those and we're going to hear from some of those today. But these communities are not numerous enough to significantly improve the well-being of all young American children. As Governors we have to do more to identify communities that are willing to try something new, to take risks, to make investments, and then we need to support them. We can listen to them. We can provide assistance as they have, for example, in Missouri, and you're going to hear about some

of that today, and this does require eliminating bureaucratic rules and regulations and giving communities permission to experiment and make mistakes to ensure that families can get the help that they need. In my state we're in the process of pooling federal and state funds to create block grants to communities to make it easier for them to combine education, health and social service programs such as child care. We want them to implement local plans that will support children and families more effectively.

The third lesson that I've learned this year is that investing in children is a dollars and cents proposition. The early years are when children learn how to trust and they learn how to love. That is when they learn how to get along with others. For children who are in trouble, the most effective time from a financial point of view to provide support and prevent more difficult problems is when they are young. Young children who are loved and cared for do not need to be taken out of their home and put in foster care, they are less likely to end up in special education, and they

are less likely to end up in programs for severely emotionally disturbed kids and when they become older they are far less likely to end up in prison.

In Vermont we've invested dollars in children's programs from birth to age six over the last four years. In the last two years rates for child physical and sexual abuse have dropped 25 percent in this age group alone in the State of Vermont. We have invested a little more than a Million Dollars over the last four years while, I might add, we were level funding our budget because of our own fiscal problems, and our sexual and physical abuse rate has dropped 25 percent.

Even if we don't need to make moral statements about the good things that are possible and we ought to do for young children, anybody here, and that includes all 50 of us, who cares about their budget understands that this is a way to save money if not children themselves. This is a way to save money because foster care, special education and prisons are far more expensive than home visits and social support for children at an early age

whose parents lack proper parenting skills and physical ability to give good care.

It is going to take a national effort to accomplish this goal for all children, but I think that we have to be sure that we learn the lessons that we've learned this year which is that the national effort must respect and support family and community efforts because that's where it all starts and that's where it is going to be successful.

The brochure that you have in front of you offers suggestions for how we can transform government to better support families in caring for their children. I urge you to read it, act on it and share it with your colleagues. By making children our first priority and working together, we can create an environment where children are loved and cared for, where they are safe and healthy and where there can be a sense of hope for the future.

A picture is worth a thousand words, and the video we're about to see is worth a lot more than a thousand words. This provides a graphic illustration of the status of young children and what states and communities are

doing to improve the status. Can we dim the lights please and show the video?

(Video played)

GOVERNOR DEAN: I would say that was pretty remarkable. I hadn't seen that before, and I really appreciate all of the people who worked so hard to put that together. Copies of that are going to be, I've just found out, made available to all Governors who want to use it, and I dare say there's no copyright, so copy it as many times as you'd like. Thank you to the NGA staff that worked so hard to get that done, the Carnegie Corporation, all the other folks that put that together.

We have some of the folks here today who were featured on the video and others who some of us have heard over the year whose wisdom we ought to share with all the Governors. I'm very pleased that we have representatives from four such initiatives today. Khatib Waheed is the director of Caring Communities Program in St. Louis, Missouri. This initiative is a statewide school-based effort to ensure that children stay and succeed in school and that they remain in their families and stay out of

foster care and the juvenile justice system.

Vicki Wallach is an administrator with the Child and Family Services on Oahu in Hawaii. Her agency runs Healthy Start, which I talk d about briefly before, to identify troubled families from the time a child is born and provide assistance to those for up to five years. I had the pleasure of learning about her program earlier, and we are beginning now to import some of the aspects of that program here in Vermont.

Dr. Olivia Thomas, who you saw featured on the film -- she asked me why she was here, and now I know because I hadn't seen the film before -- from Columbus, Ohio, is a pediatrician in the Community and Pediatric Adolescent Services in Columbus and has been a leader in Governor Voinovich's Family and Children First initiative.

Louree Holly is the director of Mothers of Simpson Street from Madison, Wisconsin. This is a program we also heard about in December which we thought was so impressive that we ought to ask her back and explain what she does as a community organizer mobilizing her

community in Madison, Wisconsin.

Throughout the campaign we have focused attention on how to better support young children and their families, and I've asked these individuals to offer their advice about what Governors can do to replicate community initiatives such as theirs. Their comments will be followed by a roundtable discussion.

I want to welcome again Con Hogan, Vermont's Secretary of Human Services and the winner of the NGA's Distinguished Service Award in state government. Con is the reason that Vermont has been cited as one of the best states in the country in which to raise a child. And I have asked him to chair the panel, provide a few brief remarks about what he's learned from his experiences working in Vermont. And, Con, thank you for joining us, and let me turn this now over to you and your fellow panelists.

MR. HOGAN: Governor, thank you. Governors, welcome. Across the country there is a healthy ferment taking place as communities come alive to the challenge of taking on more responsibility and more resource

authority for the overall health and welfare of families of children.

This awakening is being fueled by the rapidly changing relationship between the federal government and the states. It's also being energized by the knowledge that the days of having ever increasing resources to do the job are gone and by the realization that an essential part of re-inventing government is finding better ways of getting better results for our people at less costs.

For decades both the responsibility and the resource authority for promoting healthy communities and good outcomes for children and families have been by and large the preserve of the federal and state governments and decidedly not in the hands of our communities. We have finally come to realize that it is through sharing work with communities that we are most likely to achieve the results we all want. That's a big change, and it presents real challenges both to the states and our communities.

Each of our panelists will address in five minutes or less some of the important things we

need to do. The first thing has to do with the impact of your leadership. When Governors lead, people listen, people speak out and things happen. The NGA vision which says that all of our lives are enriched and improved when we can build stronger families, healthier children and more effective communities is k y.

The second thing to do is to work with people to agree on the results we want to work for, whether it's the Oregon Benchmarking Project, or Minnesota's Milestones, or Iowa's People Priorities, Missouri's Directives for Change, North Carolina's Smart Start or Vermont's Core Outcomes Project, we're seeing major attention paid at all levels of governments to clearer and more trackable outcomes.

In short, we need to know and share where we have been and where we are today so that w can map out the results we want for tomorrow. And equally as important, we need to organize this information at very local levels. In Vermont the people in every school district catchment area are now learning how their families and children are doing regarding many

key outcomes, be they teen pregnancy rates, immunizations, child abuse or children's health indicators. This is a mirror which communities are using to look themselves in the eye and then organize to take action. In the words of a former boss of mine, "In God we trust, all others need data."

Another thing to do is work with new partners, including our schools, to serve neighborhoods and communities in new ways and with new players with the families and children themselves at the center. These partners will not only help us do better what we already do but will stretch us to do things that up to this point have been beyond us. And we must do prevention in a much bigger way. As Governor Dean just said, in Vermont we are seeing a stunning 25 percent reduction in substantiated child abuse victims over the last two years and the third-year report will show even larger reductions. We directly attribute these results to a changing climate where prevention, education and aggressive prosecution are emphasized at both the state and local level. A web of efforts, including healthy babies,

home visits, early intervention services, Success by Six, school transition efforts, family preservation work all done by many good people working together at the local level is paying off.

Another important aspect of this thinking is the recognition that we need to invest in the strengths of our people and social institutions in our communities and that we need to move away from the destructive and often self-fulfilling thinking which identifies an endless litany of needs which can never be fulfilled rather than recognizing that children, families and communities all have strengths on which to build.

We also need to consider some very important relationships that we're just beginning to understand better. For example, low-income children who live in affordable housing are significantly better nourished than children who don't. Tenth grade reading scores correlate more closely with median family income than with anything else. And working parents not only have higher educational expectations for their children, but they also

have children who perform better in school. We also know that children need consistent relationships with adults and that elders need more valued roles. We need to have more intergenerational relationships which are, simply put, reciprocal and mutually beneficial.

What are the challenges to state government in these changing times? Make agreements with communities about the outcomes we all want as a foundation for change, and our experience in Vermont says that that will go well. Why? Because we all want the same best outcomes for our children and families. Tie our finance systems and government structures more closely to the results we all want so we begin to have more accountability which, frankly, has been lost greatly over the last several decades. Help communities develop their own capacity to govern at these new levels of responsibility and authority, and redevelop our information systems to support more communication on local decision making. And this one speaks to a very serious problem; namely, the general lack of support for information technology development across many

levels of government. This is important because by and large government is information. People in this area, as Lou Gerstner told us, we are lagging badly. These things to do, and more, will be expressed to one degree or another by the seasoned and innovative people from which we have much to learn. And with that I'd like to ask Louree Holly of the Mothers of Simpson Street to share some of her key thinking with us.

MS. HOLLY: Good morning. First I'd like to say thank you to particularly the Governor from the State of Wisconsin for having me here because I'm representing a group of socially, economically disadvantaged people but proud and intelligent community grass-root people who are making remarkable differences and changes in their communities by empowering themselves. And for too long we have not been able to have a voice, so this has given us an opportunity to have a voice to say exactly what needs to be said, and for that I'm grateful.

For too long our communities have been run by systems. We've had systematic control in the communities, and that has been not a plus

for us. We are a group of people who want to make changes in our community who want to empower ourselves and to let things happen the way we see and feel that they should happen so that we can help our children. We need to be the ones to make the differences in the lives of our children. We cannot make differences in the lives of our children if we are going to be continually controlled by the systems because the systems do not know what it is that we want. This is another form of the plantation mentality when you have the systems coming in from the outside and dominating and taking over our community telling us what it is that we need and telling us how to fix it. We don't need the systems to do that any longer, and the communities of grass-root people are beginning to rise up and say that. We want to take control. We are empowered people. We want to take control of our community. And if the system people are going to come in, they should come in on a very low key, very low-key level and listen to our needs and assist us as we require their assistance, not to come in and dominate the community; otherwise, we will not

be able to make any difference in helping our children.

We also know that we have a voice. Our voice should be heard. The systems may come in and see us as being someone who needs to have a hole in the wall where you may call a school so that we can receive a GED in our community. Well, we may want to go outside of the neighborhood and go to the university and sit right next to you and receive a Ph.D. A GED may not be our goal. We are not impressed when you come into our neighborhood and tell us that you're doing us a favor by taking us to the food pantries. We may want to open a neighborhood grocery store and have our own food pantries. We may not be impressed with you giving us free bus tickets and telling us you're helping us to get across town to the doctor. We may want to be the doctor, and we may want to drive the bus. We may not be impressed with you coming into our communities telling us how to discipline and raise our children. We may know how to do that ourselves, and we do know how to do that ourselves. And we would not be able to make

any difference in our community unless the system people move out.

And I've been in community organizations and organizing for 25 years, and for 25 years I have seen systems take over, and for 25 years I have seen the same results; nothing has changed. The definition of insanity is to continue to do the same things over and over again and to expect different results, and that's what's happening. We're continuing to do the same things over and over again and we're expecting different results. The only thing that's going to make a difference is if you give the community back their voices.

The second thing that I want to point out is that we need to promote success in our children rather than failure. I've seen far too many times where the government is giving funding to kids who are in the system, giving funding. And I am all for intervention and prevention, but I'm also for promoting our kids who are successful. In the schools I've seen the kids who are acting up and disruptive be the kids that get the front seats in the classroom. They're the kids that get the

breaks, they're the kids that get two hours out, they're the kids that get someone to come in and do work which is supposed to be anger management workshops which turns out to be them watching a movie and going to a theatre having pizza parties, and this is to deter them from doing disruptive things. Then you have the 3.0, 4.0 students who are doing well who can actually afford to take two hours out of a week when the disruptive kids can't even afford to take two hours out of a week to do nothing but study. We have the 3.5, 4.0 students who can actually afford and deserve to go on the field trips; they can't go because the money is designed for system kids.

We put too much emphasis, and focus and highlight on kids who are not doing well, and we're not doing what we need to do for the kids who are doing well. That's why the agency that I'm with, we have a special program that honors and recognizes kids with 3.5 grade averages and above. We want you to know that in our community we have far more kids that are doing well in school than that are doing bad, but the focus has always been on the bad kids.

Now, one of the things that the Governors can do and what we have found that has worked that's really remarkable in our community is they can get directly involved with the communities. Get directly involved. Make it personal. We have been able to call on the Governor's office to give proclamations to these students that are making 3.0, and then the disruptive students can look at this and say, "Woah, the Governor says you're a great student. I've got a proclamation from the Governor." Then that means that they're going to have to do something different to get that. They have to know that they can't get rewarded for doing disruptive things. That makes the kids who are doing well look and see that, "Well, if I'm doing well and not getting rewarded, I might as well have a fight." And at the end of the school year we have begun to see things like that happening. The 3.5 kids were beginning to get into trouble, in fights, things that they have never done before just so that they can get attention. We need to turn that around. The attention needs to be focused on the kids that deserve to get the attention,

and that's the success for students.

(Applause)

Thank you. One of the last things that I want to recommend, when I was at the airport I called to get the blessings of the Mothers of Simpson Street and to say good-bye. The last thing that they told me, "Well, you make sure that you tell those Governors we want control of our children back." We want to be able to discipline our children the way we see fit. We are tired of people, let's say, coming into our neighborhood telling us how to raise our children. They're telling us how to parent our children. We are the experts at parenting children. We parented children 400 years ago. That's all we've done is parent children, you know? We are the experts on parenting children. So, now how can you tell us how to parent children? When our parents disciplin d us, there was no such thing, I'd never heard of talking about guns. Guns? I mean, we never heard of talking about guns. We never heard of girls getting pregnant. When a teenager got pregnant when I was coming up, it was a social outcast. It was a disgrace, and everybody knew

about it. I mean, the parent could not walk around and hold their head up. Now, it's a way of life because we don't have control of our children. We cannot discipline our children the way we see fit. Social Services comes into our neighborhood, gives our kid a card in front of us, right in our presence and says, "If your parents touch you, to give us a call." Then the kid, as soon as the person walks out, started doing all kinds of disruptive things and says, "If you touch me, you'll go to jail." And we are sick of that kind of mentality. We need to do something different.

As I said, the first thing, the most important thing that I have to offer to you today is to give the voices back to the people. Exactly what's happening right here right now today is to give the community grass-root people whose lives are being affected, give them a voice. Let them tell you what they want to happen in their community and how they want to fix it, and they ask you for the resources. And you give them resources as they ask for it, not as you demand and not what you want to happen to them but what they want.

And the second one is to fund success, to promote success in our children and stop promoting failure. The third is to give the parents the right to discipline and take charge of the lives of their children. Thank you.

(Applause)

MR. HOGAN: Thank you, Louree. Now, we'd like to ask Vicki Wallach who was an RN with the Prevention Service Administration in Hawaii. This is a state that we've watched very carefully and learned a lot from.

MS. WALLACH: Governor Dean and members of the National Governors' Association, thank you for allowing me to participate in this meeting. As you consider social policy options to strengthen families, I would like to recommend that you regard family support programs as a central building block in a human service system. In particular, those programs that are preventive, comprehensive and have demonstrated effectiveness seem to best respond to the needs of overburdened families. These programs begin to address what Governor Cuomo referred to as the quiet catastrophes across our country; those difficult life circumstances that stifle

the lives of millions of citizens each day and undermine our future.

Community based service initiatives serve to meet two important goals for families residing in poverty. First, to buffer the effects of economic hardship by strengthening the family's ability to cope with the harsh realities of their daily lives and, second, to focus on the enhancement of a positive parent/child relationship despite numerous obstacles to attentive parenting. There is an emerging belief that prevention programs can render significant economic and social payoffs. The U.S. House Select Committee on Children, Youth and Families in an analysis of data over the last 25 years did conclude that prevention pays. This report cites economic returns of \$6 for every \$1 invested in the reduced costs of remedial education, Welfare, crime and social services. Thus, there are expected returns on human capital investments, but like all investments and growth, most of the dividends come later. A generation may need to elapse before the full value of the payoff is realized.

Home visitation is increasingly regarded as the core component of family support programs as it has been shown to not only improve child health but to alter the mother's life course. For these reasons, this interventive strategy has been used since the turn of the century. It may be interesting for you to note that Mary Richman in 1899 published the first manual on home visitation called, "Friendly Visiting Among the Poor," and this text is considered to be a classic in the field and still utilized today. Significant social outcomes, such as a reduction in child abuse rates, increased maternal employment, a reduction in unintended subsequent pregnancies and enhanced child development are associated with home visitation programs.

Hawaii's home visitation model called Healthy Start serves families whose exceptional circumstances place them at risk for child abuse and neglect. The impact of this program has been impressive. For 2,254 families who received services from July 1987 to July 1991, in 99 percent of the target children abuse was not confirmed. In addition, 90 percent of two

year olds were fully immunized, 90 percent of the children had an identified medical provider and 85 percent of the children were developmentally on target.

In this time of growing social demands with fewer resources, Hawaii's Governor has made a substantial commitment to prevention programs by allocating \$6 Million to Healthy Start for the next year.

It is clear that time limited family support programs can have long-term impact on family well-being if they are carefully designed and implemented to maximize family gains. Liz Schorr in her book, "Within Our Reach: Breaking the Cycle of Disadvantage," summarizes a list of program components that are prone to make a difference in the lives of families. First, offer a broad spectrum of services. Programs with multiple goals are generally more effective than single-focused programs. Most importantly, home visiting needs to be seen as part of a comprehensive array of program components to include job training, adult education, child care and transportation.

Second, view the child in the context of the family and the family in the context of the community. Programs must be attentive to the economic, ethnic and social details of families' lives. Families need to be assisted within their neighborhoods and the cultural resources that shape their daily existence.

Third, utilize staff who are perceived by those they serve as people who care about and respect them. Home Visitor Services promote continuity and support within a very personal relationship. Since there is variability in the way families respond to social services, supportive services, staff learn to customize their relationships and service implementation. Staff offer a lifeline to families and most especially to those families with extraordinary life challenges that make them unlikely to demonstrate change with home-based intervention alone. These families often need intensive and continuous therapeutic and supportive services to promote self-sufficiency.

Fourth and finally, services need to be coherent and user friendly. Home Visitor Services view the families they serve as

partners. Mutually defined goals that are manageable, achievable and reasonable shape the work with each family. Above all, staff communicate an optimism as they attempt to mobilize families to act on their own behalf.

Prevention is a prudent investment; however, ethics must involve the combined responsibilities of the public and provider sector working collaboratively in the best interests of the child and family. Our future as a nation depends on how well we respond to the quiet catastrophes among our youngest, most vulnerable citizens in order to build communities of healthy families. Thank you.

(Applause)

MR. HOGAN: Thank you, Vicki. Looking forward to hearing from Khatib Waheed, seven to eight years in St. Louis doing some wonderful work.

MR. WAHEED: Good morning. Good morning.

(Good morning)

MR. WAHEED: Wake up out there now. I know it's been a long three days, but we're almost at the end. Let me start, if I may, with the name of God and extending greetings of

peace to all of you. I want to thank Governor Dean and all of the Governors for making it possible for the St. Louis Caring Communities Programs to be represented here today.

We've been asked to make recommendations within five minutes, and I'm going to try very desperately to do that. Before I give the recommendations, I want to say very quickly that Caring Communities in St. Louis started as an initiative from the state. State directors, along with the Governor, decided that business needed to be done differently in neighborhoods serving families who have multiple problems. Their concern centered around the fragmented service delivery systems, and we looked at some cost-effective measures, and we found over the years in Caring Communities that it cost roughly \$1,000 a year to serve each student at the schools where our services are delivered. When we look at that continuum of funding from kindergarten to grade 12 we're talking roughly \$13,000 spent over a 13-year period. And we matched that with the amount that it costs to incarcerate one individual from a family like the ones we serve, and we find that between

\$12,000 and \$25,000 a year are required to incarcerate one individual. So, we think that cost-effectiveness is an important consideration.

Secondly, we found that the children who receive services through our model have improved academically by about 200 percent, their behavior has improved by 198 percent and their work habits have improved 200 percent.

Thirdly, we've been found to be considered an intricate part in the reduction of crime in the neighborhoods. We have been blessed and fortunate enough over the last five years through our drug marches in collaboration with the police department to shut down 22 crack houses by directly marching on the homes where drugs are being sold. Therefore, this model of delivering services in the school and linked with the school makes a lot of sense for us. It's effective, both cost wise and outcome wise.

We, therefore, would like to make four primary recommendations to the Governors. The first is that we would ask that you would encourage interagency collaboration among all

of the directors, state directors who are providing services in the areas of labor, education, mental health, social services, health and others. And up under that are subsets of that recommendation. We ask that this interagency collaboration occur with the following things in mind. First, that they create a seamless funding stream; in other words, where they pool their resources when they're providing services for the same families and are targeting the same populations and geographic areas. Secondly, as a subset of this first recommendation, we ask that the Governors do this in a way that will enable local neighborhoods and communities to develop the design and scope of services to be provided for their families. Third, we ask that technical assistance be provided to the local neighborhoods to ensure success on the neighborhood level. Fourth, we ask that there be encouragement to deliver services in ways that not only focus on children but that focus on families and focus on neighborhoods as well. We find that focusing simply on children is not enough. We also find that focusing on childr n

and families falls short of the mark, particularly when those families are in neighborhoods of high environmental risk. Fourth recommendation as a subset for Recommendation Number 1 is that there be an allowance to share information between the providers, particularly when they're serving the same family. Confidentiality has become the 11th Commandment issued in the last decade that suggests that people not share information and that they not collaborate, and so we need to have encouragement from the Governors in ways that will enable us to provide and share that information on as-needs-to-know basis. Fifth, we ask that as a subset that the process of developing outcomes and performance measures occur on the top down as well as a bottom up approach; that recommendation strictly from the state regarding performance measures are often not targeted in ways that are achievable when the input of the local communities are not considered.

The second overall recommendation that I would like to offer to the Governors for your consideration is that you encourage the

development and implementation of preventive and early intervention services which are both comprehensive and which constitute a continuum of care for the zero to five population as well as school-aged population. We find often that the pendulum swings one way or the other. We either put all of our resources into the zero to five population with no support for the children once they enter school or we focus on the children once they enter school with no interventions before they enter school. So, we're asking that there be a balance in providing the continuum of care for both populations.

The third recommendation is that you sanction or give support to risk taking when it is reasonable. It is important that we recognize that to develop interventions and take innovative approaches often requires taking risks. Therefore, we suggest that the state directors and local communities be given some latitude in developing the kinds of programs that they need without fear of funding being removed in a short period of time.

Then the last recommendation centers

around the whole question of Welfare reform. We're asking that as you begin to put the Welfare reform packages together in your respective states, that you consider ensuring that parents who are transitioning from Welfare to work have access, continued access to the kind of support services that would ensure that their state and the work force will be successful. I'm talking about the kind of services that enable the children and families to grow to capacity, behavior therapy, substance abuse case management and co-dependency counseling, school aged child care, after-school tutoring, case management services and the like. These are services that will be needed by the families before they enter the work force and they will be needed subsequently. So, to have in addition to that job coaches and job readiness training for these families, for the parents of these families who are foreign to the work force will be very critical if we expect this new reform movement to be successful. I want to thank you.

(Applause)

MR. HOGAN: And, finally, our last panelist is Olivia Thomas. She is a physician, a pediatrician and has had many, many years of experience in Ohio.

MS. THOMAS: Governors, good morning. I'm most appreciative of the opportunity to speak with you this morning. Families and children need to be able to access quality and comprehensive health care in the communities where they live. Our program has five and soon to be seven clinics in low-income areas in Columbus. Families also need access to other services like WIC, Head Start and safe and reliable child care. Parents need to be a part of the planning for all of these services.

Initiatives like the Family and Children First Initiative that Governor Voinovich sponsors in Ohio are needed throughout the country to really help a family access whatever services that they need. Also in Ohio we have a program called Help Me Grow. That's a program that encourages women to enter prenatal care early in their pregnancy and then encourages them to take their children then in for their comprehensive health care visits

after the babies are born. All state agencies need to be involved to work together so that they make this process easier then for the families.

Over the past years Title 5 and the MCH block grant have made available vital and cost-effective care for pregnant women and children and children with special health care needs. The use of the MCH block grant dollars is very flexible depending upon the needs of the community. It's provided funding for startup costs for clinics, it funds case management, transportation, outreach workers, home visiting, health education, really whatever a community deems needs are necessary for those families, we can use those monies for that purpose.

In Ohio women and children have been covered up to 250 percent of the federal poverty level and you can compare this with the 133 percent Medicaid level. If the MCH block grant to states is cut 50 percent as is being proposed, many programs like mine may have to drastically reduce services for families. And many of the benefits that have been gained over

the years may be reduced, like women entering prenatal care early in their pregnancy during the first trimester and the reduction in the infant mortality rate.

Medicaid has been a safety net for many working parents. Medicaid has provided funding for the EPSDT exams which have helped providers identify problems early that children may have and refer the children then for treatment. All this, however, is threatened with the federal restructuring of Medicaid. A minimum level of Medicaid eligibility is needed for children to assure that they receive medically necessary care.

Now, what can the Governors do to support community initiatives? First, you can support holding MCH block grant dollars to the states at the present level rather than the 50 percent reduction, and this would help guarantee access to care. Second, you can be a part of the restructuring of Medicaid and support funding of preventive activities that ultimately reduce costs. Third, you can encourage your states to place a priority on funding for low income pregnant women and children. And, last, you

can encourage communities to develop public/private partnerships with government, the health department, businesses, churches and parents.

Again, I thank the National Governors' Association for this opportunity.

(Applause)

GOVERNOR DEAN: Thank you very much. Are there some questions or comments for the panelists? Governor Carper.

GOVERNOR CARPER: We thank you very much, and as a graduate of Ohio State University, I want to just extend a real warm welcome. I used to think that Delaware was a little town about 30 miles north of Columbus, and later I found out that it was not just a town, it was an entire state. They needed a treasurer, Congressman and Governor. I got to be all of those, and it's nice to see. I was struck by the comments of our friend who I think was from St. Louis who shared with us some views on what families need when they're making that transition from Welfare to work. Many of our states have adopted to Welfare reform plans, family self-sufficiency plans in which we

compel people to go to work. We're literally saying your time on Welfare is limited. We're time limiting those benefits. We expect you to go to work. We want you to go to work.

You mentioned a couple of the kinds of services that are helpful in order to better ensure that that transition is a successful one. I would just ask each of the panelists of the kinds of things that we ought to be doing as a government to enable a person not just to find a job but to continue to work in that job or to improve their position, what are the kinds of services that are most important and where would you rank services like child care and health care?

MR. HOGAN: Governor, thank you. I'd like to take a crack at that. As we look at the landscape right now, the one area that, frankly, frightens us is the lack of support for child care in the upcoming budget cycles; that that is the single most piece that is the largest variable, we believe, in the success of folks being able to stay at work. ~~And, in~~ fact, we in Vermont have been put in the position where we've just filed rules to reduc

our benefits by 6 percent on a contingency basis in order to set that money aside for what we see coming as it relates to child care. That's the kind of decision that our state will be faced with and many others will too, but we think that that is just a crucial item that really needs to be thought through a little more clearly.

GOVERNOR CARPER: Others?

MS. THOMAS: I agree with child care being a significant factor. I think in addition to that we have to think about transportation. Many of our jobs now are in the suburbs, and a lot of folks don't have transportation out to those areas. I think transportation would be another issue. And I can't forget about child care and the health for those children. Many of our programs are functioning during the daytime hours and so if these folks have jobs, then they're not able then to take off from those jobs often and get the children to those health care facilities during those working hours. So, we need expanded work hours also for the health care field.

MS. HOLLY: I'd like to take a crack at it

too. I have to agree with child care and transportation, but also even before we get to this point, I feel that what needs to happen is the system has taught Welfare recipients for so long that they have to be on the Welfare and if they're not, if they're taken off Welfare, they're going to literally die and their children are going to die. Before we even get to the point of child care, jobs and transportation, we have to deprogram these Welfare recipients into knowing that they will not die and their children will not die, and being on Welfare is not a way of life. It should be a safety net.

So, the way that we can do this is to prepare motivational speaking and motivational workshops to work with the women and the families who are on Welfare. You have to reorganize, deprogram the recipients before we can even talk about getting jobs because even if they do get jobs, and have the proper child care and the transportation, they're going to have to have support to continue to stay on those jobs. And by deprogramming them and turning their whole mindset around, then you're

going to be able to keep them on the jobs. So, just to get them jobs doesn't mean a thing if they're not going to continue to work and keep the jobs.

MR. WAHEED: I would add ranking second right behind child care two additional services. One would be job readiness training/job coaching because many will enter the work force without the necessary proper work ethic and communication skills to stay on the job. And then the other one would be case management type services keeping in mind that many of the children, not all, but many of the children will have behavior problems and will have developed certain kinds of patterns of behavior that cause disruption in the school. If that parent has to take off work constantly to see to the child's misbehavior, then they will probably lose their job. Therefore, if you have a case manager who can help that parent manage their child while he or she's in school and then report regularly to that parent when they return and do some work in the homes, I think that we will ensure the likelihood of success in the work force.

MS. WALLACH: I'd like to add that the fix sequence models of job training to actually holding a job may not be appropriate for the hardest to reach families; that for many of these families, they need enduring support over a period of time, opportunity for supportive employment opportunities that are supervised for up to a year and, again, just to emphasize, the continuous support.

GOVERNOR DEAN: I have a question for Ms. Holly about the discipline. I think you're a breath of fresh air, and I very much enjoyed your presentation. The one thing that did concern me was the question of getting out of the community and don't tell us how to discipline our kids because I think there's a balance there someplace. We're all in the business of fighting against child abuse, and I would agree with you that sometimes government can be intrusive and so forth, and I certainly agree with you about mouthy kids saying, "Don't touch me or I'm going to call the SRS," as it's called in our state, but we also do see kids that really are physically abused. How do you kind of figure out what you think is

appropriate involvement and what is not appropriate involvement?

MS. HOLLY: That is a very good question. In Madison we conducted a series of workshops called, When is it Child Abuse? Now, as I stated earlier, I'm not dead and my sisters and brothers are not dead. We're not talking about beating kids until they're black and blue. You might not have to hit a kid at all. I'm not even advocating that you beat or hit kids; I'm just talking about let us discipline our kids the way we see fit whichever way we see fit. I certainly do not advocate for child abuse. I certainly do not advocate for a kid to get hit to where they are beaten black and blue, but I do advocate for a parent to have the right to choose how to discipline their kid, and we're talking good parents here. I'm assuming that we're talking good parents. I'm not talking about someone who is strung out on drugs and that. I'm assuming that we're all talking about good parents. So, good parents have good judgment on how to discipline their kids and they're not going to hurt or abuse physically their children.

GOVERNOR DEAN: How do you draw the line though between good parents who are disciplining kids in an appropriate way where intervention is not appropriate and parents that are repeatedly not disciplining their kids? Do you use another factor besides the discipline or how do you kind of sort that out?

MS. HOLLY: Well, it's easy to know whose kids are, again, disciplined and who's not because it's going to reflect on the actions of the kids in the schools and in the community. And you know by the way the kid acts what kind of parents. Like I guess my grandmother would say, the fruit does not fall far from the tree, so that's how you can tell who is doing the right thing and who's not. But as a group of people, our logo in the Mothers of Simpson Street is, "It takes a whole village to raise a child." So, it is the responsibility not just of the parent but you have to have surrogate parents. We go to the schools as surrogate parents to PTSO meetings.

I think in the high school that we represent we have ten women in our group, we may have two students from that whole group,

biological students, but all of us go to the PTSO meetings because we are surrogate parents for all of those students. So, everybody has to take responsibility for the children and see that there is no abuse and that there is no neglect. It's not just a biological issue; it's a surrogate and a community issue.

MR. HOGAN: Governor, I'd like to just add one thought to that. In the tremendous reductions of abuse that we've seen in Vermont, most of it has been in the zero to five age cohort, which really we have begun to connect that kind of thinking to the kind of home visiting and the educational process that's going on with those families at that very, very early age. I mean, here's what happens when you shake your child.

MS. HOLLY: That's right.

MR. HOGAN: Here's what happens to the brain stem. That is tremendous education, and we're seeing the connection now between that kind of home visiting and dramatic reductions in child abuse at the earliest age groups.

GOVERNOR DEAN: Governor Lowry.

GOVERNOR LOWRY: Mr. Chairman, excellent

panel. Ms. Wallach you referred to a study that says we save \$6 for every \$1 spent on prevention. What was that study?

MS. WALLACH: It was the U.S. House Select Committee report, and I have the report with me. I'd be happy to give you a copy of it if you're interested.

GOVERNOR LOWRY: The U.S. House Select Committee report?

MS. WALLACH: Right.

GOVERNOR LOWRY: Date, approximately?

MS. WALLACH: It was 1990. I can give you the citation. I have it with me.

GOVERNOR LOWRY: I would think that would be something every Governor would want to see.

MS. WALLACH: Yes. It's an excellent report. It goes through the gamut and continuum of children's services looking at everything from prenatal care, home visitation, immunizations. It's a very comprehensive maternal and child health report. It was very thorough.

GOVERNOR LOWRY: Thank you.

GOVERNOR DEAN: Governor Whitman.

GOVERNOR WHITMAN: I just wanted to ask a

question of the panel, follow up on the home visit aspect of what you were talking about. How is it determined what families get the home visits? How frequently do they occur? What's the time frame? I know in Great Britain when our first child was born, that she was a ward of the state technically for the first five years of her life, and there was a home visit. Once they determined that it was a suitable home, they didn't come back, but that was a five-year commitment on the part of the country to monitor the care of that child. And they did it for every child born.

MR. HOGAN: This is a beautiful question because the approach we're using, I believe Hawaii is using, is that every child, rich or poor, is offered that visit; that it's not a question of rich or poor, it's a question of what you know about how to raise your child.

And the degree and the intensity of home visits is determined by local people who do those visits. For example, in Morrisville, our school nurse does the home visits in Morrisville. In another part of the state someone from our parent child center, and these

are functions of the local plans that these folks have put together. The only requirement that the State of Vermont says there will be home visits. And then they present us a general plan on how they want to go about it, and we sign off. So, it really is really locally driven, and our public health folks are also involved in that.

MS. WALLACH: Governor Whitman, I need to add that in Hawaii we do not have what is called a universal home visitation program where all infants and their families are visited. We have what is called a targeted home visitation program. We screen 50 percent of the births in hospitals across the state and identify through a valid screening process which families might be at risk for child maltreatment without intervention and then offer services to those families.

GOVERNOR DEAN: Governor Thompson and then Governor Schafer.

GOVERNOR THOMPSON: Thank you, Chairman Dean. First, let me thank all the members of the panel for being here. We appreciate your dedication and all that you've done. I do have

a specific question for my friend Louree Holly from Madison. You've been extremely successful with the Mothers of Simpson Street, and I'd like to commend you, as Governor of Wisconsin, for the job that you've done. You've made us all very proud for what you've done.

Would you please tell the Governors how you've been able to work to build the bridges between the families of Simpson Street and the community police department, the schools and the government. You have done an excellent job of reaching out and working together, and I think it would be a nice story to tell the Governors.

MS. HOLLY: Okay. Well, the way that we've managed to build collaboration with the families, and the government and the schools is by parent participation. We have been able to get the mothers to come together and to work on their strengths. They know what their strengths are. We don't focus on negative behavior and negative activities. We focus on the strengths of the people in the community. And when the people are focusing on the strength and the positive things that's

happening in their community, they recognize that some of the same people that's on the outside, some of those same people want the same things for us as we want for ourselves. And we began to work together.

Now, we have an excellent, excellent relationship with the Madison Police Department. We have an excellent relationship with the Madison Police Department. We have an excellent relationship with the schools. We have gone into the schools. The way we began to work with the schools, we went into the schools and we did hall monitoring. We were just there. We just appeared there. We just came from out of the clear blue and just appeared there. And the children in the schools would recognize us, and when they would see us, when the children are in the schools, they see us walking down the hallway, the first thing they would say, "I'm on my way to class." Sometimes we're not even there for that. Sometimes we're just there to see the principal or to say, "Hi." The first thing they say, "I was going to the bathroom." On a weekly, sometimes monthly basis, we monitored the halls

as a group of women. We just go and walk the halls. We have free range at the school to go and sit in on a classroom. We sit in on classes. Sometimes we get calls to say, "There's going to be a fight at school today. John Doe is going to jump on Sally Sue." We're there at the schools and that doesn't happen. The police don't even have to intervene.

Sometimes the police call us and say, "We hear that this is going to happen in your area tonight. Can you come over?" And we go and ride around in the neighborhood and nothing happens. The police have commended us on actually stopping situations that they could not stop. We did a workshop for the police department once, and one of the police got up and said, "I have to commend you because you were here on Halloween night, and there was 11 squad cars here, and there was this big mass confusion and one of the Mothers of Simpson Street walked up and said, 'Can I help?'" And the police said, "Yes." So, the woman walked over and said, "Hey, John Doe, you come with me. Sally Sue, you go with this other mother," and that was the end of it, and they had been

out there for hours trying to stop it and nobody paid them any attention.

So, the relationship we have is that we focus on our strength and we know what our strengths are. And we do not focus on the weaknesses. We do not play on the negativeness in the neighborhood, and that's what I'm saying about focusing on the strength and the success of the children as opposed to focusing on the failure of the children. This is an example for the children. If we are going to focus on our successes and our strength, then the children are going to definitely follow in our footsteps.

GOVERNOR DEAN: Governor Voinovich.

GOVERNOR THOMPSON: Louree, Howard and I were just commenting up here. If you told us to go to school, we'd go to school.

GOVERNOR DEAN: Governor Schafer and then Governor Voinovich.

GOVERNOR SCHAFER: I will relay the story that I had a conversation with a Vermont citizen in the supermarket parking lot across the street the other day. And I mentioned I was from North Dakota, and the person said,

"Well, I just read that that was the number one place for children." And I said, "Yes, it is, and we're very proud of that." He said, "Well, we in Vermont aren't at number one, but we're working hard to get there." And I said, "Well, we're going to work as hard as we can to stay there," and we both concluded that that was a very worthwhile endeavor. And I wanted to thank the panelists for your input and certainly, Governor Dean, for your leadership on this issue. I think it is a worthwhile endeavor and one I'm pleased to see the states working on hard.

GOVERNOR DEAN: Thank you. Governor Voinovich.

GOVERNOR VOINOVICH: Dr. Thomas, this country has a wonderful vast health care delivery system, yet we do a lousy job of immunizing our children. Would you like to comment on how you think we can improve the immunization record of our respective communities?

MS. THOMAS: We need to take advantage of getting children immunized wherever they are. Often these children don't present to us in th

health care facility itself for their immunizations. And looking at Ohio in particular, a couple years ago we were immunizing probably about 40 percent of our children at the appropriate level at the age of two and under. We have moved that now up to 60 percent, and we've done that by being able to utilize some other nontraditional methods.

So, we're doing things with children when they come to the WIC clinics. We utilize churches. A lot of the health departments are now offering immunizations in places where they really have never been before. So, we really need to go where those families are and offer the children those opportunities to get immunized.

GOVERNOR DEAN: Thank you. We'll take one more, if there is one. And if not, I want to deeply thank you. You all have been very inspirational to us. Some of you I've heard twice and you're still inspirational, and I really appreciate it. As Governor Thompson and I said, we would darn well get to school if we saw you coming down the street, Ms. Holly.

But this has been very helpful to me, and

I hope to the other Governors, because we are going to be faced with some cutbacks. It's going to be very difficult, and if we can't do a better job as Governors supporting people like you who have worked at the community level and figured out what it is, and this is all about families and communities, every single one of us, no matter what party we're in, believes that we do have a crisis in families and that the solution to that crisis in families is making families stronger, and we don't think that states and the federal government can do it. We think only the communities can do that, and we're going to be a lot better off if we support you than if we try to tell you how to do it. So, this has been very helpful to us, and we hope to go from here. And over the next year I hope to continue to work with you to see how we can figure out how to do this around the country. So, we really appreciate it, and thank you very much.

(Applause)

Governor Voinovich.

GOVERNOR VOINOVICH: I'd like to comment.

You've got this brochure from the State of Ohio in front of you, and we feature the Help Me Grow Program. I want to acknowledge that we copied this program from the State of Illinois and from the State of South Carolina, so that it came from them and not Ohio.

GOVERNOR DEAN: Well, that's what this meeting is all about. We had a talk yesterday in the Governors-Only Association about, well, if we don't have a resolution, what are we going to say to the press that we had to show for this meeting, and I think what we have to show for this meeting is this and that. Our programs are all borrowed from each other, and the more we do that, the more the five of you borrow from each other, the better off we're all going to be. Thank you very much.

We are now going to move the consideration of policy positions. They're going to be considered alphabetically by the committee with the Executive Committee last. These policies were sent to Governors on the 14th of July. The policies are all in front of you in the packet that's on your table right in front of you. On the top of it it says, Adoption of

Policy Statements and Plenary Sessions. These are going to be moved in block. I don't believe any of them are controversial. Some of them started out as controversial, and you all have worked extremely hard to narrow the differences, and we appreciate that very, very much.

I'm going to ask the committee chairs, or vice chairs if the committee chair's absent, to move the policies. And I first call on Governor Nelson who's the Vice Chair of the Committee on Economic Development and Commerce. Governor Nelson.

GOVERNOR NELSON: Mr. Chairman, thank you very much. I move that we adopt proposed changes in policy and reaffirm existing policy as indicated on the blue handout, that we do that in block.

GOVERNOR DEAN: Is there a second?

GOVERNOR KEATING: Second.

GOVERNOR DEAN: So moved. All in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Opposed by saying no. The ayes have it, and we have adopted the policies.

Governor Carlson is not here. I will call on Governor Carper from the Committee on Human Resources to move the policies in the Committee on Human Resources. Governor Carper.

GOVERNOR CARPER: Thank you, Mr. Chairman. Our committee approved four new policies yesterday reaffirming with an amendment in the form of a substitute to two existing policies. Those policies included Individuals with Disabilities Education Act, National and Community Service, Emergency Management and the Religious Freedom Restoration Act, its application to state prison inmates. We also reaffirmed with an amendment the Fair Labor Standards Act overtime pay. Without objection, I move these policies in block.

GOVERNOR DEAN: Thank you. I believe we need a suspension of the rules to amend the policy, is that correct? So, Governor Carper has moved the adoption of the human resources policies. Is there a second?

GOVERNOR WHITMAN: Second.

GOVERNOR DEAN: All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. The ayes have it. We've adopted the human resources policy.

I call now on Governor Lowry, the Chairman of the Committee on Natural Resources, for adoption of the natural resources policy. Is Governor Lowry here?

GOVERNOR LOWRY: Yes. Sorry, Mr. Chairman.

GOVERNOR DEAN: Thank you, Governor Lowry. Now, your cholesterol is as low as Bob Dole's and Bill Clinton's.

GOVERNOR LOWRY: The Natural Resource Committee, again, Mr. Chairman, had a very productive year, and I want to thank especially Governor Branstad for his leadership as we came together in agreement on very difficult issues. Yesterday the committee passed unanimously seven policy positions, and I would move those for adoption.

GOVERNOR GERINGER: Second.

GOVERNOR DEAN: Is there a second? All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying

no. You have adopted the policy.

GOVERNOR LOWRY: Mr. Chairman, a second order of business on that.

GOVERNOR DEAN: Well, I wasn't aware of one, but go ahead.

GOVERNOR LOWRY: We also have an additional resolution put together put forward by Governor Symington that requires a suspension of the rules.

GOVERNOR DEAN: Right. We are going to get to those. We're now going to move the Executive Committee policies. Governor Thompson will move those, and after we do those we're then going to entertain a motion from Governor Thompson to suspend the rules to consider those policies which require rule suspension. So, I will now call on Governor Thompson to move the Executive Committee policies. Governor Thompson.

GOVERNOR THOMPSON: Thank you, Mr. Chairman. We have had very few noncontroversial items to come in front of the Executive Committee, one dealing with the line item veto, which we've done before; and the Clean Water Act Resolution offered by the

Natural Resources Committee which will require suspension of the rules; and principles for the state-federal relationship; and the clarification of sunseting NGA policy; and Jerusalem 3000. Those last three that I mentioned do not require suspension of the rules, so I will just move those at this time, Mr. Chairman.

GOVERNOR DEAN: Is there a second?

GOVERNOR ROMER: Second.

GOVERNOR DEAN: Governor Romer. All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. And you have adopted the policies.

I call now on Governor Thompson for the suspension of the rules.

GOVERNOR THOMPSON: Thank you, Mr. Chairman. The suspension of rules required a line item veto resolution which has been NGA policy before, it was co-sponsored by Howard Dean and myself; the Clean Water Act Resolution that Governor Lowry has just mentioned, and I believe it is noncontroversial, was agreed to by the committee; the other one is the

facilitating innovation for medical devices in drug research which was offered by the Human Resources Committee, I wasn't there at the committee, but I understand that policy also received unanimous support without any opposition; and the fourth one was HR-33, paternal involvement in child rearing, which was also offered by the Human Resources Committee. It's in this packet if anybody wants to read them but, as I understand it, there does not seem to be any opposition and, therefore, Mr. Chairman, I would at this time move the suspension of rules so we could take up these resolutions and adopt them en masse.

GOVERNOR DEAN: All those in favor of suspending the rulings please say aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. The rules have been suspended.

Governor Thompson to move the adoption.

GOVERNOR THOMPSON: I will now move, Mr. Chairman, the adoption of these four items and would hope that we get a second and that it would be approved.

GOVERNOR DEAN: Is there a second?

GOVERNOR NELSON: Second.

GOVERNOR DEAN: There is a second. All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. We've adopted the policies.

Before we have a recognition of the departing Governors, there are two Governors who asked for a point of personal privilege, and I would like to call on Governor Keating from Oklahoma.

GOVERNOR KEATING: Thank you, Mr. Chairman. I'll be very brief. As my colleagues know, on April 19th Oklahoma experienced an awful tragedy in the bombing of the Alfred Murrah Federal Building. What you do know is 168 people died, some 600 people were injured. We had 2,000 automobiles destroyed. 320 buildings in downtown Oklahoma City were damaged, but what is as awful is that 30 children lost both their parents, 140 children lost one parent. We had some 40 children who we can't even find the other parent. We're still attempting to contact and locate the displaced children's noncustodial

parent.

The situation was agonizing for all of us, but from all of you came enormous help. And I know around the table there are a number of states representing the FEMA teams, Florida and Virginia, New York, California, Washington. A number of other states provided volunteer firefighters, and as I look around I can see a number of the Governors representing those states for which we are very grateful. Also, yesterday Governor Branstad made reference to the fact that Iowa was donating 168 trees in honor of the 168 victims for a special memorial park in the capitol area in Oklahoma City.

All of these things were most gratefully received. All of us as Oklahomans are grateful to all of you as Governors and fellow Americans for your goodwill and your kindness. We will never forget it, and we are very grateful. I just wanted to say that before we adjourned, how very grateful I am and the people of Oklahoma for all of your goodwill and your generosity.

GOVERNOR DEAN: Governor Keating, we applaud your remarkable and courageous

leadership during that terrible tragedy, and whatever we might have done as states, we certainly are far inferior to the tremendous efforts and leadership that you showed during that terrible time for America. Thank you very much.

(Applause)

In a somewhat lighter vein, I now call on Governor Whitman for a little revenge.

GOVERNOR WHITMAN: Thank you, Mr. Chairman. I don't want to be a winner who gloats, but for very good reasons Governor Engler was unable to be at the Governors-only session so I could not do this presentation in the same manner that he had done his to me.

GOVERNOR DEAN: And now he has to endure it publicly, doesn't he?

GOVERNOR WHITMAN: He now has to endure it here for which I have very mixed emotions. I would just like to, while I know it wasn't part of our bet, John, I don't want you to forget what happened, and I want you to be able to truly appreciate the quality of the hockey that we saw from both teams. And I applaud your team for the hockey that it played, albeit

inferior to the Devils. I also wanted to give you a lasting memento; I also want to make sure the girls understand quality hockey and how exciting national hockey play is and Stanley Cup play is. So, I have a few mementos to present to you and to the group. You will note the Stanley Cup championship patch here.

(Applause)

We also have smaller versions for the girls.

GOVERNOR ENGLER: Thank you.

(Applause)

GOVERNOR DEAN: Governor Branstad was unable to stay, and so I'm going to call on Governor Whitman to deliver the report of the Nominating Committee. Governor Whitman.

GOVERNOR WHITMAN: The Nominating Committee would like to put forward for the 1995-96 Executive Committee of the National Governors' Association the following names: Governor Dean, Governor Romer, Governor Engler, Governor Voinovich, Governor Leavitt, Governor Caperton, Governor Bayh, Governor Miller and Governor Thompson. Governor Miller as Vice Chair, Governor Thompson as Chair. I'd move

that acceptance of those names.

GOVERNOR DEAN: All those in favor signify by saying aye.

(Aye)

GOVERNOR CARPER: I second it.

GOVERNOR DEAN: All those opposed by saying no. The ayes have it and, Governor Thompson, come up and claim your chairmanship.

(Applause)

Well, this conference has gone off without a glitch; however, I just made the first glitch and I need to recognize the departing Governors, and Tommy has kindly consented as the new Chair to allow the departing Chair to do that.

I want to thank Governor Edwin Edwards and Governor Brereton Jones, who will be leaving office this year, for their leadership to the United States and for their states. Libby Jones is here. Governor Jones could not be here with us and neither could Governor Edwards, but Libby Jones is here, and if she could please come forward.

(Applause)

Governor Jones can be extraordinarily

proud of his ten year leadership effort for final passage of the 1994 Kentucky Health Care Reform Law, the Kentucky Health Care Access Foundation, the award winning education reform. He serves on the NGA Executive Committee and, Libby, we deeply appreciate you accepting this award on behalf of Brereton.

(Applause)

MRS. JONES: Thank you so much, Governor Dean. I accept this with great pleasure and with great nostalgia because this has been a wonderful experience for Brereton and for I and our staff to be associated with this wonderful organization, and I know he will treasure this memento as he treasures your friendship and all of your support through the years. We will miss you, and we hope we see you in Kentucky. Thank you very, very much.

(Applause)

GOVERNOR DEAN: In turning this gavel over to Tommy Thompson, I want to thank the NGA staff for their remarkable leadership and hard work this year. I particularly want to thank my own staff for their very hard work. It's a great deal of work to run the NGA.

(Applause)

Bob Rogan has more frequent flyer miles than I do, and that's saying something. I want to thank my Chief of Staff Kathy Hoyt, particularly Kate O'Connor and Cricket O'Connor for putting this conference together.

(Applause)

I want to welcome Tommy Thompson to the leadership of this organization. Tommy Thompson is a fair person, a person who I've enjoyed dealing with, although we've had certainly our moments this year in our very difficult switchover of power. He is a very decent human being. I am proud to call him my friend and proud to introduce to you the next Chairman of the National Governors' Association, Governor Tommy Thompson of Wisconsin.

(Applause)

GOVERNOR THOMPSON: Thank you very much, Howard. Let me just start off by recognizing and thanking Howard Dean for his leadership of this fine organization. It was not an easy time. Howard was head of the NGA during a tremendously turbulent political period. He

managed to keep us focused and looking at the big picture, looking forward and looking for tomorrow. Sure there were disagreements, but the great thing about Governors has always been and always will be in this organization that we're able to continue to work together as partners. Agreements or disagreements, we like to accomplish things. That's the model for Governors. Maybe some day our colleagues in Washington will catch on to this. Maybe they won't.

So, I want to take this opportunity to personally thank Howard for his friendship but above all, for his hard work, his dedicated leadership and for inviting all of us here to Vermont. I think we've had an excellent time, a wonderful time and, Howard, we have some gifts for you in just a little bit of appreciation for what you've done for this organization.

First, let me present the gavel to you. It says, "Presented to Howard Dean, Governor of Vermont, for the outstanding leadership as Chairman of the National Governors' Association 1994-1995 on the occasion of the 87th NGA annual

meeting, August 1st, 1995."

(Applause)

Now, Howard, we have a gift here from the NGA and from all of us for your great hard work and your great leadership. We don't all know what it is because it was your security guards that went out and picked it up. So, if you don't like it, blame them; but if you like it, congratulate us.

GOVERNOR DEAN: Thank you. That's a bad sign. Excellent. Very good.

GOVERNOR THOMPSON: We heard you like to camp.

GOVERNOR DEAN: I do indeed. Thank you very much. This is great. My goodness. This is great. We're going to use this in exactly nine days, but who's counting. Thank you very much.

(Applause)

GOVERNOR THOMPSON: Thanks, Howard.

Governors, I am really looking forward to serving as your Chairman at such, I think, an historic time. Governors are taking part in the most radical transfer of power since the new deal. Call it new federalism, call it

devolution of power, call it whatever you want. It's a whole new ballgame out there and Governors are the ones who are really going to make it work. I notice a difference whenever I go out to Washington these days. I go up to Capitol Hill and Congressmen smile and wave. They say, "Hi, Tommy, what's going on in Wisconsin? Got any good ideas for us?" They're actually happy to see us, and that's just the Democrats.

Governors right now are facing what I consider once in a lifetime opportunity to completely refocus the relationship between the states and the federal government, and my goal as Chairman is to make sure it happens. That's why I'm going to do some things a little different. Instead of focusing my Chairman's initiative on one narrow policy area, I want to spend the next year rebuilding and reshaping the National Governors' Association into an organization that is dedicated to helping Governors take on the new challenges that we're going to face in these new times. I have two goals.

First, I want the NGA to be more of an

effective lobbying arm for the states. The federal government is poised to return unprecedented power and responsibility to us. I want to make sure that happens, and I want to make sure it happens without a lot of strings attached. States simply must have the greatest flexibility possible to make this new partnership work.

Second, I want to turn the NGA into more of a service organization. I want it to be a place where Governors can go. I want it to be a resource for all of us, and I want it to support the issues that we care about. And I want NGA's number one service to be this, sharing ideas that work.

Just this morning Governor Keating came up to me and said, "You know, it would be nice to understand what happens during a disaster, and I'd like to be able to tell Governors how I handled it." Another Governor said, "I would like to know what happens if there's a prison riot. How do we handle such a situation?" NGA is going to be that resource, a repository, for all the great things states are doing all over this country. We're going to bring together

all of the best ideas, the best practices from all of the 50 states. We're going to let everyone know about them.

We're going to focus on seven critical issue areas, and I'm going to ask each one of you to serve as part of an issue team. I will be asking 14 of you, 7 Democrats and 7 Republicans, to serve as co-chairs of the different issue teams. I want us to share our successes and learn from our failures. That's something the federal government rarely does. The states cannot afford to make the same mistake.

We are so close. Ten years ago, 20 years ago people were only talking about the changes that are about to take place. I liked what President Clinton said yesterday, and I also liked what Senator Dole said yesterday, "That we're moving from paternalism to partnership." The federal government is finally accepting the fact that we can take care of ourselves. They're finally accepting the fact that we don't need their advice on a daily basis. We'll still call home every once in a while, but it's time to cut the apron strings.

Instead of asking permission for the car keys, we want to drive our own car. Is it going to be easy? Nothing worthwhile ever is. As Tom Hanks said in the movie "A League of Their Own," "If it was easy, everybody would be doing it."

Well, the nation's Governors are doing it. We're taking a lead in the most radical shift in government power since the Great Depression. And if you think about it, who better to do the job. On the tough issues facing the country, Governors are the ones with first-hand experience.

Two issues have dominated this year's conference, Welfare reform and Medicaid. We haven't reached closure on either one yet, which is why I, along with the Vice Chairman, Bob Miller, are announcing the formation of two task force, one on Welfare, the other on Medicaid. Welfare on the Republican side will be Engler, Sundquist, Thompson, Weld, and Branstad and Allen. On the Democrat side will be Miller, Bayh, Carper, Chiles, Romer and Dean. And Medicaid is still being worked out. I am asking incoming Vice Chair Bob Miller to

name the members of the Democrats and I will name the Republicans, and we plan to start working immediately. We need to start working on Welfare starting next week, and we will have a conference call hopefully on Monday morning for all of those individuals interested.

I'm also announcing today that I plan to hold a summit on education this spring. I want to bring together the National Governors' Association, the Education Commission of the states of which I am also the Chair, and I've asked Roy Romer to set up a committee on standards through the Education Commission in the states as well as the nation's business community. Lou Gerstner stood right here on Sunday and told us he wanted to be our partner. I'm going to take him up on the offer. I've already talked with several of you this morning and all of you think it's a good idea. Governor Hunt, and Governor Romer and several other individuals. I've talked to Lou Gerstner about this.

Governors and business owners cannot afford to simply talk about jobs and education for the future. We have to produce, and what

better time than right now, this upcoming spring, to have a revisit of Charlottesville and to base our strategy for Governors on education, on school to work, apprenticeship, technology and standards. And I'm going to be asking all of you to be very much involved to make this really one of the highlights of the National Governors' Association tenure this year.

Rhetoric is fine, but it's the results that really matter. I expect to see results at this summit, and I expect to see results in the year to come as Chairman of the National Governors' Association. I need your involvement, I need your support and your cooperation. We have an exciting time in front of us, and I am confident that if we set aside our differences, which has always been the model for this organization, I am confident that we can build this organization as strong as we want it to be and make it as successful as we want it to be. It is your organization, and together we can make it the best it possibly can be.

Is Governor Rossello here? Governor

Rossello, did you want to say a few words about Puerto Rico first before we move to close? But I do want to thank all of you for this honor and look forward to working with each of you in the upcoming year. Thank you very much.

(Applause)

GOVERNOR ROSSELLO: Thank you, Chairman Thompson, and thank you also outgoing Chairman Governor Dean, our gracious host for this week. Coincidentally, the next annual meeting of the NGA there will once again not only be a doctor in the house but also a doctor as the host.

After two superb gatherings here in New England, last summer in Boston and this summer in Burlington, the NGA next summer will be paying a first visit in a quarter of a century to America's deep, deep south as we come together in Fajardo, Puerto Rico, from July 14th to July 16th. My wife Maga and I look forward with great pride and enormous enthusiasm to collaborating with Governor and Mrs. Tommy Thompson, the Executive Committee and the NGA staff. We're most grateful that what we'd like to think of as our Continent of Puerto Rico has been selected for this very

high honor. We believe that 1996 will be a very timely movement for the National Governors' Association to return to America's island of enchantment in the Caribbean Sea because today's Puerto Rico is rapidly becoming a bilingual, bicultural bridge for the promotion of trade and investment between North America and Latin America in the new age of hemispheric economic integration that is now currently underway.

In that spirit, we're taking very seriously the responsibility that you have entrusted upon us. Indeed, for more than a year now we have been, in a sense, rehearsing for next summer. For example, Puerto Rico hosted an extremely productive five day annual meeting of the Washington Representatives of the Nation's Governors in March of 1994. In March of this year Maga, my wife, was hostess for the 11th Annual Spouses Seminar of the NGA. And later this year Puerto Rico will be the setting for the annual meeting and leadership forum of the Council of State Governments.

As the Washington reps discovered when they convened there, the site of the NGA 1996

CERTIFICATE

I, Lisa M. Hallstrom, Court Reporter and Notary Public, certify that the foregoing pages 3 - 87, inclusive, comprise a full, true and correct transcript taken from my stenographic notes taken in the Closing Plenary Session taken before me as Notary Public on Tuesday, August 1, 1995, 9:30 a.m., at the Sheraton Burlington Hotel & Conference Center, Burlington, Vermont.

Lisa M. Hallstrom

My commission expires February 10, 1999.

COPY

NATIONAL GOVERNORS' ASSOCIATION

87TH ANNUAL MEETING

JULY 30, 1995 - AUGUST 1, 1995

BURLINGTON, VERMONT

OPENING PLENARY SESSION

SUNDAY, JULY 30, 1995

12:00 NOON

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BURLINGTON, VERMONT

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INDEX

PAGE

SPEAKERS:

Howard Dean, M.D., Governor, Vermont, Chair	3
Welcoming Remarks	
Louis V. Gerstner, Jr., Chairman and Chief	7
Executive Officer, IBM Corporation	
Gary E. Johnson, Governor, New Mexico,	35
Introduction	
Senator Pete Domenici, New Mexico, United States	37
Senate	

NGA DISTINGUISHED SERVICE AWARDS:

Leon F. Osborne, Jr., North Dakota	72
Janina F. Chilton, Utah	73
Cornelius D. Hogan, Vermont	73
Peter B. Bensinger, Illinois	74
Linda Ann Wallace, Indiana	75
Robert L. Wehling, Ohio	76
Ann Chotard, Arkansas	76
Mary Duke Biddle Trent Semans, North Carolina	77

GOVERNOR DEAN: Good morning. Afternoon. I just want to say a word of greeting to the Governors, to our distinguished guests. Ladies and gentlemen, welcome to Vermont. We're very pleased to have you here. I want to call to order the 1995 annual meeting of the National Governors' Association. I'd like to recognize some of our foreign dignitaries that are here. We're very pleased to have with us today a distinguished delegation of Russian Governors. And if the Russian Governors would stand to be recognized and appreciated.

(Applause)

We also have a member of the European Parliament, and if he could stand and be recognized.

(Applause)

Now, I need a motion for the adoption of the rules of procedure for the meeting. Since Governor Thompson is on his way in, I will call on Governor Hunt to make that motion.

GOVERNOR HUNT: So moved, Mr. Chairman.

GOVERNOR DEAN: All in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Opposed by saying no. We've adopted the rules of procedure. The Nominating Committee for the 1995 and 1996 N.G.A. Executive Committee will be Arnie Carlson of Minnesota, Governor Jim Edgar of Illinois and Governor Tom Casper of Delaware, Governor Tony Knowles of Alaska. Governor Terry Branstad of Iowa will serve as Chair of the Nominating Committee. We will hear their report at another session.

Part of the rules require that any Governor who desires to submit new policy or resolution for adoption at this meeting after the July 14th mailing will need a three-quarters suspension of the rules, and you should submit those proposals to Jim Martin of the staff by 5:00 tomorrow, which is Monday.

We are coming to Vermont at an unprecedented time in history where our children are in significant trouble. More than six million children under the age of six in this country live in poverty, more than three million children under the age of six do not have health insurance, more than two million two-year olds are not fully immunized, and

nearly one million babies are born every year in this country without adequate prenatal care. More than a million children under five are in inadequate child care settings, more than 85,000 babies every year are physically abused. Yet, we as Governors have had to spend a great deal of whatever discretionary funds we have on building prisons, on putting children in foster care instead of investing in programs and services that can reduce these statistics.

We have had a remarkable opportunity this year, and we will have into the coming years, to radically restructure the federal/state relationship and improve the way that government supports individuals and families. This year we have had a remarkable opportunity to see local projects, often started by people in communities without support, succeed in their communities in doing things for children that are supportive and in helping the parents become better parents, the kind of parents that we need in America to make our country strong again and to reverse the trends that I've just outlined.

During the course of the next three days

we'll hear from a variety of speakers who will share their thoughts about the role of business in promoting change and supporting children, about the federal budget and block grants, and about reshaping federal and state relationships, about how to change the way government responds to the needs of young children and families.

The first of our speakers today is an individual who is an important leader in the American business community, but is invited here because he's had 25 years of experience working on education issues. He in some ways has two careers, the first is as CEO of a number of extraordinarily successful companies, but the second is that of an advocate for education and for children. He and his company have supported Vermont's efforts to reinvent our schools with a \$2 Million grant. There are four other \$2 Million grants that IBM has announced around the country, or will announce, to support excellence in schools and to try to change and turn these school systems around.

Our special guest is Louis Gerstner, Chairman and CEO of the IBM Corporation, one of

the largest industrial companies in the United States. I'm extremely proud to welcome Mr. Gerstner back to Vermont and we look forward to your remarks.

(Applause)

MR. GERSTNER: Thank you, Governor Dean. It's good to be back in Vermont. In 1983 the report "A Nation at Risk" focused the country's attention on the deficiencies in our public school system. Here's a quote from that report that has stuck with me for many years. "If an unfriendly foreign power had imposed our schools upon us, we would have regarded it as an act of war." That was 12 years ago. What's happened since? Lots of hand wringing, lots of speeches, lots of reports, not much change, very little improvement. It's 12 years since "A Nation at Risk" was published and the U.S. students still finish at or near the bottom of international tests of math and science. I wonder what the national reaction would have been if in the 1984 Olympic games we had finished dead last. A national outrage, in all likelihood, that would have brought about sweeping changes in amateur athletics in this

country. Believe me, now 11 years later we would have seen massive improvements, but in public education none, and no national outrage or frustration 12 years after "A Nation at Risk."

Let's move from 1983 to the Education Summit in 1989 when at a meeting similar to this President Bush and the nation's Governors set the wheels in motion for the Educate America Act, Goals 2000, that President Clinton helped shape and then signed in June of 1994. Let me read just a few of those goals that we set for ourselves by the year 2000. All children in America will start school ready to learn. The high school graduation rate will increase to at least 90 percent. All students will leave grades 4, 8 and 12 having demonstrated competency in English, math, science, foreign language, civics and government, economics, art, history and geography. Every school in America will ensure that all students learn to use their minds well so they may be prepared for responsible citizenship, further learning and productive employment in our nation's modern economy. Six

years have passed since those wonderful goals were set. More importantly, 1,616 days remain till the year 2000 arrives. I wonder how many people in our country are committed to achieving those goals. I wonder how many people think we have a chance of achieving them. I often think how many people even know they exist.

One of the goals I just cited talks about graduation rates and, another, the need for standards. I read recently that Milwaukee now has a requirement that high school seniors must demonstrate a proficiency in math before they are allowed to graduate. That is great, and we need more cities and states doing the same, but the same article I read reported that 79 percent of the junior class failed in a warmup test this spring. That's dismal and reflective of our country at large.

Now, that's not the whole story. The test consists of complex open-ended problems which for these kids was a new approach to math, exactly the right approach, of course, exactly the direction we want to head in and they'll have a full year to master it, but what happens

then? What happens next year if a large percentage of the senior class fails to demonstrate the required proficiency? Will Milwaukee refuse to graduate those who fail? If they don't, so much for standards, but it's not that easy. What will we do about the students we promoted for 13 years through the public school system without demanding high performance? How will they get the skills necessary to earn a living? And, of course, it's much worse than a single class of seniors. We have given high school diplomas in this country to a whole generation of Americans who cannot basically read those diplomas. They are functionally illiterate. The bottom line is that if our kids are failing in the classroom, it's not just their fault, it's our fault, and that, my friends, underscores a very frightening reality. Setting goals for U.S. education is one thing, reaching them is another. And the only way it will happen, the only way that we have a ghost of a chance of getting there is if we push through a fundamental, bone jarring, full-fledged 100 percent revolution that discards the old and

replaces it with a totally new performance-driven system, which is what brings me to Vermont today.

I'm here because of Willy Sutton. Willy robbed banks, the story goes, because he realized that's where the money is. I'm here because this is where the power is. The power to reform? No. No, not reform; to revolutionize the U.S. public school system. You are the CEOs of the organizations that fund and oversee the country's public schools. That means you are responsible for their health. They are very, very sick at the moment and we are past the time for incremental change and tinkering at the margin. Fortunately, we're not past the point of no return.

I've spent a lot of time on education, so have many of you, we all have scars to prove it, but I've also spent a lot of time helping troubled companies get back on their feet. It's hard work, lots of hard work, and it invariably involves massive structural change. But here's the good news. When companies do turn around, they often go on to bigger and better things. I'm convinced that our public

schools can do that. We can win gold medals in the education olympics, but it will take a world-class effort and it will only happen if you, the CEOs of the system, reach out, grab it by the throat, shake it up and insist that it happen. The turnarounds we've seen in corporate America don't come close to the complexities to the job you face in fixing our public schools, but I believe the principles of structural revolution are the same.

First, it takes a personal commitment on the part of the CEO. This is not a job you can delegate. Two, it takes a willingness to confront and expel the people and the organizations that are throwing up roadblocks to the changes you consider critical. Three, you need to set high expectations. You can't have too many goals. One or two are best, certainly no more than three. It's critical to measure the progress against those goals relentlessly and continuously. And, finally, there must be a willingness on the part of the change agent to hold people accountable for results. Nothing pleases me more than to see some of you moving in this direction in your

states. You are responsible for some very, very bright spots in an overall dismal picture, but there aren't nearly enough.

So, what do we do now? In the spirit of my views on how one goes about radical restructuring of an institution, I want to suggest three and only three priorities for public education for the next year. The first is setting absolutely the highest academic standards and holding all of us accountable for results now, immediately, next year, this school year. If we don't do that, we don't need any more goals because we're going nowhere. Without standards and accountability we have nothing. But if we do have standards and accountability, I would suggest two other priorities that are critical to allow our institutions of education to reach those goals, and they are funding change and exploiting technology. Let's talk very briefly about each. First standards and accountability.

If we don't face up to the fact that we are the only major country in the world without an articulated set of education standards and without a means of measuring how successful we

are in reaching them, we're lost before we get started, which pretty much sums up where we are today. To turn the tide we must set standards immediately and we must have a means of measuring how we're doing. Without standards, education reform is shuffling deck chairs on the Titanic. And I have to confess I find the whole thing baffling to me. Baffling. In virtually everything else we do in the United States we set high standards and strive to be number one. Why not in education? In basketball you score when the ball goes in the hoop, not if it hits the rim. In football you score when you cross the goal line, not when you show up in uniform. In track and field you must jump over the bar, not go under it or around it. And who would practice baseball with the fences at 150 feet from home plate? Why can't we establish standards of excellence for our schools? Why isn't winning in the classroom important in America? We put a man in space because we set a goal that was beyond, not within our grasp. We need the same approach for education and we must be relentless in its pursuit. The lessons we

understand so well in every other aspect of our lives must be translated into education or else we will lose. We cannot be sidetracked by academicians who say it will take five years just to set the standards, nor can we be misled by misinformed people who will argue that certain Americans aren't able to reach high standards so it's inappropriate to even set them. I find that insulting and demeaning to those people, not supportive.

It boils down to the fact that we just can't settle anymore for mediocrity. We must commit to the highest levels of student achievement, and we must do it now. We can't allow our schools to simply sit back complacently convinced that their only responsibility is to keep students at their desk until they're 18 years old. They'll get to 18 fast enough regardless of what we do. What they need from us are tools to help prepare them for success when they go off to college and work, raise families and join the adult community. This requires an articulated set of academic standards that recognizes the real world they'll be entering. In many places

they don't even exist at a rudimentary level. Many states still require only two years of math and science for a high school diploma. Why? Math isn't something that students can finish in the tenth grade and think they'll never need it again. And if we're going to do it right, we must make sure our high school students take real math, academic math, not what the students call dummy math; and they must take laboratory science, not general science. We must find innovative ways to help students master these complex subjects and we must hold schools accountable for what students learn. It's not enough to memorize facts and figures. Whether we're dealing with the requirements of the job market or skills needed to participate in society, the bar is higher and gets higher every year.

When the Labor Department recently asked businesses what they expect of schools to teach, the answer was clear: A foundation of reading, writing, arithmetic, combined with an ability to use information to solve problems and to communicate effectively. Those are not esoteric or complex concepts. They are,

however, for every one of these children the difference between success or failure in their lives. We must find ways to teach them, to measure whether they've been taught, and to reward teachers and administrators at schools where students succeed, and we must have serious sanctions for those at schools where students are not learning.

Obviously, Milwaukee will have a difficult choice to make next year because it's out in front, but the fact remains that until we are prepared to penalize students, teachers and administrators for lack of performance, the system will fail. Let me please repeat that. Until we are prepared to penalize students, teachers and administrators for lack of performance, the system will fail. We have a word for that in business. Accountability. It works. Without it institutions atrophy and die.

Let's turn quickly to the second and third priorities beyond standards. True accountability for performance will depend on exploiting technology and financing change in the system. You've all heard about information

technology. Bear with me if this sounds a bit stuffy, but information technology is the fundamental underpinning of the science of structural reformation. It is the force that revolutionizes business, streamlines government and enables instant communication and the exchange of information among peoples and institutions around the world, but information technology has not, however, made even its barest appearance in most public schools. Look around. The most visible forms of technology remain the unintelligible public address systems which serve largely to interrupt the business of learning, and the copier in the principal's office which spews out the forms and regulations that are the lifeblood of the education bureaucracy. Before we can get the education revolution rolling, we need to recognize that our public schools are low-tech institutions in a high-tech society. And the same changes that brought about cataclysmic change to every facet of business can improve the way we teach students and teachers, and it also can improve the efficiency of an effectiveness of how we run our schools.

I'd like to make you all a personal offer. I'd like to invite you, the Governors and your key people, to a conference that I will organize, pay for and run next year. I'll get experts from all parts of our industry, including our competitors, to participate and together we will show you how technology created for business and government can be used to help you reshape the schools of America. We'll put it all together, but we'll need your help and you'll have to be there. You'll have to invest a day, not a few hours, because as I said before, real change requires the participation of the CEO. It will be worth it. I think you'll be excited by the innovative things that are beginning to happen in some classrooms, and some of you are already doing some very interesting things with technology in education.

Let's think about how technology is benefiting kids right here in Vermont. For example, the portfolios used to measure student development are being taken out of manila folders and put onto digital disks. This allows educators to make evaluations based on a

student's entire output rather than on simple multiple choice questions. Chicago is combining the power of telecommunications in the Internet to train teachers in math and science. Schools in Charlotte, North Carolina, are using video technology to reach into the home. Philadelphia schools are using voice technology to teach language skills to learning impaired children, and outside the classroom technology is cutting away at the school bureaucracy in dealing with routine matters like bus routing, meal deliveries and purchasing, which brings me to my third priority, financing change.

It is my experience in business, and especially in turnaround situations, that if you want to bring about real change, budget allocations must support the new directions. Reforms perish from lack of support, and that means resources. True change agents put their money where their mouth is. The educational Bolcheviks fight hard to starve the reformers.

So, how do we finance the revolution? How do we use our educational resources to reward success and encourage performance? Let's start

with the \$150 Billion or so that you as the CEOs of our states invest directly in the public school system. That's about half of the \$300 Billion that is spent by state and localities, 150 from the states. I've done some homework so I know that a state's education budget is typically constructed by adding a percentage increase to the prior year's outlays and the basic formula, which is clearly described as arcane, is largely driven by the number of pupils in the system, and it supports priorities that have been around for decades and rarely, if ever, is linked to performance, success or change.

Here's my proposal. Let's try something new. This year, instead of following the old formula, hold back ten cents of every dollar and earmark it for strategic investment. That's five cents out of every dollar in total spent in your state, ten cents out of every dollar that comes from the state itself.

Now, where would we put this \$15 Billion to work? If it were me, I'd invest a portion of it into moving teacher training out of the horse and buggy era. We expect doctors to get

their training in teacher's hospitals, and we wouldn't send an NBA player on the court if his only training consisted of lectures on the theory of the jump shot, case studies of the fast break and films of games played years ago. Why then do we entrust our children to teachers who have only listened to lectures, written essays on classroom management and read textbooks on the theory of child development? It's time teachers learn their craft in real schools side by side with expert teachers. It's time they got the kinds of hands-on experience most other professionals consider vital for certification.

If it were up to me, I'd invest some of the \$15 Billion to reorganize how our kids spend their time in school. In Japan, where the school year runs 240 days a year, the average 18-year old has spent more cumulative time in school than the average American MBA. And while I challenge you to find a teacher anywhere in this country who truly believes that every subject or any subject, for that matter, is best taught in exactly 45 minutes -- we still ring the bell at the end of each

period as though there was a natural order to it all; a science project might take a full six hours to complete, other subjects may be best taught in 15-minute slots over a two-week period -- the school day, week and year needs to be reshaped fundamentally to reflect reality. There are hundreds of good ideas out there about how to use the \$15 Billion. I know about them, you know about them. Some of the most promising are emerging from the New American Schools Development Corporation which is funding development for breakthrough reforms across the country. All that's lacking is the courage to shift funding from the status quo that has failed inarguably to the agenda of reform and hope for our children.

Obviously, my three suggestions are sure to generate howls of protest from the education establishment and from others who are happy with the status quo and unwilling to change. They will say that setting standards is not possible in education or that setting high standards will only raise the dropout rate. Others will attack the focus on technology, maintaining it's a self-serving business scam

or a vain grasp for a silver bullet that won't work. Still others will attack the \$15 Billion that we reallocated for strategic investment saying it's just a gimmick, it won't work and it's really in disguise an approach to cut education budgets. I see it as just the opposite.

Most everyone in the education community talks reform and supports reform, but when push comes to shove they back off and attribute the lack of progress to the lack of financial wherewithal. Well, now we have it. Our \$15 Billion fund will provide a way to kick start a major effort for reform, and here's the real kicker. We're only going to give the \$15 Billion to the schools and systems that actually implement true reform.

Let me conclude by recognizing again that many of you are working very hard to bring about the changes that we need. The problem is not enough of us in America are committed to seeing that change happens. Too many of us just talk about it. You are the leaders of our 50 states. It really is up to you to bring us the educational leadership we desperately need.

School reform is not a partisan issue, so I would hope that you would work together as a team and that you would support and learn from each other. We're talking about the future of our nation. Economic prosperity for all our citizens is an empty and cynical dream unless we provide the necessary education to all students. Perhaps more ominously, no democracy can survive without an educated citizenry. So, let's add an R to our traditional reading, writing and arithmetic, an R for revolution. The country needs a new revolution. The first one gave birth to America. We now need a second to save our country and to give our children back their future. Thank you very much.

(Applause)

GOVERNOR DEAN: Lou has agreed to take just a couple of questions. Any questions and comments? Governor Hunt.

GOVERNOR HUNT: Mr. Gerstner, you may not realize the significance of that applause you just received. Not many people get that much here.

MR. GERSTNER: Thank you.

GOVERNOR HUNT: Especially unless they're running for President, and even some of them don't.

First of all, I want to congratulate you on IBM's comeback. It is truly a great thing in this country's economy and you deserve a great part of the credit for leading that as the CEO. And a lot of us have IBM facilities in our states; Vermont has some they're very proud of. We at North Carolina have about 13,000 jobs or more and \$1 Billion in payroll. We appreciate it, and I want to thank you personally.

Second, you've been on the front line of America business in focusing on education and reform for quite a while. I don't know how many of you Governors have this. John Engler has his copy, I see, but it's a terrific book that Lou did several years ago, and I thank you because I really believe that the progress we're making -- and we are make making some progress, it hasn't shown up yet as dramatically as it ought to in scores, but what we've done over the last several years has been because business leaders have been there with

Governors and some other leaders in bringing about change, and I would urge you to stay there and continue to help us. You said, I think correctly, that we as the CEOs of the states have got to lead this effort, and you couldn't say anything more true. It is not going to happen, my fellow Governors, unless we lead it. The state chief school officer by him or herself can't do that, the school board can't, the legislative committees can't do it. We've all got to work as a team, but the Governors really have to lead it. By the way, I accept right now to come to your conference next year, and I suspect a lot of us will be there.

I want to get to two other things. First, you talked about the goals, and we've got a s t of them. The Governors did make a big step toward that several years ago when they came together with President George Bush and established goals, and a panel has been established made up of primarily state leaders, some congressional involvement, to work toward that. Is that an endeavor you think we ought to stay true to and continue to work on?

MR. GERSTNER: Well, Governor, I would, first of all, thank you for your very nice comments. We're very proud to be part of North Carolina's economy. I think my remarks indicated that you cannot argue with the six goals that were established with President Bush that wound up being eight goals when the Clinton administration endorsed them and the act went through. They're all good goals but, you know, when you've got to change something, you've got to measure results every day, and in a funny way establishing goals gives institutions somehow walking around room to feel like, well, we've got goals, so we're okay. We're okay. 400,000 young people drop out of school every year in this country, 400,000 of the most precious assets in our country. How can we wait? Why is it six years later, and an article appeared in the paper this week that said it looks like we're getting around to starting to set the standards. Six times 400,000 is 2.4 million Americans we've doomed to a life of pain and poverty. Governor, there's nothing wrong with those goals, but who's living them every day? Where

is the measurement of success? No goals are worth a damn if you don't measure progress against them on a regular basis. And so my view is I love the goals. What did we do yesterday, what are we going to do tomorrow, what's our plan for next week. And so, yeah, they're great, but I think perhaps by setting goals that spoke about the year 2000 as opposed to goals that speak about next year's school system, maybe we left ourselves a little bit of air cover that was too high and we went on to other things.

GOVERNOR HUNT: Let me add that the National Education Goals Panel, again that Governors give very strong leadership in a bipartisan way to, yesterday moved to set standards working together to develop assessments that a real world, that are authentic that will help see if people are ready to hold your jobs and others, and to work with the states to help all of them do this job of setting standards, developing good assessments and really biting the bullet, so to speak. And that's a job we're going to need to have business help us with because that is

tough, and I would just urge that American business help us with the National Education Goals Panel if that's something we ought to continue, and I hope we as Governors would want to continue to work on that. But we thank you for what you've done.

MR. GERSTNER: Thank you, Governor.

GOVERNOR HUNT: We are getting to the tough stuff, and that's when we need business to stand up and say to legislatures and to people all over our state, hey, we do have to do these standards. We have got to assess in different ways other than true and false, multiple choice, can you do the stuff? That's what we're really going to need your help on. And I know you're there. I just hope American business leadership will continue to help us.

MR. GERSTNER: American business is not there. American business gives about \$300 Million a year to K through 12 education. Do you know where it goes? It goes to support the status quo, it goes to adopt the school, it goes to send a few computers -- I mean, sending computers is a good thing to do. Buy some books. I mean, the American business community

has been blind to this problem because it has been going through fundamentally a downsizing period and now we're coming out of that and we're going out to hire people, and we find out they can't even read or write, and we have to educate them in ways that we're not prepared or constructed to do. So, the American business community's got to get to be a force for revolution too.

GOVERNOR DEAN: Governor Voinovich.

GOVERNOR VOINOVICH: Mr. Gerstner, I agree with you. Let me say this to you. We have a leadership role and you have a leadership role that the business community has. We have a strong advocacy group out there among the education establishment that don't want to see change. It's the only area that doesn't get it yet. In our state, as you're familiar with, we put our GEM Council, Governor's Education Management Council, and got Joe Goreman, and John Ung and John Pepper, and we sat there, and we empowered the private sector to get involved in education reform. A lot of what we got done could never have been got done unless those business people actually were there and took a

leadership role. If I go through Ohio and I look at the school districts that are making measurable improvement, the business community is involved in curriculum, they're involved in helping improve efficiency in the operations of those schools. And I just want you to know that the business community is going to have to take a much larger role in this effort if we'r to beat down the people who are supportive of status quo. We have a bill in Congress today called the "Education and Training," and there's a big battle about how that money schooled to work, how that money's going to be distributed. The educators are in there and they're lobbying the hell out of Congress on it. I think the business community ought to get in there and say we pay taxes; we're not getting the return that we ought to be getting from the school system. We ought to have more to say about how this money is going to be spent and take care of your customers. But unless that happens, you're not going to get the people you want; you're going to have to retrain people, add it to your overhead and ultimately you aren't going to be able to

compete in the world marketplace. Now, we're willing to help you, but we need your clout. We've got to let those schools know that what happens there is important to the businesses in their community and the future of this country. So, it's a partnership.

MR. GERSTNER: I agree. I accept. I accept. I also want to say to you, Governor, that the \$400 Million that your state has earmarked for technology in K through 4 is one of the great things I've heard about in a while. I think it's terrific, and I wish you very good success with it.

GOVERNOR DEAN: I hate to cut this off, but we have Senator Domenici who has been very patient. I want to, again, thank Lou Gerstner. I have not heard an exposition about American education which is as challenging, and I just want Governor Hunt to know he is only the second Governor to sign up for that technology conference because I passed Doug Rose, our manager here in Essex Junction, a note just before you spoke, Governor, that said I accept and I want to be on that IBM technology in the schools conference. We thank you very much.

(Applause)

We have a remarkable opportunity here, and I'm going to call on Governor Johnson in a minute to make an introduction. Where is Governor Johnson before I call on him? I just want to say before I call on Governor Johnson that this is generally a bipartisan organization, but it's been an interesting year and a lot of switching around, and I am particularly excited about our next speaker because our next speaker has served in the United States Senate for a long time. He is a Republican, and I have tremendous admiration for his integrity. And when his budget mark came out, I read it, as I read the House budget mark, and I realized as I was reading that chairman's mark in the Senate Budget Committee this is a budget that was put together to balance the budget, which we all understand, we all agree with, but to do it in a thoughtful, reasonable, caring way. And I think that our next speaker who Governor Johnson is going to introduce has a potential of pulling this all together because of his carefulness and thoughtfulness in doing what has to be done,

which is to balance the federal budget on the one hand, but on the other hand to maintain the fabric of many of those things that is important to the United States.

So, I'm very, very pleased that our next speaker has agreed to be here, and I appreciate it very much. And I want to introduce to you Governor Johnson from New Mexico who will introduce his senior Senator.

GOVERNOR JOHNSON: Well, first I'd like to tell you a little bit about my unprecedented popularity in New Mexico. About a month ago I got the chance to jump off the Crest in a hang glider, which is a 10,000 foot mountain outside of Albuquerque. A woman came up to me and she said, "Oh, I see you jumped off the Crest today on a hang glider." I said, "No, that's next weekend." She got this big smile on her face. She goes, "Oh, good, we can still have a Democrat as a Governor." I said, "No, no. Walter Bradley will then become Governor," which is our Republican Lieutenant Governor. She said, "Well, take him with you." One person, though, that she wouldn't have me take with me is Senator Pete Domenici, our

distinguished senior Senator from New Mexico, and the reason is because he does such a terrific job. He may have the distinction this next election of having everyone in the state vote for him. He'll be running for his fifth consecutive term, and I'm going to have the privilege of getting to vote for him five times. As a matter of fact, when he first ran in 1972, that was the first election that I was eligible to vote in.

As a student, as an entrepreneur, as a business person and now as Governor, I'm proud of the contribution that I have given to the U.S. Senate. In business, to be successful you've got to know the numbers and you've got to know people. As Governors, to be successful you've got to know the numbers and you've got to know people. As the Senator in charge of the federal budget, you've got to know the numbers and you've got to know people. Senator Domenici knows the numbers and he knows the people as well as anyone I've ever known.

In keeping with the theme of kids and children and education, one of my cabinet secretary's daughter came up with this idea to

express at this conference, and I'm going to lay that out for you right now. Can you read that? So, no strings, be fair and give us time. Senator Pete Domenici.

(Applause)

SENATOR DOMENICI: Thank you. Thank you very, very much. First let me say to you, Governor Dean, thank you for those kind remarks, and congratulations on your term. Governor Thompson, congratulations on your term which will start soon. And I'm not running for President. I'm not here representing the President. I am a strong supporter of Senator Dole's, but I'm also a United States Senator who happens to have a big responsibility with reference to the fiscal policy for our nation, and so you gave me a difficult job. It would have been a lot easier to give a speech on education than to excite you about balancing the budget. One is a great challenge that everybody understands the results; the other is difficult to explain on the one hand but utterly simple on the other hand. One is easy to understand in terms of goals and why's, and this one takes a little time to sink in.

I don't know how long Lou spoke, but actually for every minute that he spoke \$345,000 was added to the federal budget; for every hour that you will be here you will add \$20 Million to the federal deficit, and on and on. Every child born today in the United States of America is going to be taxed immeasurably without representation. They will never vote on the \$178,000 that they will have to pay out of their income taxes, Governor, in their adult lives to pay interest on the national debt. We run around anxiously trying to understand why our standard of living isn't growing, why the young people can't look for a brighter, brighter future, and yet we've decided to continue to borrow money and let them pay for it. We've decided one way or another as adult leaders in America that it really doesn't matter, the deficit doesn't matter and we have no responsibility for it other than give it lip service, and when it gets tough, to abandon ship.

Frankly, I believe the future for our children and our country is tied in an immeasurable way to whether adult leaders, CEOs

of states as you've been called, Presidents in the White House and their helpers, Senators and Congressmen, if those adult leaders do not decide that it's time that adults stand up and create a new word about our federal budget -- have you ever heard of the word affordable? What can we afford I say to Governor Pataki of New York. You know, I've been even embarrassed over some of the years that I've been a Senator because people ask me to get things for them and I'd very, very seldom say, hey, we can't afford it. You know what I'd say? I'm not sure I have a stroke yet or I'm not sure I'm on the right committee, but give me a little time and I'll get what you asked me for. I don't think very often I've said, hey, maybe we can't afford it.

After you take away all the incidents of this last election and where we are in America, the truth of the matter is that time has come to put affordability back into our deliberations. What can we as a nation afford. And I'm not here today to criticize Democrats and praise Republicans, although I will tell you that I believe change is in the wind and

well you ought to be proud of that because my best recollection, without checking history, is that you and predecessor Governors for at least 15 years have resolved every now and then, assembled as you do, that the United States government ought to balance its budget. We didn't invent that. For the most part Governors invented it. You said we have to balance our budgets, what are you up to in Washington? Well, now we're up to the reality of it and we're trying to do what you've been telling us to do.

And secondly, Governors, unless you get caught up in the partisanship that seems to be in the air today and that will be here probably before this august delegation of Americans leaders the next couple of days, you will also admit that you have been the leadership of America telling us, federal government, you're spending too much on programs in our states. You ought to let us do more of them, we would do them better and more efficiently. And for the most part Governors have been saying, the federal government is getting too big. It's telling us too much about how we ought to run

things, and why don't you let us try. And when we say that now, we get answers that are sort of jumbled and perhaps not lucid and clear. Some Governors are saying, well, balanced budget but you've got to do it my way or, gee, if you could just change this and that and perhaps not even address Medicare and leave it alone for a while and, maybe Medicaid, don't put too much burden on us on Medicaid, but we sure would like less strings; and, yes, on Welfare we have heard you. You have told us, let us run Welfare and we will make sure, as some of you are already trying to do, that we'll put jobs back into the vocabulary of Welfare, and we will stop Welfare from being a way of life and we'll try to make it a stopover point for some assistance and help, but not generation after generation and a status that one can expect. You said that.

And now I tell you today the ball's in your court, and I want to urge you right up front to get your act together as Democrats and Republicans and come and help us on Medicaid. Come and help us. I asked both Bob Packwood and the staff who run the Finance Committee in

the United States Senate and they said the communication on how to get Medicaid under control is sort of nowhere.

Now, frankly, for you Governors who want to say, well, we want the federal government to keep on running it, we just want a little more latitude ourselves and, gee, we're kind of worried about how this whole thing is going to pan out in terms of what we get out of Medicaid, let me share a couple of thoughts with you. Number one, no matter how hard you try, no matter how hard the President of the United States tries, no matter how anyone that doesn't want to change the status quo tries, to say let's get a balanced budget but let's don't touch Medicaid and let's don't reform Medicare, that is an oxymoron. You cannot get a balanced budget without causing Medicaid to spend less money over the next decade. You cannot get a balanced budget and keep Medicare solvent without reforming it. And to reform it is not to cut it, it's to make it modern and make it more efficient and see if you can't in the process by giving seniors more choice, save money.

You're all aware that we are saving money in most sectors of health delivery in America, and there are still some status quoists who are saying, well, let's wait and see, is it really working. Is American business getting health care costs down from 12, 14, 18 percent annual growth to 2, and 3 and 4? Is that real? Some are saying just wait a few years, it just won't work, but it will work. It will work. The fee per service as an exclusive way of delivering health care to the American people is gone. Is gone because it is great delivery, but it is the most expensive delivery and the most expensive use of talent that you could ever put in any important delivery system for people. Yet, guess what? The two major federal programs that are out of control are essentially pay for service programs. You may be lucky -- is Tennessee here? Where's the Governor? I've been to your state. You are very fortunate. I don't know what miracle came about to the federal government, but they granted you some enormous waiver. I don't know if the other states are getting that waiver, right? What's your state? Tennessee? Yes.

In any event, you're turning the whole program of Medicaid over to HMOs, and managed care and large pools that are delivering service, and while it's not perfect -- I heard one of the greatest surgeons in your state at a public hearing say -- great neurosurgeon, either head of the medical society or second, I thought as I watched him, boy, there's a real doctor. What did he say? Senator, I regret to tell you, but pay for service won't work. You've got to change it. And we're changing it and we'll live with it, we'll get by.

This isn't technical talk. This means that in America you build a health care delivery system about everyone having the absolute right to choose a doctor and the doctor having the absolute right to run his office about his patients without any regard to the larger community of needs, or the pooling of resources and all kinds of things that we know are eminent. So, look, Medicaid costs are going up at 10 percent a year. You know, Governors, it's not a program; it's 24 programs with all kinds of strings and then you're supposed to run it. Look at your own budgets.

The fastest growing item in the state budget is Medicaid. In fact, many Governors are wondering if you leave things alone whether you can pay for it in three or four years. That's an honest truism. So, to sit around -- I'm not saying any of you are because I assume you're all converts, I assume you're all for change, I assume you're all for a balanced budget if you haven't been for a long time, but the truth of the matter is you ought to be worried about your own budgets if we leave Medicaid alone because where are you going to get the money for a program growing at the national level at 10 percent a year and compounded, and little tiny waivers here and there, and keeping a federal government there in charge just because people don't believe Governors and states will really take care of the poor people if you give them the money.

I submit to you you ought to join in trying to get at least a five year entitlement program. And let me stress that. Some Governors say, will we get the money? We'll create a new entitlement. It won't be a personal entitlement, Governors. It will be

the entitlement to the state. So, the State of Indiana, Governor Bayh, will get a given amount of money each of the next five years and then we'll look again, and that won't be appropriated each year. And, frankly, it's not all so bad in terms of numbers. Instead of 10 percent, you get 8 percent the first year as the national pool of money. Now, what we didn't know, Governor Bush, when we decided to talk about this, we didn't know the formula would be hard to put together, but as you talk about your own states you should have guessed it because some of you states have been fantastic in harvesting the Medicaid program. Isn't that a nice word? Harvesting the Medicaid program. You have done tremendously well. And some states, I don't know why, didn't harvest it very well. Maybe some states didn't want to spend so much of their money, but the reality of it is we're now at a point where we're going to start over with a new program and give you money, and hopefully when the debate is finished with, as the Governor of my state said, few strings -- we'll debate that one out on the floor. Some Republican Senators

have a different view. My guess is, and I'm not a great predictor but sometimes my hunches turn out right, I believe we'll pass it. If we pass a Medicaid reform, it will be a no strings Medicaid program, excepting for maybe a couple. Of course, you all expect it to be challenged to be used only for the poor, don't you? You don't expect to use it for highways like some people say you're going to do. Ridiculous. But you might have to take care of women, pregnant women and children first in total as you set your new profiles of who you want to take care of, that wouldn't be so bad, but we need some help. The newest formula in the Senate tries to take all of the states that get in very large amounts of money. New York has a very heavy program. They put a lot of money in. They have some fantastic people getting other money in Medicaid, all of which is now part of what they expect. I believe the new formula will hold you harmless but will take states that are growing faster than New York and haven't harvested the program so well and use one little pot of money, perhaps \$800 Million out of a giant program, and say let's

equalize that a little bit for states like Texas. I'm sorry my friend Lawton Chiles isn't here. Florida is one of those states too that obviously has a low current receipt of money but has many, many people entitled. So, the formula looks reasonably good. This is the Welfare formula.

Now, we've got to look at something similar in the Medicaid formula, something similar, and we need your help. I'm sorry for using Medicaid there. That was all Welfare, that new formula.

Now, let me suggest that the federal budget is an interesting thing, not like anything you all call budgets. The federal budget is a brand-new creature of Congress. We pride ourselves in the Senate of being this institution with these 200 years of precedent and rules. Twenty-Two years ago the United States Congress decided that once a year we ought to produce a blueprint of what we're going to spend, and we call that a budget. In that same law, believe it or not, Governors, there was a recognition that in the United States Senate even a budget might be

filibustered to death. And there was a recognition that even the bills implementing a budget might be filibustered to death. So, on September 22nd, which is the return date for all of the committees to bring us their law changes for reconciliation, their changes in Medicare as a formula, their changes in Medicaid as perhaps a new grant with very few strings, and we'll build a new five-year entitlement, and perhaps Welfare reform in some manner that you're now hearing and that I've alluded to, and many others. Perhaps you should understand that on that date when that package of bills is returned to us -- and, incidentally, those who are worried about tax cuts, you balance the budget first, for all those bills come to us and if we can't get a reading from the Congressional Budget Office that we're in balance, there will be no tax cuts. That's the way it is.

(Applause)

That's the way it's written. That's the way it came out. Now, let me finish this. On that date when they bring us those bills, the Budget Act -- and Senator Robert Bird helped us

write it, he said if you want to make it work, I'll help you make it work, except he had no idea we would use this part of the law for this kind of thing, I'm sure. I'm not sure he'd vote for it again because \$642 Billion in changes in the law, that is what we'll spend out in these programs over the next seven years, \$642 Billion less than what was planned in those laws will be before us. And guess what? If that bill comes out of committee, there is no filibuster; in fact, we went overboard. Twenty hours of debate and it's over, no amendments except strike amendments. So, it's a real opportunity to change the direction of the country without which we could get nowhere in the United States Senate.

Now, let me give you one last figure on entitlements because that \$642 Billion kind of stands out there and people say, gee, what are you doing to us? That's out of an entitlement set of programs that equals \$7.2 Trillion, okay? The 642 is off a base of \$7.2 Trillion. You do your own arithmetic. You all know. You do that, that percentage of reduction in budgets all the time in difficult times. It's

percentages within the reach of almost anybody that changes government. In fact, Governors, contrary to all the talk about how Draconian this balanced budget is, your national government will continue to grow at 3.2 percent. It was growing at 5.2 or 5.3, so over the next seven years it will grow annually at, let's just use round numbers, at 3 percent instead of 5. Now, I would think that if we were just to ask Governors to get to a balanced budget in seven years, we've got to say to our big \$1.5 Trillion government, you've got to grow the next seven years at 3 percent instead of 5, and we said to you all, is that reasonable, I wouldn't think a single one of you would say it's unreasonable. But the point is the entitlement programs of the country are the programs that are spending us into bankruptcy, and if we want to fix the future for our kids, we've got to decide as grown up adult leaders that we can't buy so much more than we can afford; that we can't continue to promise to Americans what we really can't afford.

(Applause)

Now, you can help us in a lot of other ways. Why don't you wait until the end and then really do it up.

Now, let me close because some of you I'm sure are saying, well, why can't we work things out, huh? Well, let me say you're going to be hearing from the President, you're going to be hearing from Senator Dole. Obviously, I speak for neither of them, but let me suggest, the President of the United States said to the people of this country and the Congress unequivocally and forcefully, no more smoke and mirrors in budgets, paraphrasing. No more smoke and mirrors in budgets. Use the Congressional Budget Office to determine the status of the federal budget today and the prediction for the future. Independent Congressional Budget Office. No more use of the White House, no more use of outside economists; use the Congressional Budget Office.

Now, friends and Governors, that was only two years ago. In June, the President hastily said he was giving us a balanced budget. The truth of the matter is he abandoned his own

rule. I'm just being honest and truthful to you. If we were to have done that with a Republican President and said you use OMB and tell us how to put our budget together so it's in balance, in years past when it was predominantly Democrat in terms of Governors, you probably would have sent us a resolution saying what are you up to? Well, the President sent us a budget that isn't in balance that uses the Congressional Budget Office, and if you ask me how do we get started in getting this thing together and working it out, I submit the President of the United States must produce his budget off the congressional budget starting points, not one that the White House's OMB puts on the table. For how can we negotiate when we're negotiating off of different numbers, when one set of numbers is from the agency and entity he told us to use and now he chooses another? Now, is it important? Of course it's important.

The President gets about 30 percent of his Medicaid savings without a policy change, merely assuming that things are going to get better. Let me repeat. About 30 percent of

the President's Medicaid savings comes from an assumption that things will get better and we won't spend as much, but no policy change. The President does the same on Medicare; that we don't need so much reform because about 30 percent of the savings come from just using a new starting point with no policy changes.

This budget, the fundamentals of which came out of my committee that a dedicated, diligent staff put together, is true, honest, forthright, and no smoke and mirrors. Now, frankly, if you're talking to the President, you ought to tell him, Mr. President, start with the same starting point, let the chips fall where they may, but go to the Congress of the United States without a phony budget that OMB did instead of the Congressional Budget Office.

Point number two. This will probably shock you, but the President has now threatened to veto every appropriation bill. Just as an aside, I say to some of you, I don't know that I remember every appropriation bill in my 22 years, I say to my friend, Governor Thompson, but I don't remember a President threatening to

veto appropriation bills because they didn't spend enough money.

Now, that's the case and that's his privilege, but let me tell you the dimension of the nondefense domestic appropriation argument, will you? Let me tell you how big the argument is. For the President threatens to veto every appropriation bill. Guess how much the domestic appropriation bills, how many dollars under the Republican budget resolution, how many dollars are they less than 1995? Guess. \$8 Billion. In other words, if you were to give the President exactly the same amount of money as he had in 1995, you would give him \$8 Billion. Would you have guessed that? Would you have guessed that this whole argument is over \$8 Billion in a \$179 Billion domestic appropriated accounts?

So, rather than talk about vetoing every bill, why don't we talk about the \$8 Billion difference? Now, essentially the President may say I wanted an increase, but that isn't what I heard him say when he produced the budget. He didn't say it was being increased; in fact, I think he said it was being cut. Now, those two

things are very important.

Unless we want to end up with a train wreck, no appropriations, a continuing resolution, and worst of all throwing away the real opportunity to address this issue of the unbalanced budget, then we have left the status quo on the table for the future. And, frankly, you are all good politicians, you might even be, each and every one of you, better than I. You might be as good as the President, maybe better, but I'm not sure it helps the President of the United States to have to veto every bill and let the government close down. I suggest that some of you might ask him to think about it along the lines we've just discussed, but the most important thing, Governors, is that we have a real chance to change our country for the better and to do that in a rather permanent way. And, most interesting, talking here to you, this whole idea is a vote of confidence in the Governors of our sovereign states. The whole notion is a vote of confidence in the Governors of our sovereign states. You've kind of asked for it. You've sort of been telling us you want it, and it's just not easy to do it

unless you're willing to change some things.

In conclusion, I guess it's fair to say that some people wonder why I feel so strong about this issue, and I must say to you all, it's not an easy one to give this kind of speech about. Who can give a speech on the budget and keep the 43 Governors listening this long unless you really believe it, and I believe it because I think every now and then in the course of political leadership and history you've just got to do some important things, and this one is for adult politicians, this issue; for grown up men and women, to look right in the face of the absurdity that this country is so powerful that it need not worry about whether it can afford what it tells its citizens it will buy for them. I think the time is now. Thank you very much.

(Applause)

GOVERNOR DEAN: As the Chair, I'm going to use my prerogative to ask the first question, and that is this. We all accept the spirit in which you come because we have a serious problem, and I admire very much the passion, Senator, that you show on the issue of the

balanced budget and we are as an organization in favor of a balanced budget, and I am not knowledgeable enough about the federal budget to debate the CBO versus OMB debate, but the question that I have, and let me just be very frank and this is, again, in the spirit of the criticisms that you gave which I believe are nonpartisan criticisms; I believe they're deeply felt, compassionate criticisms, but I think one of the reasons the President has threatened to veto the appropriations bill has not so much to do with spending, in some cases it clearly does, but in some cases it has to do with a social agenda which does upset a number of us. In fact, frankly, one of the reasons I have said that I admire your work so much is because that social agenda was absent from the budget mark which you put forward. So, I wondered if you would comment on a way that you can see clear because I believe this disagreement that we have between the parties over the budget could be resolved more easily if, in fact, we were concentrating more on balancing the budget and less on pushing through a certain social agenda. And maybe you

could comment on that.

SENATOR DOMENICI: Sure. Sure, Governor. First of all, let me try to put this so-called social agenda into perspective. I would assume, Governor Dean, you're not speaking about whether we reform Medicare or Medicaid but, rather, some of the things that the House has been putting on appropriation bills.

First, I would think maybe the President -- is he speaking tomorrow or the next day? I would assume he too would talk about the appropriation bills having an EPA, substantial reductions in EPA, maybe 20 riders on about regulatory form, but let me make it clear. That's a relatively new issue because they've only been putting those things on for the last week or so. So, I think the President's basic objection that he would veto the appropriation bills have little to do with that, it may have more to do with it now and that's fine, but I think it really had to do with the President wanting more spending in certain programs that we seemed we were going to give him, but let me suggest this attaching to the appropriation bill. Major changes in a

regulatory system of the country or in a way an agency is supposed to do business, in the Senate they are the exception rather than the rule. I would not think that many of those would get through the Senate, but I have great deference to the House and how they've done things. They're hard working and, frankly, they're trying to achieve some goals and they're setting some real high goals for themselves, but I believe many of those can be worked out, let me just put it that way. Without any question in my mind, many of those can be worked out. Anybody else have a question? Senator Lawton Chiles, did you get my note there?

GOVERNOR CHILES: I got it.

SENATOR DOMENICI: I told him he should be here to listen since I used to listen to him when he was chairman. But I'm so pleased you're feeling great. You look wonderful.

GOVERNOR CHILES: Thank you.

SENATOR DOMENICI: Anything else? Yes. Governor of Colorado.

GOVERNOR ROMER: Senator, you and I have a state that's next to each other, and I join in

the commitment to balance the budget. I also join in the commitment to share a part of the cost of the Medicaid reform and reduction. I know, however, that health care is something that transcends state boundaries. As we talked about the national ultimate reform of this system, portability is important.

I am aiming at an issue of maintenance of effort here on Medicaid. I don't want to get a condition where if the federal government ends the partnership and says this is our contribution, it's now yours and you can do whatever you want with it, we don't care whether you continue to maintain an effort or contribute, I don't want to have your state and my state playing games with each other about racing for the bottom so that we can attract jobs but have all the poor float over the next border.

Do you have any suggestion as to how we can avoid this race to the bottom problem and avoid one state competing on job creation with getting the least cost to care for the unfortunate, the misfortunate? I just believe that somehow in the end of this we've got to

have a way in which the states maintain some form of partnership with you so that we can't totally be irresponsible and start sending people over the lines with bus tickets. Is that a problem and, if so, what is the solution?

SENATOR DOMENICI: Well, if it's a problem, it's a problem right now and it's a huge problem right now. State of New York decided in the area of Medicaid, in the area of Welfare reform, Medicaid -- Welfare and Medicaid, the State of New York decided that they want a very big program. They took advantage of every option.

GOVERNOR PATAKI: Harvested.

SENATOR DOMENICI: And more. The Governor said my words good. They've harvested the program well. I don't know that that's been an advantage or a disadvantage to New York with reference to jobs. My guess is a disadvantage.

GOVERNOR PATAKI: Disadvantage.

SENATOR DOMENICI: But I don't know that you could have told Colorado or New Mexico in order to inhibit that you ought to do what New York's doing. First of all, you couldn't have

afforded it. I believe they've had a tax increase for almost every year, for how long?

GOVERNOR PATAKI: Not this year.

SENATOR DOMENICI: Except this year. I didn't want to say that. So, Governor, I don't think that we can have a similar Medicaid program in each and every state. What I was worried about is that some states, and I say this about Florida even though I'm not from Florida, and Texas, frankly, if you took Medicaid and Welfare and just apply a formula, let's give them what they're getting now, frankly, that's not a very good deal for them in block grants. They'd be put in the position of going to the bottom and people might be moving there for that reason. I don't know, but we will probably give them more under the new formulas. Do you all want a maintenance of effort on Medicaid? I guess that's a question for you all. There is no maintenance of effort in the Welfare reform. Do you want one in Medicaid? I'll put that on the table and you all discuss it. If you keep a maintenance of effort, it keeps you kind of in the game to a relatively similar amount that you're putting

in now. That might be something good. I think we should have it, Governor, but I might not be in predominance in the Senate. Okay? Yes, Senator, Lawton.

GOVERNOR CHILES: Pete, you and I used to work on the balanced budget proposals for many years, and at times we had two or three plans, and I think you were in agreement, only that we couldn't get passed at all. It seems to me that in those days -- and, of course, we were trying to balance it within three years, I believe, but the deficit weren't anywhere near as big at that time as it is now, but it seemed like there were a couple quotients in there that I see missing now a little bit. We used to talk about part of the money would come out of the discretionary programs and the entitlement programs, and part of the money would come out of cuts in defense and part of the money would come out of tax increases. As I look at it now, I don't see anything coming out of defense. Maybe we're in a more perilous time than we were back then. Russia was still the evil empire at that time, but we were going to nick defense and we were talking about

increasing taxes. Now, we're taking it all out of the discretionary entitlement program, nothing out of defense, and we're going to increase or give a tax decrease. Looks like things have changed a little bit.

SENATOR DOMENICI: Yes, except things haven't all been status quo since you left and since you debated. First of all, the President's first budget had a very large tax increase. I would assume that tax increase is what you and I would have been using to put a balanced budget together, very big tax increase. Some think it was okay because of where it fell, but it's still a very large tax increase, so I think we've had the tax increase. What we haven't had is we haven't had the fiscal restraint side. We did very little, if anything, of a permanent nature in entitlements in that first round that the President put together and won on a partisan basis, and we didn't do an awful lot with discretionary either. What happened is over the last six years or seven the only program that's appropriated that got any significant cuts has been defense. Now, how far do you cut

it? Some would say cut it another Five or Six Billion, but essentially it's about 40 percent less than it was eight years ago, and maybe it should be more, but we surely haven't even cut 15 percent out of the rest of the programs during that same period of time. So, I think that's a change.

And let me just take two minutes to explain the difference in the tax cuts. First of all, I think it's inevitable that the Republicans will be accused of trying to reform Medicare and Medicaid and give the rich of America a tax cut, but the truth of the matter is in the United States Senate there still is a resolution saying that if we do tax cuts and they are not binding, the Finance Committee can do them after they balance the budget. We hold a bill in abeyance, cut a bill in abeyance, and send them the tax money. They don't have to do it. But if they do it, we have said 90 percent of the tax reductions should go to \$100,000 wage earners and less. But we are committed to capital gains, and we'll have to defend ourselves on capital gains somewhat falling in the hands of those who have money, but I

believe capital gains can stand on its own as something that really is good for the American economy. And you ought to be doing a budget that is growth oriented. And I'm not a supply sider who feels that you can cut taxes all the way to zero and still have a thriving economy. You'll have a great economy, but you won't have any money for programs. So, I think you've got to take care of the deficit, too, at the same time, but I do think capital gains ought to be passed, and this is the rare opportunity to get it done. Yes, Governor.

GOVERNOR ENGLER: I'm interested in the Medicaid formula fight that's going to I guess come along after the Welfare bill. And it strikes me, if the math I've looked at is correct, we're going to have about, over the five-year period from '96 to the year 2000, about \$773 Billion in new spending in Medicaid. So, when we look at it from that standpoint, what we're trying to do, if we take every state as sort of where we find them today and move forward, we've got to solve the spending issues with about three-quarters of a trillion dollars.

SENATOR DOMENICI: That's right.

GOVERNOR ENGLER: It seems to me that the model that has been worked out on the Welfar bill, which I support and which you alluded to today, does sort of serve as a starting point for resolving the Medicaid debate. It seems to me it's a lot easier to do that almost with three-quarters of a trillion dollars in hand of new spending over the next five years than it would be if we were talking about holding it harmless, and it does mean growth rates have to change, but I think it works. And so I just want to compliment you on the leadership and perhaps address that question and related to it, the reference specifically to Florida and Texas, I guess Arizona would be one, California, the alien problem, in fairness, that has to be pulled out of this in the sense that it really isn't the ability to control the borders in those states primarily, and I realize there are other states as well, but it isn't really fair to say to Oklahoma, let's say, that you've got to pitch in to pay for the alien problem of the federal government not controlling its borders.

SENATOR DOMENICI: I don't think we've done that, Governor. You might have a better idea than the people putting it together. At least what we put together so far is Welfare, and maybe we have to put something like that together, more so on Medicaid.

GOVERNOR ENGLER: Yeah.

SENATOR DOMENICI: Okay. I don't know if anybody's doing that, but that's a good idea. It ought to be discussed. You all ought to kick that around too.

GOVERNOR ENGLER: It seems to me it is a separate question. I mean, there is a cost to it, but to say that cost is somehow covered in what would have been the economics of the system I think is a dubious proposition.

SENATOR DOMENICI: Yes, Governor?

GOVERNOR TUCKER: Senator, just to help me get back up to date on the budget, what is the size of the budget that your committee has proposed, how much of it is for interest, how much is for defense, how much is for tax cuts, and do I understand that Social Security and Medicare are all in the budget? Do I understand that correctly?

GOVERNOR DOMENICI: Let me first say, by a commitment that seems to be bipartisan, Social Security is not only off budget but is not being changed.

GOVERNOR TUCKER: And that includes Medicare?

SENATOR DOMENICI: No, sir.

GOVERNOR TUCKER: Okay.

SENATOR DOMENICI: Social Security is Social Security, and Medicare is Medicare, and I understand some would like to tie them together and some will, but here's the budget at this point. Defense is 270; nondefense appropriated, 278, for a total that's appropriated every year of 548. On the mandatory or entitlement programs, Social Security, which is not only off the table but not touched, is 334; Medicare is 158, that's both Part A, which is a trust fund and, Part B, which is a taxpayer funding of insurance policies for seniors; Medicaid is 89; and all the other mandataries, including commodity crops, pensions and the like is 166; the net interest is 235. The total outlays to all of that is \$1.5 Trillion. The revenues are 1.355.

So, that's it. I don't have those in percentages, but I think you get a picture of it.

GOVERNOR TUCKER: Thank you.

SENATOR DOMENICI: Thank you all very much.

(Applause)

GOVERNOR DEAN: Senator Domenici, we deeply appreciate the time that you took to come and talk to us, and you leave us as you came. I don't agree with everything that you've said today, but you certainly retain my immense respect for what you're doing for the United States of America. Thank you very much.

SENATOR DOMENICI: Thank you, Governor.

(Applause)

GOVERNOR DEAN: The National Governors' Association has had since 1976 an awards program that has been a tradition, and it recognizes distinguished service. We have today three people in the state official category, three in the private citizen category and one each in the artistic production and arts supports category. I want to thank the Governors who submitted nominations for these

awards. The nominees were outstanding. I would also like to thank Jeannie Van Blanderer who chaired the Selection Committee as well as other members of the committee. I would ask as I announce each award winner if they and their Governor would come forward so that we can present them with the award. The Governor of his home state will do the presentation. We will have the photographer off here.

The first in the state official award category is from North Dakota, and if Governor Schafer and Leon Osborne, Jr., could come up. Leon Osborne is the director of the University of North Dakota's Regional Weather Information Center. Mr. Osborne has devoted his life to educating students about atmospheric science, developing forecasting systems that benefit the community at large. He established the Regional Weather Information Center as a way to accurately inform the public of danger on a 24-hour basis. Governor Ed Schafer has said, "Leon Osborne has made North Dakota a better place to live and to work in many ways." Leon Osborne.

(Applause)

From the State of Utah, if Governor Leavitt and Janina Chilton could come forward. Janina Chilton is the legislative liaison with the Utah Department of Human Services. For 30 years Ms. Chilton has played many different roles as an advocate for the mental health community. Ms. Chilton has educated the general public, produced media campaigns, developed a library for use by the mentally ill at the Utah State Hospital and consistently secured funding for it. Governor Leavitt has said that, "Janina has been a key player in breaking down barriers and stigma surrounding those with mental illness." Let us all welcome and recognize Janina F. Chilton.

(Applause)

Next from the great State of Vermont, and if then Howard Dean could come forward with Con Hogan, Cornelius Hogan, the Secretary of the Vermont Agency of Human Service. When state health care reform efforts stalled in 1994, Con stepped in as the acting Chair of the Vermont Health Care Authority, continued the struggle, engaged all parties in working discussions. I give credit to Con for helping to advance

Vermont's landmark health care reform which, when implemented, will elevate Vermont second only to Hawaii in the percentage of residents covered by health insurance. Con has had a distinguished career in the Human Services field and, in addition, for years excelled in the private sector as a Chief Executive Officer here in Vermont. I'm fortunate and proud to have Con Hogan heading one of my largest state agencies, and I'm personally thankful for his efforts to assist me in the advancement of my priorities. I would describe Con as a giant among his peers.

(Applause)

The National Governors' Association also honors private citizens who give of their very special talents and resources to serve their states. Almost always their services are voluntary and without pay.

The first of these awards is to Peter B. Bensinger, Chair of the Illinois Criminal Justice Information Authority, and if he and Governor Edgar could come forward.

Mr. Bensinger has contributed countless hours and efforts towards better criminal

justice, including summer camps, fund raising, research, juvenile protection and Illinois Bill of Rights for Prisoners. Governor Edgar has said, "Illinois citizens have benefited tremendously from Peter's unselfish donation of his time and expertise." Let us welcome and compliment Mr. Peter Bensinger.

(Applause)

From Indiana, if Governor Bayh and Linda Ann Wallace could come forward. Linda Ann Wallace is a community activist and founder of Security Dads Program. Ms. Wallace created the Security Dads Program as a way of combating violence in her neighborhood's high schools and involving parents in their children's lives. In the program fathers don black and gold Security Dads T-shirts and attend dances, athletic events and other school functions as monitors. Governor Bayh has said, "Linda Ann Wallace and the Security Dads Program are ideal examples of local citizens who are taking the initiative to improve their schools, neighborhoods and communities with parental involvement, hard work and commitment." Let us please recognize Linda Ann Wallace.

(Applause)

From Ohio we have Robert Wehling, the co-founder and co-chair of BEST, Building Excellent Schools for Today. And if he and Governor Voinovich could come forward. Although his full-time job is in business, Mr. Wehling has devoted much of his life to children's advocacy. He is a member of the Governor's Education Management Council, Ohio Family and Children's First Initiative and co-founder of BEST which enlists business, education, labor, religious and political organizations to help in the grass-roots level of education reform. Governor Voinovich has said, "Bob Wehling is always ready to step forward and lend a helping hand, a hand that has no strings attached and it is always larger than one would ever expect." In addition, I personally want to thank Mr. Wehling for all his work with the National Governors' Association.

(Applause)

Every year the National Governors' Association gives awards for distinguished service to the arts, both for artistic

production and for support of the arts, and I'd like to thank Susan Bayh for chairing the Arts Review Panel this year. The Artistic Production Award goes to Ms. Ann Chotard -- I hope that's pronounced properly, is that right? She is the founder and artistic director of Arkansas Wildwood Park for the Performing Arts. Ms. Chotard possessed the creativity and inspiration needed to develop Wildwood Park for the Performing Arts. Governor Jim Guy Tucker has said, "Without Ann's enormous devotion to the promotion and advancement of the arts, Arkansas likely would not have such a facility for the Performing Arts. We would still have our share of writers, actors and musicians, but Arkansans have Ann Chotard to thank for inspiring and educating us about the beauty of becoming patrons of our state's creative and talented artistic community."

(Applause)

And, finally, we have the Arts Support Award to go to Mary Duke Biddle Trent Semans, philanthropist and supporter of the arts, and if she and Governor Hunt could step forward.

Since 1965 Mrs. Semans has been the

Chairman of the North Carolina Executive Mansion Fine Arts Committee, a group dedicated to preserving the legacy of the Governors of North Carolina. Mrs. Semans was instrumental in establishing the North Carolina School of the Arts and the first permanent art gallery for the blind in the North Carolina Museum of Art. Governor Hunt has said that, "In every stage of her life Mary Duke Biddle Trent Semans has chosen public and private paths to support and nourish the arts. Her stewardship, philanthropy and commitment to excellence have influenced the arts in North Carolina and in our nation." And I might add parenthetically that Mrs. Semans and her husband have taken a group of North Carolina student musicians to tour Europe every summer and perform concerts. She was on such a tour when she received news of this award and has left that tour early to be with us today. And we thank and congratulate her.

(Applause)

We now have a Governors-only discussion of Medicaid and that is a closed session, so the if the spectators and guests would like to step

outside and enjoy the unbelievable Vermont weather, we would appreciate that, and we will then convene immediately the Governors-only session on Medicaid and other topics. Thank you very, very much.

CERTIFICATE

I, Cindy B. Hall, Court Reporter and Notary Public, certify that the foregoing pages 3 - 79, inclusive, comprise a full, true and correct transcript taken from my stenographic notes taken in the Opening Plenary Session taken before me as Notary Public on Sunday, July 30, 1995, 12:00 noon, at the Sheraton Burlington Hotel & Conference Center, Burlington, Vermont.

Cindy B. Hall

My commission expires February 10, 1999.

COPY

NATIONAL GOVERNORS' ASSOCIATION

87TH ANNUAL MEETING

JULY 30, 1995 - AUGUST 1, 1995

BURLINGTON, VERMONT

PLENARY SESSION/EXECUTIVE COMMITTEE MEETING
MONDAY, JULY 31, 1995
9:30 A.M.

SHERATON BURLINGTON HOTEL & CONFERENCE CENTER
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BURLINGTON, VERMONT

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INDEX**PAGE****SPEAKERS:**

Howard Dean, M.D., Governor, Vermont, Chair,	3
Introduction	
Tommy G. Thompson, Governor, Wisconsin,	5
Introduction	
Senator Bob Dole, Kansas, Majority Leader, United	7
States Senate	
Executive Committee Business	30

GOVERNOR DEAN: Good morning. I trust everybody enjoyed the typical Vermont weather that we had last night at Shelburne Farms. We have that every day in the summer. In the winter it's about 30 degrees cooler with snow on the ground, but perfectly clear and no clouds.

I want to take a moment before we start to thank the corporate fellows. NGA has 100 corporate fellows who support the work of the National Governors' Association on a yearly basis, and we deeply appreciate their support, their help in this event and their ongoing support of NGA. And I'd like a round of applause for the corporate fellows for the National Governors' Association.

(Applause)

We have a busy day today. We have the Majority Leader of the United States Senate who we're going to hear from in a moment. We have the President of the United States. We will have a Governors-only discussion to continue our deliberations on Welfare and Medicaid, and the NGA standing committees will meet shortly after the Majority Leader's address at the

Radisson to discuss the various issues before them and the resolutions. I do want to just warn the chairs of those committees that sessions really do need to start on time and end on time in order to make the logistics work today; otherwise, we're going to end up cutting into probably the Governors-only session. I think we had an excellent session yesterday. We'd like not to cut into that any more than we absolutely have to. I also want to say how very important it is for us to be on time here at the Sheraton when the President is scheduled to speak. Because we have had to move that address because of the heat, it's going to be extraordinarily important that people are on time because there are going to be special seating restrictions, and in order to get that sorted out by the time the President is here and ready to give his address, we need to be on time.

I would now like to call on the Vice Chairman, soon to be Chairman of the National Governors' Association, Governor Tommy Thompson of Wisconsin, to introduce our very special guest, the Majority Leader, this morning.

Governor Thompson.

(Applause)

GOVERNOR THOMPSON: Thank you very much, Chairman Howard. It's really a distinct honor for me to have this privilege to introduce a friend of all of ours, Senator Bob Dole. Bob Dole's record of leadership and statesmanship is well known to most of us in this room. His record in the Senate once inspired Ronald Reagan to say, "His title of leader is not just a job title, it is a description of the man." And today he's helping to lead the way in sending more responsibility and more power back to the states.

The Founding Fathers understood that the states have to be and we are, certainly, the laboratories of democracy constantly innovating and seeking new solutions to local needs. Senator Dole is determined to breathe life back into the 10th Amendment which declares unequivocally that those powers not assigned to Washington are reserved to the states or to the people.

Senator Dole knows that the state governments are as committed as anyone in

Washington to the health, the prosperity and the security of our citizens. This faith in the states is the source of his commitment to end unfunded mandates and to block grant programs back to the states. And he has not been a Johnny-come-lately to this particular position because in 1979 Senator Bob Dole authored legislation to block grant many programs back to the states. Take Welfare for example. No federal bureaucrat will ever design a Welfare system that works equally well in each of our 50 states. Why not tap the best our states have to offer, tap their years of experience and come up with the best solutions to suit different situations. That's a radical departure from the way Washington has run things up until now.

Senator Dole is also playing a leading role in setting the federal government's fiscal house in order. He led the way towards passing this year's historic balanced budget resolution. Governors have to balance their books each and every year. Bob Dole is working to make sure the federal government has to do the same.

Helping to guide this revolution through turbulent political waters we're very lucky to have him in Washington right now, and maybe some day we'll see him on the other end of Pennsylvania Avenue. Ladies and gentlemen, it is my honor and distinct privilege to introduce to you our friend, the great Senator, Bob Dole.

(Applause)

SENATOR DOLE: Thank you very much. Thank you. I didn't quite understand. Governor Dean said it was going to be hot when the President was here, but I'm glad I'm here in the cooler part of the day. And I'm sorry I cannot be here when the President comes, but I'll be in Washington. I'll cover that for him while he's up here.

I want to thank Governor Thompson for that introduction which we worked out last evening, and he got it right the first time. I appreciate that very much. And thank Governor Dean. Remember we had a plane ride back, got well acquainted here a few years ago, from a very tragic event in South Dakota. And I watched Governor Thompson and Governor Dean on C-SPAN yesterday and thought they did very

well. They had the Medicaid formula worked out and all those other things that probably won't be any problem at all with a group like this.

So, I'm very honored to be here and to speak to you not as a presidential candidate, but that's how it will be reported, but as the Majority Leader in the United States Senate about a very important problem. And I would say, first of all, that I think it was Robert Frost who once wrote that the two best states in the union were Vermont and New Hampshire, and the interesting thing is that he made the statement even though he was not a candidate for President.

So, let me begin as Tommy Thompson's already said, to thank you again, Republicans and Democrats alike, for your assistance on unfunded mandates. It started here a long time ago. It's never been a partisan issue. It was not a partisan issue in the Senate. It passed by an overwhelming vote. And, again, I would thank all of you. I worked closely with Governor Voinovich and many others during that time, and I would just say, as the Governor said, it sort of helps us take a look at the

10th Amendment which I carry around in my pocket. Newt Gingrich carries around the Contract with America; I carry around the 10th Amendment. It's only 28 words in length, something I can handle, and it's not very complicated. It says precisely as the Governor indicated. If it's not reserved to the federal government, the power should go to the states and to the people. Whether you're Democratic Governors, Republican Governors or Democratic legislatures, there's no distinction. In my view you're a lot closer to the people, and we believe you can make better decisions or certainly decisions as good as we can make as far removed as we are. And I don't say that in criticism of Congress, but it just seems to me that we've lost track for the past 30 to 40 years. We have had the power coming to Washington, and now we believe it's time to shift it back where we think it should be. So, I think we all agree regardless of party.

And I might say right up front that I've talked to President Clinton privately about Welfare reform to see if there isn't some way to bridge the gap, probably can't do that, but

there may be some areas we can find some common ground, but we have tried to replace in Washington now a paternalism of partnership. And let me say to every Governor, this is not just lip service. We believe there is a partnership.

I met this morning with the Republican Governors, had a good meeting for about 45 minutes on an issue I'll talk about in a moment. And it's very important to us, whether you're a Democrat or Republican, if we can find some common ground, it's going to make our job a lot easier and we believe it's going to make your job a lot easier. So, we listen to Governors. I listen to my Governor, Bill Graves, who's in his first term and long-time friend from Kansas. But on issues like Welfare, and crime and education we hope to do more. But it will not be easy. And President Clinton has said that giving you control would incite, "A race to the bottom." Now, I wonder which states he thinks would participate in such a race. Which states does he believe cannot be trusted with Welfare, education and protection of their people?

The truth is that only our states can be trusted with these things. Federal control just hasn't worked. And the federal government does a lot of good things. And I've been involved in a lot of it over the years, the Chairman of the Finance Committee which deals with all the health care, and trade, and Medicaid, Medicare, all the issues that I know have troubled Governors and troubled others. But we've experimented now for about three decades at the federal level. Do our poor people have more hope after three decades? Are the streets safer after three decades? Are schools providing better education for our children after three decades of this federal push?

If there's anyone who excels at finding better ways, I believe very honestly it's you, our nation's Governors, again, regardless of party. You know that every problem and every challenge will eventually land on your desk because you're there. People know how to find you, and they know that you'll respond, which means you have to lead with innovation and imagination. It requires that you fight for

change and not just stay with the status quo. And I've seen that leadership at work in state after state, Democrat or Republican, whether it's fighting crime in New York, or returning fact-based education in Virginia classrooms or making Wisconsin a national trailblazer in Welfare reform. And that's what I want to talk about is Welfare reform.

Many people expected us to talk about Welfare reform. It's an issue that we're going to take up in the United States Senate hopefully next Friday or next Saturday. The August recess will occur sometime in August in the United States Senate. Not going to give any definite date, but we have to catch up a little bit with the House. They have different rules, and they move very quickly. And I've told the story many times. I'll just digress for a moment. When we were on the Balanced Budget Amendment, which we lost by one vote, Senator Robert Bird, if you watch C-SPAN, speaks frequently, and I say this with admiration because Robert Bird knows more about the rules and more about the Senate than all of us combined, and more about Roman history than

most Romans. And I remember during the balanced budget debate he was all wound up about how bad this amendment was, what it would do to America. It was shortly after one of our Tuesday luncheons, and he went back to the floor to talk about it, and he was sort of going back from how bad the amendment was to Roman history. At one point he said, "If Cicero were alive today, he would be opposed to the Balanced Budget Amendment." At which time Senator Thurmond arose and said, "I knew Cicero, and he was for the Balanced Budget Amendment."

So, we debate a lot in the Senate. Our Founding Fathers said we should be a more deliberate body and, believe me, we've kept the faith. We deliberate everything. We spend nine days on a bill that passed the House in three hours. But as many of you will be coming to the Senate probably, I don't want to discourage you at all.

I think for many Americans, as we all travel around our own states or around the country, the most graphic failure of the federal government is Welfare. It is a point

where liberal rhetoric meets reality, and for a long, long time, and I've been there, maybe I've voted that way from time to time, if you spend a little more money on Welfare, start a new program and waited a few more years, our Welfare system would start to work. But our Welfare system doesn't work, and the American people know it. It doesn't work because it's not based on the classic proven American formula for escaping poverty: A job, a strong family, a good education, saving money to buy a home.

Instead, our Welfare system undermines almost every value and virtue that leads to self-reliance and success. It discourages work, it penalizes marriage and traps people in government-owned housing. The fact is that there are more people living in poverty today than before the great society was started. There can be no escaping the conclusions that the current system has failed. It's failed. It doesn't work. It will keep failing until we change it, and change does not mean just tinkering at the edges. And to quote someone we've all heard about, Ross Perot, "It means

opening up the hood and totally overhauling the engine." And that's just what Congress, I hope, will do.

And let there be no doubt about it, I speak now for Republicans. I can't speak for all the Democrats in the Congress, but Republicans are committed unanimously to reforming Welfare. And I must say, and maybe the President's going to change all of that today, there is not a Democrat plan. There is an outline in the Senate, but not a plan. There has been, as you might have already read, vigorous debate among Senate Republicans. We have our differences too. This is a very tough issue. And we've tried to further strengthen our proposal, and I would just say to this group that I think that we're now prepared to go forward. And we would hope that the Democrats, maybe after I've left town and President Clinton has left town, that all the Governors would sit down and talk about it as you do in a nonpartisan, objective way and give us your verdict on whether or not you think we're headed in the right direction.

And let me just talk about our plan. The

President will talk about what he plans to do, but it's based on three guiding principles.

I think first the first principle that ought to strike home is that Welfare reform should be designed and run by those closest to the problem, the states. The states, the Governors, the legislatures. The answer is not more waivers. Governors should not have to play a game of, "Mother, may I." The waiver process only perpetuates a flawed system. Yes, waivers have led us in the right direction, but now let's finish the job. Real change only will occur when we are released from the burden of federal rules and regulations. And one thing about Welfare, as Governor Thompson mentioned in his introduction, there is no bureaucrat, and I say that without criticism because they're good people, men and women, by and large, no bureaucrat or group of bureaucrats are ever going to work out a blanket program which works equally well for all the 50 states because America is too diverse to do that. And through block grants to the states, not waivers, block grants to the states, the federal government can provide

resources to fight poverty without imposing rules and regulations that ban innovation.

I believe it's time that we revive your laboratories of democracy. Give states the opportunity, wherever that state may be. And that's why we support changing this one size fits all Washington Welfare into flexible block grants to the state level. Our proposal will combine AFDC, child care programs under AFDC and job training programs under AFDC into one block grant. It will permit the states to opt for a food stamp block grant giving you even greater discretion. The Governor makes that determination under our language, not the legislature but the Governor decides if you want the cash.

As a result of the work of the Senate Labor Committee, we also consolidate and put into another single program 88, and I've got the list of the 88 different programs, job training and related educational programs, including the Job Training Partnership Act and the Carl Perkins Vocational Training and Education Program, all into one block grant. Here is a list of 88 programs. I bet nobody

here can cite them all. That's how many federal programs, one after another, after another we think ought to be block granted to give the states' discretion.

Our second principle is that real Welfare reform must include a real, a real work requirement which in no uncertain terms requires able bodied Welfare recipients to find a job, not stay at home and not stay in a training program forever, but to go to work in a job, hopefully in a real job in the private sector.

When it comes to escaping poverty, we know that the old American work ethic was true because work works, but no longer will we burden you with the rules and requirements that accompany the old JOBS Program. We have heard your message from Democratic and Republican Governors alike. We will repeal the JOBS Program and let you design real work programs. You might choose to cash out a percentage of your food stamp benefits and supplement someone's wages. Under our proposal you will be able to do that without a waiver from Washington. You make the decision. You don't

wait months, and months and months for somebody else to do that.

Then our final principle is that no program with an unlimited budget will ever be made to work effectively and efficiently; therefore, we must put a cap on Welfare spending, and we do that in our proposal. For example, our proposal will include a fixed amount for the former AFDC Program based on fiscal year 1994 expenditure levels, but in capping spending we will give you the needed flexibility to run the programs your way. Not our way but your way, Democrat or Republican.

Thousands of government regulations would be wiped off the books with the repeal of the AFDC Program and the JOBS Program. We will give you explicit authority for determining eligibility and benefits. And traditionally, additionally, we also recognize there are states, who through no fault of their own, will experience population growth above the average, who will have benefits far below the national average. We will provide additional funds for these states without taking anything away from the rest of you. It looks now under our

formula about 18 or 19 states will do better, but nobody gets less. These funds will be available to all the states should you confront some unexpected circumstance that dramatically increases your caseload and your costs.

The bill Republicans will fight for and we hope Democrats will join us, and I think some will, will end Welfare as we know it, and that's what this is all about. But all of our efforts to reform these programs will accomplish very little if we fail to address some of our disturbing societal problems, problems like the astounding increase in the number of children born out of wedlock, and the number of children having children. And our bill, again, will give you, the states, the flexibility you have asked for to address these problems with solutions that strengthen families, discourage illegitimacy, encourage personal responsibility and perhaps, most importantly, do nothing to encourage abortions. And however you feel about that issue, let me say that there is a division when it comes to cash payments or ending cash payments to teenage mothers. We have one group that says

that's what ought to happen. We have the Catholic Bishops and the Catholic Charities, the other segment, that say that shouldn't happen. Keep in mind the Catholic Charities are the one group that provide service to teenage mothers.

The solution to the tragedy of out-of-wedlock births among young people has been much debated. And among those who feel most strongly and perhaps the greatest experienced providing guidance to these young people, as I said, are the Catholic Charities along with the U.S. Conference of Catholic Bishops. The Catholic Charities and other groups have urged us not to put the unborn at risk in our important efforts to remove any incentives for illegitimacy. And I will do all in my power to ensure that our reforms will not increase the tragedy of abortions in America regardless of your position on that issue. We're not out there trying to encourage abortion.

So, we're going to meet with the Governors, we're going to meet with your staff and we're going to need your help. And I trust

you'll not be shy if you believe that we can make further improvements in our proposal. And we're going to start it this weekend. Unless something happens, we'll start it this weekend. We'll try to complete it the following week, or the following week or the following week. In the Senate you need 60 votes to shut off debate. If we can't shut off debate after a certain time, we'll probably have to decide it cannot pass, but we believe we responded to the concerns that Governors have been telling me about for years. As Governor Thompson said, I introduced, along with Senator Long back in 1979, the block grant concept, so we've thought about it for a long, long time. It didn't pop up in 1994, 1995.

Let me just touch very quickly on two other issues and then I want to leave because I know they're going to shut down the airport and I want to get out before that happens. No offense, Governor. They didn't do that when I came in last night.

The principle innovation and wisdom flow from the states up, not from Washington down, must also guide our efforts to improve

Medicaid. Here again, I don't think tinkering is going to work. Major reform is needed. Oppressive federal control has not made Medicaid a better program. To the contrary, it's built a system that constantly favors the most expensive institutional care while discouraging innovative service delivery. And these problems cannot be fixed by tinkering around the edges or by liberalizing changes which in the hands of an aggressive federal bureaucracy will be used as an opportunity to impose more federal control.

We've got to repeal the existing program. That's how we start dealing with Medicaid; we repeal the existing program and start with a clean slate to design a sensible program to meet today's needs. The states, not Washington; let me underscore that, the states, not Washington, should be given the freedom to design a Medicaid system that results in more innovative delivery systems and benefit packages. And rules like the Boren Rule, my good friend David Boren from Oklahoma, which is an attempt by the federal government to micromanage how much you pay providers and in

doing so makes it easier for groups to haul you into court, should be repealed. We need to eliminate the so-called Boren Rule.

(Applause)

And if the Governors today, as I said earlier, can come together on a formula, we'll go to work on Medicaid. There's going to be a lot of activity on Medicaid in September of this year, and that's not very far away. And we need your help. We can't do it without you. Let's be very honest about it. If you're on the other side, if there's a big split with the Governors, it makes it more and more difficult.

And, finally, let me say a word about Medicare. There's been a lot of statements about Medicare. A lot of things are wrong with Medicare. We know that according to the Trustee's report it's going to be in real trouble in six or seven years. I harken back, and I'm certain Lawton remembers, back in 1983 we had the same problem with Social Security. At that time a Republican President named Ronald Reagan and a Democratic Speaker named Tip O'Neill, and Howard Baker was the Majority Leader in the Senate, put together a

commission. Claude Pepper was on that commission, Bob Dole was on that commission, Pat Moynahan was on that commission, Lane Kirkman was on that commission. Business, labor, Democrats, Republicans were on the Social Security Commission, and we fixed it. We fixed it. Wasn't easy, but it was bipartisan or nonpartisan. And Social Security is going to be in good shape, according to the Trustee's report, at least until the year 2017 and probably beyond. So, we need to take a look at Medicare and we need to start to work on it.

I know last week was the 30th anniversary of Medicare, and I'll give the President and his advisors credit. They know a media opportunity when they see one, but I don't think singing "Happy Birthday, Medicare," is going to solve the problems as everybody was saying, wherever it was, in Missouri yesterday. We have to deal with it. And don't go around frightening senior citizens. That's all some people have is their Social Security check and Medicare. That's all my mother had. And every time I would go home she would say, "Don't

touch my Social Security, don't touch my Social Security." But she did want to preserve, improve and protect it, and that's precisely what we hope to do with Medicare, and it's not going to be easy again. So, what we'd like to do is work with the President, work with the Governors again. And we're not out to take away anybody's Medicare. There's this effort out there to say, "Oh, Republicans want to put all this in a tax cut." That's not our objective at all. If you read it carefully, it's not going to happen.

Seems to me that when three members of your own cabinet say Medicare is about to go belly up, we can't pay Part A or Part B, hospitals or doctors unless something's done, that ought to be an alarm bell that gets us to go to work. And I'm ready to go to work just as we did in '83 on a bipartisan basis, and it wasn't easy. It almost went down the drain. I remember a conversation I had on the Senate floor with Senator Pat Moynahan. When we thought it was all over, we talked to each other, Democrat, Republican, let's try it one more time to get this group back together. We

did it. We finally put together a package.

So, we don't want Medicare to be bankrupt by the time it reaches 37. It's 30 years of age now, fairly young by my standards and all the other things I've been reading about. But, in any event, my cholesterol is lower than Clinton's and my weight's lower than Clinton's, my blood pressure. I'm not going to make health an issue in 1996.

(Applause)

What I would like to do, and I hope the President will redo that today while he's here, I'd like to send a copy of the Trustee's report without any editing to every senior citizen in America so they know precisely. Don't take it from Bob Dole, don't take it from President Clinton, but send them a copy of the Trustee's report and let them find out for themselves. It will be about 37 million copies, it will cost about \$8 Million, but it would be worth it so every senior citizen, regardless of their party, regardless of where they live will say, "Oh, the Trustee's report." Take a look at it and find out about Medicare. Now, I think if we did that, there would be a big bipartisan

effort to protect, and preserve and improve Medicare just as we did Social Security back in 1983. And we're willing to do this on a nonpartisan basis.

And I would conclude by saying that a lot of these things that we're doing now percolated up from the states. We didn't think of all of these things. Newt Gingrich didn't think of them; Bob Dole didn't think of them. You've had these ideas. You've been the laboratories for democracy. Democrats and Republicans alike, you've been the innovators, you've done the experimenting and we don't want to stop now. And we think it's very, very important that we work together. You know, we've lit a fire now, and as far as I'm concerned, it's not going to be extinguished. And I believe America's historical detour into bureaucracy and centralization is over. We're moving in your direction if you'll let us. If you don't want us to move in your direction, if you don't want the responsibility, then we can't force you to take it. We believe it's an opportunity you've been asking us for. Do it. Let's be partners. And we'll disagree from time to

time, and we'll disagree hopefully not on partisan lines but just because we have different views because I think Welfare reform and I think Medicare, Medicaid are very important issues we have to deal with. They're important to us as we look at the budget; they're certainly important to you.

And I would just pledge again as the Majority Leader of the United States Senate, and I think my record would indicate that I'm willing to work with people on both sides of the aisle, and I would pledge to you now, we're willing to go to work. We're willing to work together because what we're talking about is not partisan politics; about the future of this country, and the shape of this country and how we treat senior citizens, how we treat unwed mothers, all of these big issues that are out there. In my view, we can do a better job working together. Working together with Governors, Congress, state legislators, mayors. That's what it's all about. And I believe if we do that, our best years are still ahead. Thank you very much.

(Applause)

GOVERNOR DEAN: We thank Senator Dole very, very much for his very helpful remarks, and I want to thank him for his wit. We often have an awful lot of seriousness, and he certainly was very, very serious about a very serious subject, but I think wit always helps. And laughter always makes bipartisan agreements more easy to come to and, Senator Dole, we appreciate your forthrightness very much.

We're now going to convene the Executive Committee. All Governors are invited to participate in the meetings and the discussion of the Executive Committee, but only the nine members of the Executive Committee may vote, although hopefully that won't be a problem because I don't think we have anything terribly controversial on here. The policies that the Executive Committee may adopt would be not adopted by the NGA until tomorrow at which time all Governors will have an opportunity to vote on these policies.

The first motion that I will call on Governor Thompson to make is a motion to approve the minutes of the May 18th Executive Committee meeting. Governor Thompson.

GOVERNOR THOMPSON: Mr. Chairman, I so move.

GOVERNOR DEAN: Is there a second?

GOVERNOR WHITMAN: Second.

GOVERNOR DEAN: Governor Whitman. All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: All those opposed by saying no. The ayes have it. We have approved the minutes of the May 18th meeting.

Let me just say that I know there are a lot of people who are going to be moving out as a result of the Majority Leader's speech now being over, but if you could move out quietly because we do need to conduct this business, I'd appreciate that. Thank you.

We have a series of motions or policies now submitted by the Executive Committee, and I'm going to call on Governor Thompson for the first which is incentives for states to achieve federal savings. Governor Thompson.

GOVERNOR THOMPSON: Thank you, Mr. Chairman. I would move. This policy was brought to my attention by Governor Pataki from New York who believes very strongly, as I do,

that when we go down this road to grants from the federal government and if we can save dollars in the meantime, we should be able to maintain and be able to allow for some kind of savings to cumulate to the states. So, this is a policy that expands our existing policy, Mr. Chairman. It's incentives for states to achieve federal savings and so that states would be permitted to retain a portion of any savings. And I think that is good government, and I think it would be good for our NGA to go on record on this particular policy and, therefore, I would so move, Mr. Chairman.

GOVERNOR DEAN: Thank you, Governor Thompson. Is there a second?

GOVERNOR WHITMAN: Yes.

GOVERNOR DEAN: Governor Whitman. All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. The ayes have it.

The second is a resolution commending the 3000 year anniversary of the City of Jerusalem. Incidentally, the texts of all of these are in this green booklet that are on your table in

front of you. Call on Governor Caperton. Is Governor Caperton here?

GOVERNOR CAPERTON: I move the resolution.

GOVERNOR DEAN: This is to move the resolution commending the City of Jerusalem for the 3000th anniversary.

GOVERNOR THOMPSON: I'll second that, Mr. Chairman.

GOVERNOR DEAN: Governor Thompson seconds. All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. The ayes have it. The resolution has been adopted by the Executive Committee.

The third is a clarification of the NGA's sunseting policy, and I call on Governor Leavitt to move this resolution.

GOVERNOR LEAVITT: Governor, the proposal is as outlined in the summary. I make a motion that the resolution be adopted.

GOVERNOR DEAN: Governor Thompson.

GOVERNOR THOMPSON: I'll second it.

GOVERNOR DEAN: All those in favor signify by saying aye.

(Aye)

GOVERNOR DEAN: Those opposed by saying no. The ayes have it.

Finally, we have a motion and a second on the reaffirmation of the NGA line item veto power. Governor Thompson.

GOVERNOR THOMPSON: Thank you, Mr. Chairman. This is a policy that both you and I are co-authors of, Mr. Chairman. This reaffirms the position the NGA has taken several times before, and it allows for the President of the United States to have the same power and line item veto that 43 of the nation's Governors have which is the line item veto.

I think it is a bipartisan position that the President of the United States, whoever that person is, because we've brought this up under Republican Presidents as well as Democrat Presidents and it's always been a standing policy, and I would like to move on behalf of Chairman Dean and myself on this line item veto resolution.

GOVERNOR DEAN: Now, this is a recommendation to the NGA as a whole to suspend the rules. This will require a three-quarters

rule suspension tomorrow, but we can adopt it by Executive Committee today. Is there a second?

GOVERNOR WHITMAN: Yes.

GOVERNOR DEAN: Governor Whitman. All those in favor signify by say aye.

(Aye)

GOVERNOR DEAN: Opposed by saying no. The ayes have it. You have adopted the resolution.

I'm going to call now on Ray Scheppach to summarize legislative issues, and then I'm going to turn the session over to Governor Thompson because I must go unclog the airport and pick up the President. Ray Scheppach.

MR. SCHEPPACH: Thank you, Governor. Very quickly, in terms of the budget, the Congress has adopted the budget resolution that will get to a zero deficit over seven years. They have made instructions to the various committees to report back their recommendations now by September 22nd for the so-called Reconciliation Bill which will probably be enacted sometime between mid October and before the Christmas recess.

The House has now indicated that they will

complete all of the 13 appropriations bills before they recess the end of next week, and the Senate is beginning to pick those up. So, the hope is that the appropriations bills will all be in place by the beginning of the fiscal year, October 1, although there is some suspicion that the President will veto a number of those and, therefore, will be into continuing resolutions for several months.

On Medicaid, on the House side, they are in the process of drafting a fairly flexible block grant proposal that is being discussed. On the Senate side, they have essentially not begun to move yet.

On Welfare, as Senator Dole mentioned, they do have some tentative agreements and they will begin to go to the floor on the Senate side later this week, and I think his hope, of course, is to keep them in session until such a time as he is able to get a bill.

A number of environmental issues. Clean water passed the House. It is a good bill from the NGA standpoint with the exception of wetlands provisions. No bills yet on safe drinking water, although we are negotiating

with both sides, and no bills yet on the whole superfund, although the committees are preparing to move forward on those issues.

On the employment and training, both the House and Senate side have adopted at the committee level block grants, although we do understand now that the employment and training block grants will end up as part of Welfare reform in the bill that Senator Dole was talking about. That completes the quick legislative update.

GOVERNOR DEAN: Little quicker than I thought. Thank you. I am going to ask Governor Thompson to take over at this point. We have a very good presentation from Governor Romer updating the Pfizer Sharing for Care Program. So, I will recognize Governor Romer, and I deeply appreciate Governor Thompson taking over the Chair. Thank you.

GOVERNOR ROMER: Mr. Chairman, very briefly. We began this in 1993. It was a cooperative effort between Pfizer and the National Association of Community Health Centers, and the essence of it is we've had voluntary assistance in providing over \$21

Million worth of free medicines to 200,000 needy patients. And this medicine has been donated at no charge to either the patient or more than 335 health centers throughout the country. It's been no charge to the taxpayer. And through this partnership Pfizer's entire line of advanced medicines is available to patients living below the federal poverty line and who do not have prescription drug coverage.

This is a model-type program. It's precisely the sort of programs I think the Governors need to look at in the challenging years ahead. It's an example of, I think, what can be achieved between the public and private sectors. And it's a pleasure for me to introduce the Sharing for Care partners from Pfizer, Mr. Chuck Hardwick, the vice president. I'd like to have you stand, Chuck. And from the National Association of Community Health Centers, Carol Morris. I'd like to have you stand. And I'd like to have us give you a hand of applause for this \$21 Million.

(Applause)

You all have in front of you a booklet that describes it, and I just hope that this

will continue and we can continue this cooperative effort to help meet some of these needs. Thank you very much, Mr. Chairman.

GOVERNOR THOMPSON: Thank you very much, Governor Romer, and we appreciate very much your work in this as well as the generosity of Pfizer. And we appreciate that and thank you.

The next thing we go to is the federalism summit. I'd like to call on Governor Mike Leavitt from Utah to explain that, and then I'm going to call upon Governor Allen who has an addition to that. Mike.

GOVERNOR LEAVITT: Thank you, Governor. The subject of the states' relationship with the national government is a matter that has dominated a great deal of our discussion during this conference and will for years to come. There is substantial progress being discussed I think right now in Congress with respect to our at least short-term relationship, but it's important, I believe, to recognize that our long-term position still remains weak and tenuous.

This summit is a joint activity taken by five organizations, the NGA, the National

Conference of State Legislatures, the Council of State Governments, the American Legislative Exchange Council and the State Legislative Leaders Foundation. It is an effort to continue to form states into a more effective unit in maintaining our stewardship as a counterbalance to the national government. It is of some consequence, I think, and some significance that these organizations have never met together to examine this topic. Therefore, it has been proposed and approved by the Executive Committee that on October the 22nd through the 24th that NGA, its Executive Committee, would join with the other executive committees of these organizations to engage in a formal assessment of our current situation and to inventory a group of options that would allow us possible action to continue to be the counterbalance that we need to and then to identify actions upon which we can all agree.

I'd like to yield just one moment to Governor Ben Nelson from Nebraska who has been a participant in these discussions prior to going to Governor Allen.

GOVERNOR THOMPSON: Governor, Ben.

GOVERNOR NELSON: Thank you, Mr. Chairman, Governor Leavitt. Many of the things that we hear coming from Washington today will talk about a devolution of responsibility, and very often that means a downloading of responsibility to the states. What we're looking for, I believe, is not only a downloading of responsibility but also a sharing of the authority to determine what kind of downloading will occur.

So, the balance of power issue, I think, will help the states have a relationship with the federal government that's appropriate under the circumstances in accordance with the 10th Amendment and will cease the relationship that has grown over the years to the point where the states have become in many respects the branch managers of the federal government or subcontractors of responsibility.

So, I think that this summit will help us achieve, I think, a sense of balance that is necessary for the future. And I appreciate the opportunity for my views as well. Thank you.

GOVERNOR THOMPSON: Thank you, Governor Nelson. I'd like to now call on Governor Allen

who has some additional discussion on this subject. George.

GOVERNOR ALLEN: Thank you, Mr. Chairman. I'm pleased to have this opportunity to speak for a few minutes about a specific constitutional reform that I think is important. I want to first commend Governor Leavitt and Governor Nelson for their leadership. I think the summit is a good idea. It's something that is needed to bring everyone together from across the country to see what we can do to make sure that we get the reform, not just the discussion, but also moving forward. And I think one of the structural reforms that we certainly should look at very closely is something called the states' veto. I have a commission or council in Virginia on self-determination and federalism, and that document has been put before you all and why we need the states' veto.

Now, being a Virginian, we naturally care about these issues. We had those debates way back when with Madison and Patrick Henry, but it really is an issue that has been carrying on for many years. It was something that we

discussed at great length in Williamsburg last November. Now, all Governors, regardless of party, understand that our states are not exercising our rights, our own self-determination. Instead, we're being allowed to act at the sufferance of the federal judge, or the federal Congress or federal bureaucrat. And I certainly do appreciate the new spirit of Congress. It's great to hear the new ideas coming as far as unfunded mandates, and I'm glad that's passed. I'm certainly glad that Senator Dole's Welfare reform proposal is one that gives us greater prerogatives and greater flexibility as far as fashioning our own Welfare reforms in our states, but our goal should not just be to have a conference or a summit and just talk about how awful things are and do nothing about it. What we need to do is take this opportunity to make the structural reforms, the long-term reforms that will make sure that we are co-equal partners.

Now, how do we do that? I believe the answer is the states' initiative is one way. That's an NGA policy. That's where you'd amend Article 5 of the Constitution so that a super

majority of the states could initiate a constitutional amendment, and that has been formally endorsed by the National Governors' Association, and that would be action without the necessity of congressional action or constitutional convention. And the other crucial complement to this reform, I believe, is the states' veto. This would give us, as the people of our states, a means of their own defense. It would give us a tool that is not dependent on enforcement by federal judges, or the generosity of Congress or the President but simply what it would require is if you actually could get three-quarters or maybe two-thirds of the states, a specific federal legislative or regulatory action, if that exceeds federal authority or if it's objectionable, then the states acting in concert, three-quarters of them, could repeal or veto that law.

Now, I realize it's pretty hard and very rare that you're actually going to get three-quarters of the states, three-quarters of us Governors to agree on anything, but if you ever did reach that consensus, that three-quarters of us thought that this law was

objectionable, it was not desirable for the people of our states, I think that this would be a good measure rather than us going begging and pleading for the Congress or wasting millions of dollars on litigation and attorneys trying to get some federal judge to somehow give us relief in defense of our rights.

Now, in truth, this tool, I don't think, would be used very often. It would be very rarely used, but it would provide us as Governors, and our legislators and our people in our states with some real constitutional leverage. It would be the kind of leverage you have when you're a partner, a true partner in an enterprise and not just a serf in some federal kingdom.

Now, this is not a partisan issue. It's not a political issue. It's an issue about the future of our federal system and how we can make it work in the method by which our framers envisioned it. And I know we can make the system work in such a way that the owners, the owners of the government, the people have some control over it.

The frustration and the disillusionment of

the people across our states and across this land are because too many decisions are being made in a far away place by people who don't know their particular concerns, who are not responsive to them. They may be unelected or they may be elected by some other people in some other state. And so this is a way to get the decisions closest to the people. The people's legislative branch is in the state capitols and, in fact, it's also in their local governments. So, I think this effort to overcome the disillusionment of the people can be effectuated with the states' veto. It is a good deterrent. It is a good check and, again, it would be rarely used but, nevertheless, it does give us that tool. And I think it will help. The people get back in control of their government and at the state and the local level. And so I think this is the sort of freedom the framers envisioned, and I think it's up to us, up to us to be the framers of our Constitution and our freedoms for the next two centuries, not just for us but for our children and our grandchildren.

So, I look forward to working with you all

on this. There are a lot of questions and details to be worked out, but I think it's a concept that I think that we have to strike now. To just think that it's just great for these next two years because of the new views up in Congress, I think we might miss it. And it's, again, not a partisan issue, but I'm glad they have those views now in Congress. But the point is, is we need to strike now. And I also think it needs to be part of the debates next year for the presidency as to what are you going to do. What are you prepared to do to make sure that these freedoms and these liberties for the people in our states and communities are preserved. And I think that this is a worthy thing and look forward to working with each and every one of you to see if we can fashion this, complement the states' veto to the states' initiative which the Governors' Association has already endorsed. Thank you, Mr. Chairman.

GOVERNOR THOMPSON: Thank you very much, Governor Allen, and Governors Leavitt and Nelson for your effort on this. Since there is not a motion, it was just discussion, we won't

take any further action on this unless there's anybody on the Executive Committee that would like to further elaborate or discuss it. I hear none, so I'm going to turn to Ray Scheppach now. We've got to approve our budget. It's on Tab E, Page 1, and Ray Scheppach will quickly go over it and then we'll ask for a motion.

MR. SCHEPPACH: Now, this is essentially just an update. As of May 31st we were still operating with a surplus of about \$460,000. Most of that was timing differences. We've got some more recent information. The end of our fiscal year is the end of June, and it looks like we will have a slight surplus of around \$15,000 to \$20,000 for the year. So, it looks like we have, in fact, ended up in the black for that period.

The second issue is that there are about five grants and contracts listed.

GOVERNOR THOMPSON: Let's take a motion on this one first, Ray. Governor Whitman, could you make a motion on the approval of the budget? We have a surplus of \$463,000 as of right now.

GOVERNOR WHITMAN: I move approval.

GOVERNOR THOMPSON: Move. Governor Voinovich, will you second it?

GOVERNOR VOINOVICH: Second.

GOVERNOR THOMPSON: Second. Any further discussion, Executive Committee, on the approval of the budget? Hearing none, all those in favor signify by saying aye.

(Aye)

GOVERNOR THOMPSON: Opposed signify by saying nay. Ayes have it. Motion carries. Ray?

MR. SCHEPPACH: Okay. The second issue is on the same tab, E, Pages 7 through 11. There are five grants and contracts that need to be approved. A number of these have to do with Children for Governor Dean, some in the environmental area and then some in the education area. We will need a motion to approve those grants and contracts.

GOVERNOR THOMPSON: Motion? Governor Voinovich, have you had a chance to look over these?

GOVERNOR VOINOVICH: I move to approve them.

GOVERNOR THOMPSON: Governor Voinovich moves approval. Governor Whitman seconds it. Any further discussion? Hearing none, all those in favor of approving the grants as outlined on Pages 7 through 12 signify by saying aye.

(Aye)

GOVERNOR THOMPSON: Opposed signify by saying nay. Ayes have it. Motion carries.

The final thing to come before our Executive Committee is the operations review, and I'm glad there's still some Governors around. Peat Marwick is in Room 154, and I keep asking them and we still don't have that many Governors going in. And Governor Branstad and Governor Fordice, and Governor Voinovich and Governor Whitman, could you get in and, Governor Rowland, would you please go in and give them an interview on what you think of the NGA? And the rest of you. I believe you've been in, Roy.

GOVERNOR ROMER: I will be.

GOVERNOR THOMPSON: Okay. We are going to have a report that I will be sending out to all of the members of the NGA and would appreciate

your comments. Those reports will be sent to you sometime during the month of October. Then we will be making some recommendations to the full plenary session in February on changes in NGA. So, I would hope that you would avail yourself of the opportunity to give your opinions to Peat Marwick this morning or this afternoon. Yes, Governor Voinovich.

GOVERNOR VOINOVICH: Mr. Chairman, one of the things that I think that I noticed from the material that you sent out to us that I reviewed, and I thought it was a good presentation of what the priorities were last time and the proposed priorities this time, I was kind of surprised that only 60 percent of the Governors responded to that. And I would suggest that those that haven't should respond. And we ought to send that out to those people so that that information can be available to Peat Marwick and Mitchell. I'd like to congratulate you on requesting that because I think it's good for an organization to periodically look at itself and find out what its membership really wants from the organization, and I think that out of that will

come a blueprint for a new direction perhaps for this organization.

GOVERNOR THOMPSON: Thank you, George. You make a very valid suggestion, and I think we should. I believe we can still do that in the month of August. Thank you, George.

Anything else to come in front of the Executive Committee before we adjourn? Motion to adjourn is in order. Roy?

GOVERNOR ROMER: I move we adjourn.

GOVERNOR THOMPSON: Governor Romer has moved we adjourn, and a second by Governor Whitman. Any further discussion? Hearing none, all those in favor signify by saying aye.

(Aye)

GOVERNOR THOMPSON: We are adjourned.

CERTIFICATE

I, Lisa M. Hallstrom, Court Reporter and Notary Public, certify that the foregoing pages 3 - 52, inclusive, comprise a full, true and correct transcript taken from my stenographic notes taken in the Plenary Session/Executive Committee Meeting taken before me as Notary Public on Monday, July 31, 1995, 9:30 a.m., at the Sheraton Burlington Hotel & Conference Center, Burlington, Vermont.

Lisa M. Hallstrom

My commission expires February 10, 1999.

COPY

NATIONAL GOVERNORS' ASSOCIATION

87TH ANNUAL MEETING

JULY 30, 1995 - AUGUST 1, 1995

BURLINGTON, VERMONT

SPECIAL PLENARY SESSION

MONDAY, JULY 31, 1995

2:00 P.M.

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INDEX

	PAGE
Howard Dean, M.D., Governor, Vermont, Chair,	3
Introduction	
Bill Clinton, President of the United States	5

Ladies and gentlemen, the President of the United States, accompanied by National Governors' Association Chairman, Governor Howard Dean; and Vice Chairman, Governor Tommy Thompson.

GOVERNOR DEAN: Before I formally introduce the President, I want to present him with a book which was given to me by a Vermonter who found this in an antique book shop in Lyndonville, Vermont. And what it was doing there I do not know. It is the minutes of the conference of the Governors' May 13th to 14th under the presidency of Theodore Roosevelt, the first Governors' conference in 1908 and, as I say, what it was doing in Lyndonville I do not know, Mr. President, but I will tell you that I have read this. Of course, when the guy called me up and told me he wanted to give it to you, I tried to see if he could give it to me instead. I have read this and I can tell you that no matter how long winded we are, my colleagues, it does not compare to what is found in this. The proceedings here run 439 pages, and I know if the President was the Chairman of this

organization, I'd venture under his Chairmanship it would not have been 439 pages either. So, let me present this to you, Mr. President, before our formal introduction.

(Applause)

The President was fortunate enough to meet the man who found that book at the airport this morning. President Clinton has been with us many times before. A former colleague, he has stood tall for a partnership between the states and the federal government on behalf of all Americans. As President he has repeatedly sought our advice and counsel. He has personally led the fight on issues that mean a great deal to us. By far the most important issue in federalism is sustained national economic growth. The nation is on a path of sustained economic recovery, Mr. President, and for that we are extremely grateful for your leadership, and we thank you.

The President has been on our side on Education Goals 2000; emergency disaster assistance; Welfare and health care waivers, which he has granted more of than any President; mandate relief; paperwork reduction;

Welfare reform; regulatory relief; and most importantly to me is the theme of this conference, he has made sure that in all these things we take care of children as we change the social systems of America.

You're a good friend of state government, Mr. President, and the Governors in particular. We deeply appreciate your leadership and your cooperation. The Governors look forward to continuing our work together over the coming months on state/federal agendas, Welfare reform, Medicaid, the budget.

Mr. President, I'm very, very proud to have you in Vermont.

(Applause)

PRESIDENT CLINTON: Thank you very much, Governor Dean, and thank you for the gift of those proceedings. I discovered two things looking through that book very quickly which will be interesting, perhaps, to some of you. And one is that the first Governors' conference -- there's one thing I knew and one I didn't. The first Governors' conference was called by President Theodore Roosevelt to bring all the Governors together to develop a plan to

conserve our nation's resources. It was an environmental Governors' conference. The second thing was that they really set the tone of bipartisanship which has endured through all these years. Something I didn't know, I saw that the two special guests at the Governors' conference were William Jennings Bryan and Andrew Carnegie, so they were expanding the waterfront even then.

I've really looked forward to this, but I kind of got my feelings hurt. I understand Senator Dole came here and told you my cholesterol was higher than his. I came to Vermont determined to get my cholesterol down with lowfat Ben and Jerry's Cherry Garcia. I do want you to know that my standing heart rate, however, pulse rate, is much lower than Senator Dole's, but that's really not his fault. I don't have to deal with Phil Gramm every day.

(Applause)

I think on matters of health, age and political anxiety we have come to a draw. I thank you very much for having me here. I love looking around the table and seeing old friends

and new faces, and I thank Governor Dean for his leadership of the Governors' conference and, Governor Thompson, I wish you well and I thank you for the work that we have done together over so many years. I thank all the state officials from Vermont who came out to the airport to say hello, and the Mayor here in Burlington, I know that your former Governor, Madeleine Kunin, is here, the Deputy Secretary of Education. She has done a very great job for us, and I thank her for that.

I want to talk to you today primarily about Welfare reform, but I'd like to put it in the context of the other things that we are attempting to do in Washington. I see Senator Leahy and Congressman Sanders back there. Senator Jeffords may be here. I think I'm taking him back to Washington in a couple of hours. I ran for President because I was genuinely concerned about whether our country was ready for the 21st Century because of the slow rate of job growth, 20 years of stagnant incomes, 30 years of social problems. I knew that we were still better than any other country in the world in so many things, but we

seem to be coming apart when clearly we've always done better when we went forward together as a nation. I have this vision of what our country will look like 20, or 30 or 40 years from now. I want America to be a high opportunity, smart-work country; not a hard work, low-wage country. I want America to be a country with strong families and strong communities where people have the ability to make the most of their own lives, and families and communities have the ability to solve their own problems; where we have good schools, and a clean environment, and decent health care and safe streets.

I think the strategy to achieve that is clear. We have to create more opportunity and demand more responsibility from our people, and we have to do it together. I have concluded, having worked at this job now for two and a half years, that we cannot achieve the specific strategies of creating opportunity or providing for more responsibility unless we find a way to do more together.

In the last two and a half years, as Governor Dean said, I have spent most of my

time working on trying to make sure we had a sound economic policy; to bring the deficit down; and increase trade and investment in technology, and research, and development and education; to open up new educational opportunities; and to work with you to achieve standards of excellence with less direction from the national government.

We also have tried to put some more specific responsibilities into the programs that benefit the American people. That's what the National Service Program was all about. We'll help you go to college but you need to serve your country at the grass-roots level. We reformed the college loan program to cut the costs and make the repayment terms better, but we toughened dramatically the collection of delinquent college loans so that the taxpayers wouldn't be out more money. We passed a family leave law, but we've also tried to strengthen child support enforcement, as so many of you have.

I want to help people on Welfare, but I also want to reward people who, on their own, are off of Welfare, on modest incomes, which is

why we have dramatically expanded the earned income tax credit, the program that President Reagan said was the most pro-family, pro-work initiative undertaken by the United States in the last generation. Now, this year families with children with incomes of under \$28,000 will pay about \$1300 less in income tax than they would have if the laws hadn't been changed in 1993.

We also tried to change the way the government works. It's smaller than it used to be. There are 150,000 fewer people working for the federal government than there were the day I became President. We have dramatically reduced government regulations in many areas. We're on the way to reducing the regulatory burden of the Department of Education by 40 percent, with the Small Business Administration by 50 percent. We are reducing this year the time it takes to comply with the EPA rules and regulations by 25 percent, and establishing a program in which anybody, any small business person who calls the EPA and honestly asks for help in dealing with a problem, cannot be fined as a result of any discovery arising from the

phone call while the person is trying to meet the requirements of federal law.

We have also tried to solve problems that have been ignored. We reformed the pension system in the country to save 8.5 million troubled pensions and stabilized 40 million more. Secretary Cisneros has formed an unbelievable partnership to expand home ownership with no new tax dollars, which will get us by the end of this decade more than two-thirds of Americans in their own homes for the first time in the history of the republic.

The results of all this are overwhelmingly positive but still somewhat troubling. On the economic front we have 7 million more jobs; 1.5 million more small businesses, the largest rate of small business formation in history, 2.4 million new homeowners; record stock markets; low inflation; record profits; and yet -- and a record number of new millionaires, which is something to be proud of in this country, people who work their way into becoming millionaires. They didn't inherit the money. But still, the median income is about where it was two and a half years ago, which means most

wage-earning Americans are still working harder for the same or lower wages. And the level of anxiety is quite high.

On the social front you see the same things, the number of people on food stamps is down, the number of people on Welfare is down, the divorce rate is down, the crime rate is down in almost every major metropolitan area in the country, the rate of serious drug use is down, but the rate of random violence among very young people is up. The continuing gnawing sense of insecurity is up, the rate of casual marijuana smoking among very young people is up, even as serious drug use goes down.

So, what we have is a sense in America that we're kind of drifting apart, and this future that I visualize that I think all of you share is being rapidly embraced by tens of millions of Americans and achieved with stunning success, but we are still being held back in fulfilling our real destiny as a country because so many people are kind of shut off from that American dream.

I am convinced that the American people

want us to go forward together. I'm convinced that there really is a common ground out there on most of these issues that seem so divisive when we read about them in the newspaper or see them on the evening news. I think if just ordinary Americans could get in a room like this and sit around a table, two-thirds of them or more would come to the same answer on most of these questions.

And I believe that we cannot bring the country together and move the country forward unless we deal with some issues that we still haven't faced. I've tried to find a way to talk about really controversial issues in a way that would promote a discussion instead of another word combat. I've given talks in the last few days about family and media, about affirmative action, about the relationship of religion and prayer to schools in the hope that we can have genuine conversations about these things. But I am convinced that almost more than any other issue in American life, this Welfare issue sort of stands as a symbol of what divides us because most Americans know that there are people who are trapped in a

cycle of dependency that takes their tax dollars but doesn't achieve the goals designed that they have, which is to have people on Welfare become successful parents and successful workers, and to have parents who can pay, pay for their children so the taxpayers don't have to do it. I am convinced that unless we do this and until we do it, there will still be a sort of wedge that will be very hard to get out of the spirit in the life of America.

There is here, maybe more than on any other issue that we're dealing with that's controversial, a huge common ground in America. Maybe not in Washington yet, but out in the country there is a common ground. Not so very long ago there were liberals who opposed requiring all people on Welfare to go to work, but now almost nobody does and as far as I know, every Democrat in both houses of Congress is signed onto one version of a bill or another that would do exactly that.

Not so long ago there were conservatives who thought the government shouldn't spend money on child care to give Welfare mothers a

chance to go to work, but now nearly everybody recognizes that the single most significant failure of the Welfare Reform Act of '88, which I worked very hard on and which I missed, was that when we decided we couldn't fund at all, we should have put more money into child care even if it meant less money in job training because there were states that had programs for that. And that you can't expect someone to leave their children and go to work if they have to worry about the safety of the children or if they'll actually fall behind economically for doing it because they don't have child care. We now have a broad consensus on that.

When Governor Thompson, and Governor Dean and others came to the White House the Welfare Reform Conference in January, I was very moved at the broad consensus that while we needed more state flexibility in one area, we had to have more national action, and that was on standards for child support enforcement for the simple reason that over a third of all delinquent child support cases are multi-state cases, and there was no practical way to resolve that in the absence of having some

national standards. If everybody who could pay their child support and who's under an order to do it did it, we could lift 800,000 people off the Welfare rolls tomorrow. That is still our greatest short-term opportunity, and we all need to do what we can to seize it.

There's also a pretty good consensus on what we shouldn't do. I think most Americans believe that while we should promote work and we should fight premature and certainly fight out-of-wedlock pregnancy, it is a mistake to deny people benefits, children benefits because their parents are under age and unmarried, just for example, and I think most Americans are concerned that the long-term trend in America that's now about ten years long toward dramatic decline in the abortion rate might turn around and go up again, at least among some classes of people, if we pass that kind of rule everywhere in the country.

So, I think there is a common ground to be had on Welfare reform. I proposed a Welfare Reform Bill in 1994 which I thought achieved the objectives we all needed. I thought it would do what the states need to do. I thought

it would set up time limits; it would have requirements for responsible behavior for young people, requiring them to stay at home and stay in school; it would have supported the efforts of states through greater investments in child care and would have given much greater flexibility. It didn't pass.

In the State of the Union this year I asked the new Congress to join me in passing a Welfare Reform Bill. Still hasn't passed because, unfortunately, in 1995 there have been ideological and political in-fights that have stalled progress on Welfare reform and it prevented the majority, particularly in the Senate, from taking a position on it.

Some of the people on the extreme right wing of the Republican majority have held this issue hostage because they want to force the states to implement requirements that would deny benefits to young unmarried mothers and their children. But I believe it's better to require young people to stay at home, stay in school and turn their lives around because the objective is to make good workers, good parents, good citizens and successful children.

That's what we're all trying to do. So, I'm against giving the states more mandates and less money, whether the mandates come from the right or the left. I'm also opposed to the efforts in Congress now to cut child care because I say again, the biggest mistake we made in the Welfare Reform Act of '88 was not doing more in child care. We would have had far greater success if we invested more money then in child care for people on Welfare.

Now, I believe that it would be a mistake if we cut child care and do all this other stuff, we could have more latchkey children, we could have more neglected children. And there are all kind of new studies coming out again saying that the worst thing in the world we can do is not to take the first four years of a child's life and make sure that those years are spent in personal contact with caring adults, where children can develop the kind of capacities they need. So, this is a very big issue if your objective for Welfare reform is independence work, good parenting and successful children.

Now, you know I believe all of this.

That's why we've worked so hard to grant all these waivers, more in two and a half years than the past 12 years combined, but I also have to tell you that I'm opposed to Welfare reform that is really just a mask for congressional budget cutting which would send you a check with no incentives or requirements on states to maintain your own funding support for poor children, and child care and work. And I do believe honestly that there is a danger that some states will get involved in the race to the bottom, but not as some has implied because I don't have confidence in you, not because I think you want to do that, not because I think you would do it in any way if you could avoid it, but because I have been a Governor for 12 years in all different kinds of times, and I know what kind of decisions you are about to face if the range of alternatives I see coming toward you develop.

I know with the big cuts now being talked about in Congress in Medicaid, in other health and human services area, in education and the environment, that you will have a lot of pressure in the first legislative session after

this budget comes down, and I know that somewhere down the road in the next few years we'll have another recession again, and it's all right to have a fund set aside for the high-gross states, I like that, that's a good idea, but what happens when we're not all growing like we are now and we were last year? What happens the next time a recession comes down? How will you deal with the interplay in your own legislature? If you just get a block grant for Welfare with no requirement to do anything on your own and the people representing the good folks in nursing homes show up, and the people representing the teachers show up, and the people representing the colleges and universities show up, and the people representing the cities and counties who have lost money they used to get for environmental investments show up, I don't know what your experience is, but my experience is that the poor children's lobby is a poor match for most of those forces in most state legislatures in the country, not because anybody wants to do the wrong thing but because those people are deserving, too, and they will

have a very strong case to make. They will have a very strong case to make.

So, I believe we ought to have a continuing partnership, not for the federal government to tell you how to do Welfare reform but because any money we wind up saving through today's neglect will cost us a ton more in tomorrow's consequences. And this partnership permits you to say, at least as a first line of defense, we must do this for the poor children of our state.

I also believe there is a better way to deal with this, and I'd like to say today I come to you with essentially two messages, one of what I hope we will all do in Congress and one that we can do without regard to Congress.

First, we do need to pass a Welfare Reform Bill that demands work and responsibilities and gives you the tools you need to succeed: Tough child support enforcement, time limits in work requirements, child care, requiring young mothers to live at home and stay in school and greater state flexibility.

The work plan proposed by Senators Daschle, Breaux and Mikulski ends the current

Welfare system as we know it and replaces it with a work base system. I will say again the biggest shortcoming I believe of the bill that I help write, the Family Support Act of 1988 on your behalf or your predecessors, was that we did not do enough in the child care area.

The Work First Bill gives states the resources to provide child care for people who go to work and stay there. It rewards states for moving people from Welfare to work, not simply for cutting people off Welfare rolls. It is in that sense real Welfare reform. I think a lot of you think it has too many prescriptions, and I want to give you the maximum amount of flexibility, but it certainly is a good place to start to work on bipartisan efforts to solve this problem. And I will say again, to get the job done, we've got to have a bipartisan effort to do it.

I want to compliment Senator Dole for what he said here today. I made a personal plea to Senator Dole not very long ago to try to find a way to make a break from those who were trying to hold the Republican conference and Senate hostage on this Welfare reform issue so that we

could work together, and today, if I understand his remarks and I've read the best account of them I can, he proposed getting rid of ideological strings in requirements on states, and giving states more say in their programs. And that is a very good start for us to work together. Some of you may agree with him instead of me on that, but as I understand it, he also proposes a flat block grant with no requirement for states maintaining their present level of effort or no maintenance of effort requirement of any kind. As I said, maybe it's just because I have been a Governor, I think this is a very bad idea. I don't think we should do this because this program, after all, is called Aid to Families with Dependent Children, not aid to states with terrible budget problems created by Congress.

(Applause)

But while we have differences, Senator Dole's speech today, given what's been going on up there, offers real hope that the Congress can go beyond partisan and ideological bickering and pass a strong bipartisan Welfare reform bill. The American people have waited

for it long enough. We ought to do it. I am ready to go to work on it, and I consider this a very positive opening step.

I hope, again I would say, that you will consider the great strengths of the Daschle-Breaux-Mikulski Bill, which I also believe is a very positive opening step and shows you where the entire Democratic caucus in the Senate is. They presently all support that.

My second message to you is we don't have to wait for Congress to go a long way toward ending Welfare as we know it. We can build on what we've already done. Already you are and we are collecting child support at record levels.

Earlier this year I signed an executive order to crack down on federal employee delinquency in child support and it is beginning to be felt. Already in the last two and a half years our administration has approved waivers for 29 states to reform Welfare your way.

The first experiment we approved was for Governor Dean to make it clear that Welfare in

Vermont would become a second chance, not a way of life. Governor Thompson's aggressive efforts in Wisconsin, which have been widely noted, send the same strong message.

Now, we can and we should do more, and we shouldn't just wait around for the congressional process to work its way through. We can do more based on what states already know will work to promote work and to protect children. Therefore, today I am directing the Secretary of Health and Human Services to approve reforms for any state on a fast track that incorporate one or more of the following five strategies.

First, requiring people on Welfare to work and providing adequate child care to permit them to do it. Delaware recently got an approval to do this, so have several other states, why not all 50?

Second, limiting Welfare to a set number of years and cutting people off if they turn down jobs. Florida got approval to limit Welfare, provided jobs for those who can't find one and cut off those who refused to work. So did 14 other states, why not all 50?

Third, requiring fathers to pay child support or go to work to pay off what they owe. Michigan got approval to do this, so did 13 other states. Taxpayers should not pay what fathers owe and can pay. Why not all 50 states?

Fourth, requiring under age mothers to live at home and stay in school. Teen motherhood should not lead to premature independence unless the home is a destructive and dangerous environment. The baby should not bring the right and the money to leave school, stop working, set up a new household and lengthen the period of dependence instead of shortening it. Vermont got approval to stop doing this, so did five other states, why not all 50?

And, finally, permitting states to pay the cash value of Welfare and food stamps to private employers as wage subsidies when they hire people to leave Welfare and go to work. Oregon just got approval to do this, so did Ohio and Mississippi, Arizona and Virginia can do it as well. Why not all 50 states? This so-called privatizing of Welfare reform helps

businesses to create jobs, saves taxpayers money, moves people from Welfare to work and recognizes that in the real world of this deficit we're not going to be able to have a lot of public service jobs to people who can't go to work when their time limits run out. I think this has real promise.

So, I say to you today, if you pass laws like these or come up with plans like these that require people on Welfare to work, that cut off benefits after a time certain for those who won't work, that make teen mothers stay at home and stay in school, that make parents pay child support or go to work to earn the money to do it, or that use Welfare benefits as a wage supplement for private employers who give jobs to people on Welfare, if you do that, you sign them, you send them to me and we will approve them within 30 days. Then we will have real Welfare reform even as Congress considers it.

(Applause)

To further support your actions, I am directing the Office of Management and Budget to approve a change in federal regulations so

that states can impose tougher sanctions on people who refuse to work. Right now when a state reduces someone's Welfare check for failing to hold up their end of the bargain, the person's food stamp benefit goes up, so it turns out not to be much of a sanction. We're going to change that. If your Welfare check goes down for refusal to work, your food stamp payment won't go up any more.

Finally, as another down payment on our commitment to our partnership with you on Welfare reform, today our administration has reached agreement on Welfare reform experiments for West Virginia, Utah, Texas and California. Massachusetts has a sweeping proposal on which agreement has been reached on every issue but one. As I understand it, we're getting much closer there. The West Virginia proposal helps two-parent families go to work. Utah provides greater work incentives, but tougher sanctions for those who turn down work. California has adopted the New Jersey system of the family cap. Texas has a very interesting proposal to require parents on Welfare to prove that their children have been immunized to continue to

draw the benefits, and I would say just in response to this, this will now obviously bring us to 32 states and I think soon to be 33 states with these kinds of experiments.

We also are announcing food stamp experiments today as applied for by Delaware and Virginia. All of these are designed to promote work and responsibility without being stifled by Washington's one size fits all rules, but I think we need to accelerate this process. I don't like the so-called, "Mother, may I" aspect of the waiver system either. That's why I say, if you act in these five areas under the law you have to file an application for an experiment, but it will be approved within 30 days.

And I want to identify other areas like this. This Texas immunization idea is very important. We have lower immunization rates than any advanced country in the world. We are moving hard at the national level to make sure that the vaccines are affordable. Texas was the first state to use national service workers, AmeriCorps volunteers, in the summer of '93 to immunize over 100,000 children and

since then they've immunized another 50,000, but if you were to require it of people on public assistance, it would have a big impact on getting those numbers up, I believe.

So, as we begin to get more information about this and other things, we will be issuing other reforms that if you just ask for them, we'll say yes within 30 days. This is very important.

Now, let me be clear. Congress still does need to pass national legislation. Why? Because I don't think you ought to have to file for permission every time you do something that we already know has worked and that other states are doing because we do need national child support standards, time limits, work requirements and protections for children, and we do need more national support for child care.

I hope these efforts that I'm announcing today will spur the Congress to act, but we don't have to wait for them, and we shouldn't. We can do much more. If every state did the five things that I mentioned here today, every state, we would change Welfare fundamentally

and for the better, and we ought to begin it and we shouldn't wait for Congress to pass a law. There is common ground on Welfare. We want something that's good for children, that's good for the Welfare recipients, that's good for the taxpayers and that's good for America. We have got to grow the middle class and shrink the under class in this country. We cannot permit this country to split apart. We cannot permit these income trends which are developing to continue. We have to change it. You will not recognize this country in another generation if we have 50 years instead of 20 years in which half of the middle class never gets a raise and most of the poor people are young folks and their little kids. We have to change it, and we can do it, but we have to remember what we're trying to do. We're trying to make the people on Welfare really successful as workers and parents, and most important, we're trying to make sure this new generation of children does better.

A few months ago I was down in Dallas visiting one of our AmeriCorps projects and I saw two pictures that illustrate why I think

this issue is so important. One, I was walking with a young woman who was my tour guide on this project. She was a teen mother, had a child out of wedlock, thought she had done the wrong thing, went back and got her GED, and was in the AmeriCorps Program because she wanted to work in this poor community to help them and earn money to go to college. But the second person I met was the real reason we ought to be working for Welfare reform. I met a young woman who was very well spoken, she told me she had just graduated from a university in the southeast, but she was working on this anyway even though she really didn't have to go on to college anymore. And I said, "Why are you doing this?" She said, "Because I was born into a family of a Welfare mother, but I had a chance to get a good education. I got a college degree and I want these young people to come out like I did." Now, that's the kind of citizen we want in this country. Those are the kind of people that will turn these disturbing trends around. Those are the kind of people that will enable us to come together and go forward into the future. We owe them that and

we can do it. You and I can do it now,
Congress can do it this year, and every one of
us ought to do our part.

Thank you, and God bless you.

(Applause)

CERTIFICATE

I, Cindy B. Hall, Court Reporter and Notary Public, certify that the foregoing pages 3 - 33, inclusive, comprise a full, true and correct transcript taken from my stenographic notes taken in the Special Plenary Session taken before me as Notary Public on Monday, July 31, 1995, 2:00 p.m., at the Sheraton Burlington Hotel & Conference Center, Burlington, Vermont.

Cindy B. Hall

My commission expires February 10, 1999.