

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

PLENARY SESSION AND
EXECUTIVE COMMITTEE

Washington, D. C.

SUNDAY, FEBRUARY 4, 1996

ACE - FEDERAL REPORTERS, INC.

Stenotype Reporters

1120 G Street, NW
Washington, D.C. 20005
(202) 347-3700

**NATIONWIDE COVERAGE
800-336-6646**

NATIONAL GOVERNORS' ASSOCIATION

* * *

WINTER MEETING

PLENARY SESSION AND

EXECUTIVE COMMITTEE

J.W. Marriott Hotel

1331 Pennsylvania Avenue , N.W.

Grand Ballroom

Washington, D. C.

Sunday, February 4, 1996

9:10 a.m.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 P R O C E E D I N G S

2 GOVERNOR THOMPSON: I'd like to have
3 everybody come in and be seated.

4 I'm certainly delighted with all of the
5 governors and their staffs and spouses who have made
6 this trip to Washington, D.C. I'd like to just say
7 good morning to the governors who are here so far,
8 the distinguished guests who are with us today, as
9 well as who will be with us throughout the
10 convention, and ladies and gentlemen.

11 And I also certainly would like, on behalf
12 of all the governors, to welcome our newest member,
13 Governor Paul Patton of Kentucky, who was with us
14 yesterday.

15 We had a chance in the Governors Only
16 session to welcome him. But he's here. Paul,
17 congratulations. Thank you very much.

18 (Applause.)

19 GOVERNOR THOMPSON: I would now like to
20 call to order the 1996 Winter Meeting of the National
21 Governors Association. And I would like to call upon
22 the Vice Chairman, Bob Miller, for a motion for the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 adoption of the rules of procedure for the meeting.

2 GOVERNOR MILLER: I move to so adopt the
3 rules of procedure for the meeting.

4 GOVERNOR THOMPSON: Is there a second?

5 GOVERNOR SCHAFER: Second.

6 GOVERNOR THOMPSON: Seconded by Governor
7 Schafer.

8 All in favor of that motion, signify by
9 saying aye.

10 (Chorus of ayes.)

11 GOVERNOR THOMPSON: Opposed, no?

12 (No response.)

13 GOVERNOR THOMPSON: The ayes have it; the
14 motion is granted.

15 Part of the rules that we have just
16 adopted require that any governor who desires to
17 submit a new policy or resolution for adoption at
18 this meeting, we'll need a three-fourths vote to
19 suspend the rules. And those proposals have got to
20 be submitted to Jim Martin by 5:00 o'clock on Monday
21 afternoon.

22 Is Jim here? Jim is right over here.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Just so everybody understands the
2 procedure, for the edification of every member here,
3 policy by the National Governors organization
4 requires a two-thirds vote, if in fact you have
5 received the policy 15 days before the commencement
6 of a national meeting.

7 So, every policy that is adopted by the
8 NGA requires a two-thirds vote. That requires
9 bipartisanship. If there's any policy that is
10 submitted within the 15-day period, or at the
11 convention, it has to be submitted by 5:00 o'clock on
12 the day before we vote, which is the final day of the
13 plenary session, which will be Tuesday. And that
14 requires a three-quarters vote.

15 So those are just two simple rules that
16 everybody can understand. And that is how we have
17 operated for years.

18 I would like to start out this morning by
19 just giving a little bit of an overview of the next
20 several days, to give you an idea of what I hope to
21 accomplish. Every American supports a strong, robust
22 economy with our new job opportunities, and access to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 education and health care. A better economy means a
2 higher standard of living for all Americans.

3 But there are some very tough issues
4 facing us today, such as the budget deficit that
5 looms over public debate. We know we must make some
6 fundamental changes, but we are faced with some tough
7 choices. We no longer have the luxury of the status
8 quo.

9 But as I personally look around this room
10 today, I see tremendous potential -- men and women of
11 vision, of commitment, and of keen determination to
12 face those tough choices.

13 As leaders of state government, we know
14 the realities of, not only the federal government,
15 but all levels of government are in a period of long-
16 term fiscal constraint. Budget battles are fought,
17 not only in Washington, but in every statehouse,
18 county courthouse, and city hall of America.

19 Tough choices are being made every day.
20 The states are making those tough choices, and making
21 them work in your individual states.

22 What does this fiscal constraint mean for

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 government programs, Washington, as well as our own?

2 It means major reforms in programs that are not

3 working, endless welfare dependency, four-score of

4 federal education programs, and 50 state educational

5 programs that come up short on performance in a new

6 competitive world.

7 Over 163 government job training programs

8 without measurable results, and a Medicaid program

9 that continues to grow at double the rate of the

10 economy, with the expectation that it will eventually

11 absorb 25 percent of state budgets by the turn of the

12 century.

13 And most state budgets right now have 20

14 percent of their budgets allocated to Medicaid, and

15 Governor Voinovich is even higher.

16 It means eliminating regulations that

17 interfere with economic growth and consumer choice,

18 regulations that go beyond the law and stifle state

19 and local innovation and problem-solving, laws and

20 regulations that are never reviewed for their cost-

21 effectiveness, and laws and regulations where

22 benefits don't exceed their costs.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Tough choices mean that we must all have a
2 true commitment to government, a government that
3 serves all the people.

4 Governments at every level must test what
5 they do against how well they serve their people.
6 They can no longer just look at themselves and the
7 special interest groups that support the status quo
8 in government.

9 This meeting has two main goals. First,
10 can we come together as governors in a bipartisan
11 way? And of course in this city that has not been
12 the way for quite some time. But hopefully, we will
13 be able to show the way as governors in a bipartisan
14 way, to help solve the partisan differences in
15 Washington, particularly on Medicaid, welfare reform,
16 and job training.

17 Second, can we learn from each other on
18 how to develop the most effective programs, so that
19 we can become stronger leaders in our states? That
20 to me probably is just as important as the first one.

21 Let me stress that it is my intent as
22 chairman to reach across the aisle to our democratic

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 governors to help resolve differences in domestic
2 policy. We have a lot more common ground than
3 differences. I have, and will continue to work with
4 my Vice Chairman Bob Miller, who has been a delight
5 to work with on all issues; and with Roy Romer on
6 Medicaid and Tom Carper on welfare.

7 We need to be a calming and stabilizing
8 influence here in Washington, D.C. I don't think we
9 can wait as governors two or three more years to
10 restructure Medicaid, employment, and training, and
11 welfare programs. We need flexibility to run more
12 effective programs tailored to our individual states.

13 We all know that if Congress and the
14 President do not reach an agreement on Medicaid,
15 employment and training and welfare, it's going to
16 place tremendous pressure on us as governors, and on
17 our individual budgets.

18 And why do I say three years? If they do
19 not resolve these differences this year, we will be
20 going through an election. And after the election,
21 it will either be President Clinton, or a Republican
22 president. And then there will have to be the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 submission of a federal budget, which all of us know
2 will take at least nine months to complete.

3 And then we at the state level will have
4 to take those budgets up and pass them at the state
5 level, which will require about three years before we
6 will be able to implement changes in Medicaid,
7 welfare, and employment and training. That's why
8 it's so important, I believe, as governor, and
9 chairman of this organization, to come together this
10 weekend, resolve our differences, and be able to
11 develop policy in these three very important, crucial
12 areas.

13 NGA is a strong, bipartisan organization,
14 and it is critical that we work together effectively
15 over the next three days to solve problems. We
16 administer almost all domestic programs, and our
17 citizens are demanding change.

18 This meeting is about better ideas that
19 make a government serve people a lot better. This
20 meeting is about a new level of trust between the
21 federal government and states for better performance
22 at every level of government. It means true

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 partnerships, major program reforms, and tough
2 standards for regulations. It means making tough
3 choices.

4 As governors, we can't wait for another
5 election to make those tough choices. We're going to
6 have to make them now, and we're going to have to
7 make a lot more in 1996. We challenge the federal
8 government to join us as governors and state leaders
9 as full partners in these tough choices in times of
10 fiscal constraint.

11 I now would like to convene a meeting of
12 the NGA Executive Committee. All governors are
13 welcome to participate, but only members of the
14 executive committee will be able to vote.

15 I would hope that all of you would stay,
16 because we're going to take up policy on welfare, on
17 employment and training, on the Farm Bill. Governor
18 Voinovich has an issue on major league sports, which
19 he is very interested in, and a lot of other
20 interesting topics.

21 And after we get through the executive
22 committee, we will be receiving some testimony from

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 former Congressman and Secretary of HUD Jack Kemp,
2 and Senator Brian Dorgan from North Dakota.

3 I would like to at this time ask for a
4 motion and second to approve the minutes of the
5 October 22, 1995 executive committee.

6 VOICES: So moved.

7 GOVERNOR THOMPSON: Moved by Bob Miller,
8 seconded by George Voinovich.

9 All in favor of approval of the minutes,
10 say aye.

11 (Chorus of ayes.)

12 GOVERNOR THOMPSON: Opposed?

13 (No response.)

14 GOVERNOR THOMPSON: The ayes have it.

15 I would like to quickly bring you up to
16 date on the education summit, and to tell you, Lou
17 Gerstner will be here on Tuesday morning before
18 Senator Bob Dole and President Clinton to once again
19 ask all of you, as I am sure you're going to receive
20 pressure from Bob Miller and Jim Hunt and Roy Romer
21 and Terry Branstad and John Engler and George
22 Voinovich and myself, to attend on March 26 and 27th.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 This meeting is really receiving a great
2 deal of national support. A recent CNN/USA
3 Today/Gallup poll showed that, for the first time
4 since President Bush empaneled us in Charlottesville,
5 that education now is the top concern for Americans,
6 even above crime.

7 I believe it's a real indicator that the
8 time is right right now for us to re-energize our
9 efforts to truly improve schools in our states. I'm
10 pleased to say that today most governors have already
11 committed to attend the summit, and have designed a
12 CEO to participate with them.

13 The purpose of this summit is to jump-
14 start the use of standards, either at the state or
15 local level, to truly improve educational
16 performance, and to promote the use of technologies
17 to help students meet these standards.

18 The Charlottesville summit set the
19 national educational goals. Now, the next summit
20 that we're going to be adding March 26 and 27 will be
21 setting the standards, and how we assess those
22 standards. In addition, we need to exploit new

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 technologies to boost student performance, and ensure
2 a competitive edge for the workforce.

3 I certainly want to thank Governors Bob
4 Miller, Terry Branstad, John Engler, Jim Hunt, and
5 Roy Romer, who are serving on the planning committee;
6 and George Voinovich, who has been very much
7 cooperating along with us.

8 We were also selected by Lou Gerstner's
9 six CEOs who met in Chicago to plan the upcoming
10 summit. We will be getting into the planning of that
11 at our Governors Only meeting at noon today.

12 But a copy of the agenda is going to be
13 included in your meeting materials, and I certainly
14 appreciate all of you cooperating, picking your CEO,
15 and certainly setting aside those two days in
16 Palisades, New York, because I believe it's going to
17 be a tremendous jump-start, as far as assessing and
18 setting up educational standards for high school
19 graduates in our country.

20 Now we would like to proceed to the
21 legislative updates. And the first one is on
22 welfare. Governor Engler and Governor Carper are not

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 here at this point, so we will go on to Medicaid.

2 And I would like to ask Governor Leavitt -- I do not
3 believe Governor Romer is here. If you would give us
4 an update, Mike, I would appreciate it.

5 GOVERNOR LEAVITT: Mr. Chairman, a group
6 of six governors, three Republican and three
7 Democrat, have spent much of the last several
8 months -- I think we have met on nine or 10 days for
9 full days. By full days, I'm speaking of 12, 14, 16-
10 hour days working to resolve this, and to bring
11 together our view.

12 We have made considerable progress. We
13 met again yesterday. We did brief the governors in
14 the Governors Only meeting, as to our progress.

15 The group believes it to be a very
16 important component in resolving the national budget
17 discussion. We're hopeful that during the course of
18 this meeting, we could come together in a bipartisan
19 proposal that can serve as the middle ground between
20 Congress and the White House with respect to this
21 issue, and the welfare issue, and could then open the
22 way for a balanced budget.

1 That concludes the report, Mr. Chairman.

2 GOVERNOR THOMPSON: Thank you so very
3 much, Governor Leavitt.

4 Any discussion of that subject at this
5 point in time?

6 We are going to go into a very exhaustive
7 discussion of Medicaid on Monday afternoon in the
8 Governors Only meeting. So hopefully we can leave
9 most of our comments for that meeting.

10 Governor Miller?

11 GOVERNOR MILLER: I just want to clarify
12 one element, which is in perception, not the reality
13 or the details of the Medicaid proposal. But I felt
14 it was unfortunate watching news coverage last night,
15 and again this morning, that some members of the
16 media characterized this effort as being a criticism
17 of, in one case the President, or in the other case
18 the Congress.

19 It is in my estimation, at least for the
20 six of us involved, and I think this larger group,
21 not a criticism of either side, but just a
22 recognition that as an independent body, we might be

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 able to offer a sensible solution that works for
2 everybody, and serves as an impetus upon which that
3 issue could potentially be resolved, and perhaps even
4 more.

5 So I say to our friends in the press that,
6 I think you need to listen carefully to what
7 governors are saying to you. Yes, we're all
8 frustrated with the inability of Washington, D.C., to
9 reach a resolution. But I don't think either side is
10 being isolated by any governor or any collective
11 group of governors as being responsible.

12 That's not our issue. Our issue is trying
13 to find a solution.

14 GOVERNOR THOMPSON: Thank you, Bob.

15 It's very tenuous. We have worked so many
16 hours, the six of us, to come this far. And we think
17 we're making a lot of progress. We're just hopeful
18 that we keep it, the details, to ourselves as much as
19 possible, and be able to go into the Governors Only
20 meetings tomorrow afternoon and hopefully complete
21 action on this. It's so important for all of us to
22 get that done.

1 With that, thank you very much, Mike, for
2 your report. Ben Nelson is on his way down to talk
3 about safe drinking water, which is also very
4 important for us to get passed.

5 I would like to now go to
6 telecommunications, and call upon Governor Tucker to
7 give us an update on it. Jim?

8 GOVERNOR TUCKER: Thank you, Mr. Chairman.

9 Congress this week adopted the first
10 rewrite of the Communications Act of 1934. And the
11 President will probably sign the bill this week.

12 Congress started this effort in earnest in
13 early 1993, and every year since then we've all been
14 waiting. The bill makes changes in economic growth,
15 consumer choice, and government laws and regulations.
16 NGA policy was focused on the need for federal
17 action, and NGA has worked hard in pushing for
18 congressional action that would begin the transition
19 period towards full competition.

20 We did not work for a perfect bill. We
21 just wanted a bill that would at least get
22 competition started and recognize legitimate state

1 interests.

2 There was terrific lobbying by phone
3 companies, cable companies, wireless services and
4 satellite services. The telecommunications
5 industries are active in all of our states. They
6 provide hundreds of thousands of existing jobs in our
7 states and the possibility of more jobs and increased
8 competition, and very importantly, new choices and
9 products for our people with the passage of this
10 legislation.

11 We did not want to get between the
12 competitive interests involved. But we did want
13 Congress to pass a bill and leave us the effective
14 role in moving towards competition. All in all, I
15 think the National Governors Association was very
16 successful. And I want to thank all of you who wrote
17 your delegations, trying to ensure an effective state
18 role.

19 Now, the bill itself is 280 pages long.
20 That in itself will slow the implementation of the
21 changes. Th Federal Communications Commission has
22 to issue over 80 regulations, many of which will have

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to be issued in the first six months. How the
2 regulations are written will determine how much
3 flexibility states really have, and how quickly
4 competition will be able to get started.

5 I do want to touch on a few of the
6 benefits of the bill, and a few issues which states
7 need to consider. The legislation will let most
8 telephone, cable, TV, and long distance companies
9 compete with each other.

10 Long distance companies will be able to
11 enter local phone service and cable TV or other video
12 services. Local phone companies will be able to
13 enter into long-distance and video services, as well
14 as manufacturing and information services, after they
15 take steps to open up competition in local phone
16 service.

17 Wireless services and direct broadcast
18 satellite companies can now enter new areas of
19 competition. The bill ensures that standards for
20 interconnection, unbundling, and centralized number
21 assignment will be established.

22 Those federal responsibilities are what

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the states need in order to open up local
2 competition. Together, these actions should
3 translate into greater opportunities for lower-cost
4 services for many consumers, and the chance for new
5 jobs. Also a chance for the United States of America
6 to continue to surge ahead in the area of new
7 technology and telecommunications, and the
8 development of new services and opportunities for our
9 people.

10 That's why NGA supported the legislation.

11 Finally, I want to mention that at the
12 state level, there are some steps which each governor
13 may want to consider at home. And some of these
14 should be included in our legislative packages as
15 soon as possible.

16 The first is to review our state statutes
17 and regulations for any provisions that effectively
18 block new competitors from providing competitive
19 services. The FCC does have the authority to preempt
20 these so-called barriers to entry. NGA supported
21 pre mption, but we did not ask for the FCC role.

22 A second task is to look at state laws

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 regarding local government taxing authority, and
2 authority over public rights-of-way. We need to give
3 our local governments flexibility to establish
4 policies that are competitively neutral for a wide
5 range of new potential competitors, many of them
6 using the public rights-of-way. How we handle this
7 issue will make a difference in how attractive our
8 states are to the development of new services.

9 A third is to keep watch over how local
10 zoning decisions in our states are affecting the
11 cellular phone industry, and the personal
12 communications services industry. The bill does
13 permit the FCC to overrule local zoning decisions, if
14 they are discriminatory, or hinder the growth of the
15 industry.

16 Today, there are about 20,000 towers for
17 mobile phones alone in our states. In four years,
18 the industry expects to have 115,000 in place.
19 That's a significant increase. And most communities
20 across the country will be affected.

21 Unfortunately, the Federal Communications
22 Commission has been given a large role in this issue.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I don't know why they would want to get into that
2 business, but they are in it.

3 Large companies with a presence in
4 Washington, D.C., can make use of this FCC
5 preemption. Small and medium-sized businesses will
6 have to seek relief in the local courts. And that's
7 a problem, Mr. Chairman, we'll have to live with for
8 awhile, anyway.

9 And that's my report, Mr. Chairman.

10 GOVERNOR THOMPSON: Thank you very much,
11 Governor Tucker. That was an excellent report. Like
12 every major rewrite, there are a lot of positive
13 things. But there's also a few negatives. The
14 preemption of the forbearance by FCC over our public
15 utilities and service commissions, public service
16 commissions and utility commissions really causes me
17 a little bit of heartburn.

18 But overall, the bill in total is very
19 positive. It's going to stimulate competition and
20 telecommunications growth in each and every one of
21 our states. So on the whole, it's a pretty good
22 bill.

1 And the National Governors organization
2 played a very important role in lobbying for it and
3 getting it through, lobbying through the onerous
4 parts that took away states' power. But we lost in
5 those regards in the conference committee. And a
6 couple of things in the conference committee came up
7 that weren't even in the original bill. But on
8 total, I think it's a good bill.

9 Any questions of Governor Tucker
10 specifically?

11 (No response.)

12 GOVERNOR THOMPSON: The only question I
13 have, Jim, is on the rules and regulations in which
14 FCC and the courts seem to have concurrent
15 jurisdiction. It seems to me that's going to cause a
16 great deal of problems when a court in your state
17 makes a decision, and then FCC makes a different
18 decision in Washington.

19 GOVERNOR TUCKER: We've had experience in
20 other areas in the past in our country when this
21 occurred. And it does make for confusion and delay.

22 The sheer scope of regulations involved

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 should warn all of us that this is not something
2 that's going to come gently for us. There will be a
3 great deal of turmoil over the next 12 months, at
4 least. And some court decisions are going to have to
5 reach beyond local district courts before we really
6 will know the guidelines.

7 But change is usually pretty tumultuous.
8 This will be no exception.

9 GOVERNOR THOMPSON: Thank you.

10 Any other questions of Governor Tucker on
11 telecommunications?

12 (No response.)

13 GOVERNOR THOMPSON: Hearing none, let's go
14 to safe drinking water, which is very important for
15 us to get passed.

16 Governor Nelson from Nebraska.

17 GOVERNOR NELSON: Thank you, Mr. Chairman.
18 Thank you for also deferring until we got here.

19 One of the priority issues that the
20 natural resources committee has had in the past is to
21 reform the Safe Drinking Water Act. That law is
22 widely regarded as currently being broken, and EPA

1 Administrator Browner has said that reform of the
2 Safe Drinking Water Act is an urgent priority.

3 I am pleased to say that we recently
4 scored a big win in the Senate, though much remains,
5 unfortunately, to be done in the House. The NGA is
6 currently working closely with other groups
7 representing both state and locally-elected
8 officials, as well as with the water supply
9 community, in developing drinking water reform
10 legislation.

11 Both Governor Voinovich and I testified in
12 support of the bill in the Senate. Our hard work has
13 been vindicated because last November, when the Senate
14 passed a Drinking Water Reform Bill highly consistent
15 with the NGA's recommendations, it was done by
16 unanimous vote of 99 to zero.

17 That bill addresses critically-needed
18 reforms in the drinking water law. Among other
19 things, it ends the requirement for EPA to set 25 new
20 drinking water standards every three years. In
21 meeting this quota, the EPA doesn't have to find that
22 the contaminants actually occur in the water. And in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 fact, most of what EPA regulates is found rarely, if
2 at all, in the vast majority of water systems,
3 something one would not expect.

4 For the first time in any environmental
5 law, the Senate bill requires EPA to consider risk
6 assessment and allows the EPA to consider
7 cost/benefit analysis in setting standards.
8 Currently standards are set by the courts at levels
9 of exorbitant expense for contaminants that don't
10 occur in our water.

11 EPA estimates that the capital cost of one
12 of its pending rules is \$60 to \$70 billion
13 nationwide, plus up to \$12 billion annually in
14 operating costs. The benefits for that rule are
15 uncertain, and most likely negligible.

16 The Senate bill also gives states the
17 authority to allow communities to stop continuously
18 testing their water for contaminants that have never
19 been found. Currently, communities must test
20 repeatedly, generally at great expense.

21 The bottom line for all of us is that the
22 Senate drinking water bill allows the EPA, states,

1 and communities to focus our resources where there is
2 a genuine need and meaningful opportunity for
3 protecting public health.

4 I'm convinced that this bill will greatly
5 improve public health protection across our country.
6 And as I indicated the Senate has already passed a
7 bill by a vote of 99 to zero. And we now need to
8 strongly encourage the House to pass a sensible
9 bipartisan reform bill similar to the one that passed
10 99 to zero in the Senate.

11 I keep repeating that because of the
12 significance of that size of margin. And I am
13 passing around now a letter that will be sent to all
14 House members, urging prompt action on drinking water
15 reform consistent with the Senate bill.

16 And I hope that each of you will sign
17 this. This has already been signed by the Chairman
18 and Vice-Chairman of the NGA, the chair and vice-
19 chair of the committee on natural resources, and
20 Governor Voinovich as the co-lead with myself on
21 federalism, and the committee on natural resources.

22 I appreciate the opportunity. I'll be

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 happy to take some questions if there are any, or
2 make any response.

3 GOVERNOR THOMPSON: Governor Nelson, thank
4 you so very much for your report. Hopefully all
5 governors will sign that letter as quickly as
6 possible, before we leave anyway on Tuesday.

7 Governor Voinovich, did you want to add
8 anything to the report?

9 GOVERNOR VOINOVICH: The only thing I want
10 to add is that this is another example of where we
11 got the state and local government coalition together
12 to take on a subject that everyone said we couldn't
13 get anything done on, the Safe Drinking Water Act.

14 But I would like to compliment Ben Nelson
15 on his outstanding leadership, because before he got
16 involved and brought Democratic Senators into the
17 game, as we started to negotiate this, we were
18 getting nowhere.

19 So Ben, I want to thank you for your
20 leadership, because without you getting involved, we
21 never would have had the consensus in the Senate.
22 And I'm hoping that everyone at this table will sign

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the letter, and encourage their representatives in
2 the House to pass this legislation, which is one of
3 the largest unfunded mandates in our country.

4 GOVERNOR THOMPSON: On behalf of the
5 organization, let me thank both of you, George and
6 Ben, for what you've done. It's so important for us
7 at the state levels, and its new policy and a new
8 program. And hopefully we can get it through the
9 House, and I think we can.

10 You sign the letter in the course of the
11 next three days. If you have a chance to interact
12 with your Congressmen and women, please see if you
13 can't convince them to vote for it, at least get it
14 up for a vote. If we get it up for a vote, it's
15 going to pass. So that's what we have to do.

16 Any questions?

17 (No response.)

18 GOVERNOR THOMPSON: Hearing none, we'll go
19 on to employment and training, the education block
20 grant, which is very important for us to get a policy
21 on this week.

22 Terry? Governor Branstad.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR BRANSTAD: Governor Thompson, as
2 you know, a great deal of bipartisan support and
3 effort has gone into consolidating the Federal
4 Employment and Training programs. The bills have
5 overwhelmingly passed both the House and the Senate,
6 and it's now in conference committee.

7 It went to conference back last fall. And
8 this, as you know, consolidates about 160 federal
9 programs. Despite the broad bipartisan support, the
10 conference committee has been stalled, and no
11 significant progress has been made to date.

12 I believe that this is a very important
13 priority. And we need to work with the conference
14 committee to quickly complete its work and send the
15 conference report to the President for his signature.

16 Many states, including Iowa, are in the
17 process of consolidating our employment and training
18 programs. We're establishing a new Department of
19 Workforce Development in the state. We recognize
20 that funding from the federal government -- this is
21 one area where we're going to see substantially less
22 federal funding coming.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And it's important that we be able to have
2 with the changes in this economy, we recognize more
3 and more people are going to have to look at lifelong
4 learning and additional education and training in
5 order to have the skills to be employed and to be
6 able to support themselves and their families.

7 So this is a very important area for us.

8 There are some areas that are critical
9 that the Governors Association has worked strongly to
10 try to prevent mandates. And one of these issues is
11 mandating vouchers.

12 Many states, especially rural states,
13 would find it very difficult to make the employment
14 and training work effectively if we had these
15 vouchers. And it would cause the creation of a new
16 bureaucracy at the state level to administer the
17 vouchers, and to certify the providers. And in some
18 rural states it may not be possible to even find
19 providers at the local level.

20 We believe that there is a need for
21 flexibility. And we need to eliminate the complex
22 and duplicative federal programs, consolidate this

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 into a block grant.

2 I think it's very important that we do
3 what we can. This has had bipartisan support in both
4 houses of the Congress. And yet there are
5 differences between the House and the Senate bills
6 that have caused this to be stalled in conference.

7 I believe if we work together on this,
8 this is an area where we can in fact get some
9 regulatory relief, and have flexibility to deal with
10 a critical issue of training the work force for the
11 future.

12 GOVERNOR THOMPSON: Thank you very much,
13 Governor Branstad, for all your hard work on this
14 effort. This proposal, an update that Governor has
15 given you, is so important for each of us as
16 governors to hopefully convince Congress to take some
17 action.

18 The conference committees really haven't
19 met hardly at all since August. They've been tied up
20 on other budgetary matters. But the truth of the
21 matter is, in the Senator Kassebaum bill, which
22 reduces our over 100 programs into one block grant --

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 it's the Kassebaum/Kennedy bill. And the Goodland
2 bill reduces, I think, about 95-96 programs into
3 three block grants. Both of those individual
4 proposals are so much superior to what the existing
5 law is.

6 And the problems we have as governors is
7 this: The continuing resolutions on the 95 to 117
8 programs in the two proposals have been reduced
9 anywhere from 25 to 50 percent on most of these
10 programs through the CRs. And we have to put
11 together our budgets with less money. And all of
12 these oppressive rules and regulations, all this
13 plethora of programs that we have to comply with.

14 And so we've got more rules and
15 regulations with less money, which is tremendously
16 difficult for any of us. And we're trying to get
17 some action.

18 I would just like to say, like with Safe
19 Drinking Water, if we get these bills up for debate
20 and on the floor, we're going to get them passed.
21 But we have to as governors, I think, encourage
22 Senators Kassebaum and Kennedy, and Congressman

1 Goodland to come together.

2 My only question that I have of Governor
3 Branstad and Governor Nelson on this is there's one
4 thing in it that really bothers me as a governor.
5 And that is that there's 25 percent still set aside
6 for the chief school officer that they have
7 discretion over. I would much rather, of course,
8 have the 100 percent with the governor.

9 I would like to have one of you respond to
10 that.

11 GOVERNOR BRANSTAD: Obviously that's been
12 a sticking point for us all along. And we worked
13 very hard on this.

14 The chief state school officers, as you
15 know, have lobbied very strongly on this issue. And
16 they do have some allies in the Congress. That's
17 made it very difficult to get the kind of flexibility
18 we want. That's something that we as governors have
19 spoken very strongly with the committee members on.
20 But I expect that the final result will see some kind
21 of a set-aside.

22 As much flexibility as we can give to the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 governors, the better. Obviously, where you have a
2 commissioner of education, or chief state school
3 officer appointed by the governor, it's not as big a
4 problem as it is in the states where the chief state
5 school officer is elected separately, where you don't
6 have nearly the ability to try to direct and control
7 what they're going to do.

8 GOVERNOR THOMPSON: Governor Nelson?

9 GOVERNOR NELSON: Thank you, Governor. I
10 think your point is well-made about the chief state
11 school officer issue.

12 Fortunately in Nebraska, as in maybe some
13 other states, we have a good working relationship,
14 even though I don't appoint the commissioner. There
15 is an elected board that appoints the commissioner.
16 We've been able to work very closely together, but I
17 know a lot of governors have already raised this
18 issue.

19 And if we can get the flexibility that
20 Governor Branstad is talking about, we can probably
21 work our way through it in many states. Obviously in
22 some states, it's not going to work as well as in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 others.

2 But I hope that we can get a resolution on
3 the '96 Farm Bill. Obviously, we've got to take care
4 of agriculture at a time, I think, that's extremely
5 important. And I hope that people will be
6 supporting.

7 GOVERNOR THOMPSON: Thank you very much,
8 Governor Nelson.

9 Any other discussions on the employment
10 and training proposal that's in Congress? As I said,
11 once again, it's very important for us to get it
12 passed.

13 On the welfare reform update, since
14 Governors Carper and Engler are still not here,
15 basically we had a discussion in the Governors Only
16 meeting yesterday by Governors Carper and Engler of
17 their coming very close together.

18 The caucuses of the Democrats and
19 Republicans yesterday took it up. And I think we're
20 relatively close on the proposal. It's a block grant
21 with certain oversight from the federal government.
22 And we are hopeful that we will be able to get a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 policy through the National Governors organization on
2 Tuesday supporting the compromise.

3 And I am confident that if we do that, we
4 can hopefully break the logjam on this bill in
5 Congress.

6 Are there any questions on the welfare
7 reform bill, or can we wait till the Governors Only
8 meeting on that?

9 (No response.)

10 GOVERNOR THOMPSON: Hearing none, we'll go
11 on to now the policies that the executive committee
12 has to take up. And the first one is on federalism,
13 the state-federal relations.

14 There are amendments by Governors Engler,
15 Voinovich, and Leavitt. Since Governor Engler is not
16 here, Governor Voinovich, could you take up the
17 amendment to the state-federal relations that you
18 would like to have considered?

19 GOVERNOR VOINOVICH: The policy that's
20 before you updates our two-year policy on unfunded
21 mandates to bring it in line with the passage of the
22 Unfunded Mandates Relief Act this last year.

1 With the enactment of the legislation for
2 the first time, Congress will have information on the
3 cost of unfunded mandates, and votes on whether to
4 impose them.

5 The statute is enforced for a point of
6 order against new unfunded mandates. And mandates
7 will not take effect unless they are funded in both
8 houses of Congress, especially. And specifically,
9 they've got to have a vote to implement them by
10 waiving points of order.

11 The policy calls for the NGA to do three
12 things to make sure that the bill provides every
13 protection against future unfunded mandates. Number
14 one, we should work with Congress to make sure that
15 points of order are raised when mandates are
16 proposed.

17 That means we've got to be on our toes.
18 It's crucial that we identify mandates, coordinate
19 our efforts to ensure that we use the point of order
20 protection.

21 For example, just last week, Congressman
22 Rob Portman of Ohio, who is the leader in helping us,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and who by the way helped us pass unfunded mandate
2 relief legislation, used the threat of a point of
3 order to remove an unfunded mandate on local
4 governments from the telecommunications reform
5 conference report.

6 Secondly, we should say that CBO has done
7 a good job so far in preparing itself to issue
8 analysis of the cost of mandates. They have a
9 network of several hundred programs and budget
10 experts from state and local governments to assist
11 them. And NGA and other Big Seven staff meet
12 regularly to consult with CBO staff. Obviously it's
13 very important that CBO accurately identify the cost
14 of any potential mandates.

15 Finally, we need to ensure that the report
16 from the ACIR, the advisory committee on inter-
17 governmental relations, includes more than just some
18 14 mandates as part of the mandate relief
19 legislation. The ACIR was charged with the
20 responsibility of coming back to recommendations to
21 Congress on unfunded mandates that we need to get rid
22 of.

1 We submitted some 250 recommendations to
2 them. And they've come back with 14 of them. This
3 policy urges us to get back in contact with the ACIR,
4 and urge them to include more of those unfunded
5 mandates in their response to Congress.

6 I move the adoption of the policy.

7 GOVERNOR THOMPSON: George, would you just
8 hold up on your motion until we get through with
9 Governor Leavitt? Then you can make a motion on all
10 three.

11 But let me, before I go to Governor
12 Leavitt, thank you on behalf of the whole
13 organization for your leadership role on the unfunded
14 state mandate program. It was outstanding. I
15 believe it was the first bill that was passed in this
16 Congress and signed into law. And you should be
17 complimented for the job and work you did.

18 Governor Leavitt, you have an amendment on
19 this policy, as well as, I believe, you're going to
20 make a motion on Governor Engler's amendment?

21 GOVERNOR LEAVITT: Yes, I will do that.
22 First, Mr. Chairman, Governor Engler has asked me to

1 offer this in his absence, education, which is the
2 most local of functions.

3 Recently, the United States Government,
4 the federal government, argued in the United States
5 versus Lopez, that education was so important that it
6 ought to be considered interstate commerce, an
7 indication of the stretch, I think, that's often
8 taken to regulate aspects that are uniquely local.

9 Fortunately, the United States Supreme
10 Court ruled that the Congress had overstepped the
11 bounds of the Commerce Clause.

12 The purpose of this resolution is for the
13 governors to express their firm desire and hope that
14 this decision marks a meaningful change in the
15 Court's Commerce Clause jurisprudence, and that it
16 will lead to some limitation on congressional
17 activities in areas that are uniquely local, and
18 properly left to states and local governments.

19 The resolution would affirm that the
20 national government is a limited government; that is
21 has enumerated powers; and that, under the Tenth
22 Amendment to the Constitution, it may not legislate

1 in areas that are reserved to the states or the
2 people.

3 It encourages the federal government to
4 restrain from taking legislative or regulatory
5 measures that usurp state authority or stifle
6 innovation. It would encourage the courts themselves
7 to place meaningful restrictions on federal activity
8 with respect to the Tenth Amendment or the Commerce
9 Clause.

10 It encourages the federal courts to limit
11 injunctive relief against states in both time and
12 scope, so that such relief extends no further than
13 necessary to remedy violations of constitutional
14 rights.

15 And it encourages Congress to limit the
16 federal court's jurisprudence in certain areas if
17 they prove unable to limit the remedies to address
18 constitutional violations.

19 Finally, the resolution encourages the
20 federal courts to permit the states to craft
21 innovative solutions to state problems, and to not
22 substitute their own judgment for that of the states

1 and their elected officials.

2 That is the resolution offered by Governor
3 Engler, and I might add, I personally support.

4 GOVERNOR THOMPSON: Thank you, Governor
5 Leavitt.

6 Will we go on to your amendment then, and
7 you and Governor Voinovich move and second all of the
8 amendments?

9 GOVERNOR LEAVITT: The further amendment
10 that I'm offering is a result of the Federalism
11 Summit that this organization participated in among
12 five organizations, including the legislation
13 organizations, the Council of State Governments, et
14 cetera.

15 We developed four items that each of those
16 organizations felt should become our agenda for our
17 federal committees to look at specific ways of being
18 able to assure that the states' roles are maintained.
19 This simply moves those forward to study through the
20 regular NGA process.

21 With Governor Voinovich's forbearance, I
22 will move adoption of all three of these items. And

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I am confident Governor Voinovich will second them.

2 GOVERNOR THOMPSON: I'm confident he will,
3 too.

4 Governor Leavitt has moved the policy
5 amendments to state-federal relations. Governor
6 Voinovich, will you second it?

7 GOVERNOR VOINOVICH: Second.

8 GOVERNOR THOMPSON: Governor Voinovich
9 will second.

10 Any discussion of the amendments put
11 forward by Governors Engler, Leavitt, and Voinovich
12 on state-federal relations?

13 (No response.)

14 GOVERNOR THOMPSON: Hearing none, all
15 those in favor of these three amendments, signify by
16 saying aye.

17 (Chorus of ayes.)

18 GOVERNOR THOMPSON: Opposed signify by
19 saying nay.

20 (No response.)

21 GOVERNOR THOMPSON: The ayes have it. A
22 great deal of enthusiasm for those three amendments,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I might add.

2 (Laughter.)

3 GOVERNOR THOMPSON: The next one will
4 probably elicit a little bit more discussion. And
5 that is the policy, the readoption of the policy on
6 the Consumer Price Index.

7 I call upon former Chairman Governor
8 Howard Dean to discuss it and make a motion. Howard?

9 GOVERNOR DEAN: Thank you, Mr. Chairman.

10 The CPI policy was a policy that was
11 adopted on an interim basis by the executive
12 committee some months ago to help deal with the
13 closing of the differences of opinion between the
14 Republicans and Democrats on the Hill over the
15 federal budget, and also in our view to right a
16 chronic wrong in dealing with how we calculate the
17 various cost of living increases, which are automatic
18 federal budget escalators.

19 For some time, there are many who have
20 been of the opinion that the CPI is inaccurate. The
21 CPI is calculated with a number of factors in it.
22 Those factors discount or fail to account for a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 variety of consumer and other behaviors, and the CPI
2 does not reflect the true increase in the cost of
3 living.

4 Most people believe, as do I, that this
5 would have a positive effect on the federal budget
6 deficit, and make it easier both to balance the
7 budget and to achieve a political solution to this.

8 This was done on a bipartisan basis by the
9 executive committee, and we are now asking the full
10 body to accept this as policy. So I would move the
11 CPI policy, which calls for use of an accurate CPI in
12 further dealings with the federal and the state
13 budgets.

14 Such a CPI would be derived from a formula
15 that is currently known, but that I can't explain,
16 and if somebody wants to hear about, we're going to
17 have to get Ray or somebody to get into the details
18 because it's a complicated economic -- I was going to
19 say gobbledy-gook, Mr. Chairman, but that wouldn't be
20 fair to any economist that might be among us.

21 So let me just move the policy.

22 GOVERNOR MILLER: Second.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Moved by Governor
2 Howard Dean and seconded by Governor Bob Miller, to
3 have the readoption of the policy on the Consumer
4 Price Index which the executive committee had an
5 interim adoption in Cincinnati this past fall.

6 Any discussion of using accurate numbers
7 on CPI?

8 (No response.)

9 GOVERNOR THOMPSON: That's basically what
10 it is.

11 Hearing none, all those in favor of the
12 motion to send notice to Congress to use the actual
13 numbers, the accurate numbers, and the actual numbers
14 on CPI, signify by saying aye.

15 (Chorus of ayes.)

16 GOVERNOR THOMPSON: Opposed, signify by
17 saying nay.

18 VOICE: Nay.

19 GOVERNOR THOMPSON: One nay, six ayes; it
20 passes.

21 I'd now like to go on to the reaffirmation
22 of the policy on health care for undocumented

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 immigrants, and call upon Governor Leavitt.

2 GOVERNOR LEAVITT: Governor, maybe you
3 should go to the next resolution because I'm not
4 familiar with my role on that resolution.

5 GOVERNOR THOMPSON: And we scripted it out
6 for you so well, Mike. I'm sorry. Thank you very
7 much.

8 The next one I'd like to call upon is
9 Governor Voinovich, who is going to consider and
10 discuss a new policy for NGA.

11 Governor Voinovich?

12 GOVERNOR VOINOVICH: I already understand
13 from members of the executive committee that this may
14 be a very controversial amendment to the policy of
15 the National Governors Association.

16 As a preliminary to the discussion, I
17 might add that there's 102 professional major league
18 baseball, basketball, and hockey franchises located
19 in 40 American cities in 24 states. So there is a
20 lot of activity in the area.

21 I particularly became involved in this
22 issue because of the fact that I have a major league

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 football team in Cincinnati and one in Cleveland, and
2 also major league baseball teams in both cities.

3 In the instance of Cincinnati, the owner
4 of that club, Mike Brown, came to the community and
5 said to them, "I've got to have a new facility. If I
6 don't get the new facility, I'm going to have to
7 leave town."

8 Last week I was in Cincinnati to kick off
9 a campaign to increase the sales tax in Cincinnati
10 and Hamilton County, to build new facilities for both
11 the Reds and the Bengals.

12 Up north, where I was mayor for 10 years,
13 as many of you know, the Cleveland Browns suddenly
14 made a decision to move out of town, and that has
15 involved a great deal of my time, along with the time
16 of the Mayor of the City of Cleveland and many other
17 people way beyond perhaps what we think is needed in
18 terms of its priority. But anyhow, we've been
19 involved in it.

20 One of the things that I discovered is
21 that the National Football League indeed is trying to
22 keep control of what's happening among their members.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 But one of the major problems that they have is that
2 the antitrust laws of the United States make it very
3 difficult for them.

4 For example, when Oakland decided to move
5 to LA, Al Davis wanted to take them there. They
6 voted not to move the franchise, and they were taken
7 to court. And they had a \$50 million fine to pay.

8 We think that we should have some
9 recommendation in our NGA policy that suggests that
10 they be given some type of antitrust provision so
11 that when they do make a decision based on their
12 criteria that they don't have to worry that they're
13 going to end up in court.

14 Second of all, we think that the issue of
15 tax-exempt financing is one that we should all be
16 concerned about. For example -- and I'm sure that
17 maybe Governor Glendening might explain this a little
18 differently than I am here today.

19 (Laughter.)

20 GOVERNOR VOINOVICH: But the fact of the
21 matter is that currently the Cleveland Browns have a
22 leave to play in Cleveland until the end of the '98

1 season. The Cleveland Browns have had one of the
2 best attendances in NFL history, at least over 75
3 percent, in periods of time when they were playing
4 less than 500 ball. And the community came forward
5 and said that they were willing to either build a new
6 facility, or remodel the facility that now exists in
7 Cleveland.

8 Unfortunately, the team has decided to
9 move. And the place where they're moving intends to
10 issue tax-exempt financing, which is going to cost
11 the tax payers of the United States \$35 million,
12 including the people who live in the City of
13 Cleveland.

14 Our feeling is that this is something that
15 ought to be discussed by all of us because, not only
16 do these teams have a big economic impact on our
17 communities, but we're into an era right now where,
18 if this isn't brought under control, as I mentioned
19 to the league owners when I spoke to them in Atlanta,
20 that those franchises are in deep trouble.

21 Because if the fans turn themselves off to
22 organized football and don't show up at the stadiums,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 they turn off their TV sets, they're not going to
2 generate that big advertising dollar, and their
3 franchises will lose value. As they lose value, then
4 that has some dramatic impact on political
5 subdivisions who have invested a great deal of money
6 in those physical facilities.

7 So what we're talking about doing here
8 today is to try and have some type of policy adopted
9 that would at least speak out from this organization
10 on the fact that we are concerned about this.

11 Now, resolutions have been adopted by the
12 U.S. Conference of Mayors, and by the National League
13 of Cities. I understand from talking to my staff
14 that some of you have got some problems with this
15 language. And therefore, I'm not going to ask you to
16 approve it today. But I'd like to work with some of
17 you who have some problems with the language to see
18 if perhaps we can adjust it so that you would feel
19 comfortable with it.

20 GOVERNOR THOMPSON: Thank you very much,
21 Governor Voinovich.

22 Just as you were talking about the NFL and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 moving football teams, we've got a great professional
2 quarterback here. And he says you're right on,
3 Governor Voinovich.

4 (Laughter.)

5 GOVERNOR THOMPSON: George, thank you so
6 very much.

7 I think, you know, Governor Voinovich has
8 really raised an issue that all of us have got to be
9 concerned about that have professional teams within
10 our states. We should discuss it.

11 And I appreciate, Governor Voinovich, your
12 not bringing the policy ahead at this point in time,
13 because I think governors need to be comfortable with
14 it.

15 George has asked that governors come up to
16 him and work with him on some language that they
17 would feel comfortable with. And I personally want
18 to do that, Governor Voinovich. Thank you very much
19 for bringing it up.

20 Governor Lowry from Washington.

21 GOVERNOR ALLEN: Mr. Chairman?

22 GOVERNOR THOMPSON: Governor Lowry first.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR ALLEN: Mr. Chairman, may I make
2 a comment on Governor Voinovich's --

3 GOVERNOR THOMPSON: Governor Lowry wants
4 to first.

5 GOVERNOR ALLEN: I'm sorry. Go ahead.

6 GOVERNOR LOWRY: Actually, I just liked
7 the discussion here about the great football player,
8 Jack Kemp. But I did want to add just a little bit
9 to the discussion.

10 The Seattle Seahawks, with two days'
11 notice, gave notice that they were up and moving with
12 10 years remaining on a contract. It was just about
13 the worst type of performance, I think, that fits
14 into Governor Voinovich's discussion.

15 In a publicly owned facility -- compare
16 that to the Seattle Mariners, whose baseball
17 franchise, who was losing money, but who had said for
18 two years that they wanted to work something out. We
19 had plenty of notice, and we did get something worked
20 out. And we've saved baseball from having to move.

21 And so the difference between the way
22 different franchise ownerships approach this problem

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 is significant.

2 I look forward to working with Governor
3 Voinovich. But frankly, I'd like a stronger
4 resolution than this because this is really the
5 breaking of trust, the breaking of contracts, and
6 just up and walking out for nothing but to make
7 money.

8 And this is so unfair to consumers and
9 fans all across the country. So I'd like to work
10 with you on it.

11 GOVERNOR THOMPSON: Thank you, Governor
12 Lowry.

13 Governor Allen?

14 GOVERNOR ALLEN: Yes, Governors. As far
15 as this is concerned, I know there's a great deal of
16 emotion that gets into sports franchises. I have a
17 great deal of concern about us having any policy. I
18 guess I have the complete opposite view than Governor
19 Lowry of the State of Washington.

20 I think that you ought to look at this
21 like you would look at any other economic development
22 situation. It is a decision to be made by localities

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 if they're involved in it, or states if they care to
2 get involved in it. In the event that the State of
3 Maryland decides they want to do certain things, that
4 is their business.

5 I think the implications of this on a
6 resolution on this particular economic matter, I
7 think is bad policy. I think it's a bad precedent.
8 It would have us saying who can win and lose.
9 Whether individual owners have less loyalty to
10 communities than others, who are we to be sitting
11 here judging, especially the federal government
12 deciding who has the proper loyalty to the community?

13 The implications of this would be, when
14 any company might move from one state to another
15 because they may want to be in a state that has a
16 right to work law, or they may want to be in a state
17 where the taxes are less, or in a state where the
18 regulations are more conducive to investment and
19 prosperity for whatever product they may manufacture
20 or assemble.

21 These are decisions that should be made by
22 the marketplace, and as they may get affected by tax

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 policies. To say that individuals in one state are
2 somehow subsidizing another because there's tax-free
3 bonds, to me, you know, the logical conclusion is
4 that somebody invests in an IRA.

5 And I suppose that that is having some
6 impact on somebody in some other state because
7 there's less revenue going into the federal
8 government, or because somebody's getting a deduction
9 for interest on the mortgage on their home, that
10 somehow is affecting a taxpayer somewhere else
11 because there's less revenue to the federal
12 government to be spent on who-knows-what.

13 I think that so long as your federal tax
14 policies make available to every American citizen the
15 same opportunities and risk-taking, I don't think
16 that we ought to be trying to favor winners or losers
17 one way or the other. I don't think that it's right
18 as a matter of emotion, I suppose, what is going on
19 with some of these franchises that leave under the
20 cloak of darkness and all of that.

21 And there's a lot of things that, you
22 know, we won't agree are appropriate actions. But in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 a free market system there are -- just like on the
2 football field, there are winners and losers. And
3 those decisions are made. And each jurisdiction has
4 to make their own decision as to whether or not the
5 subsidies or tax breaks that are given make economic
6 sense.

7 Because I guarantee you, there are other
8 transfers or movements or relocations of businesses
9 that have a whole heck of a lot more impact on the
10 community as far as jobs and investment and revenue
11 than do sports franchises. That's why I have a great
12 deal of fear and in fact opposition to us getting
13 into this sort of matter, because of the implications
14 and precedents it would set.

15 GOVERNOR THOMPSON: Thank you very much,
16 Governor Allen.

17 I'd like to now move on to Governor
18 Leavitt of Utah on the reaffirmation of the policy on
19 health care for undocumented immigrants.

20 Governor Leavitt?

21 GOVERNOR LEAVITT: Mr. Chairman, my role
22 in this resolution has come clear to me.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 (Laughter.)

2 GOVERNOR LEAVITT: I move the
3 reaffirmation of an existing policy.

4 GOVERNOR THOMPSON: That was excellent,
5 Mike.

6 (Laughter.)

7 GOVERNOR THOMPSON: Is there a second?

8 GOVERNOR BAYH: Second.

9 GOVERNOR THOMPSON: Second by Governor
10 Bayh.

11 Any discussion on this very controversial
12 subject?

13 (No response.)

14 GOVERNOR THOMPSON: Hearing none, all of
15 those in favor of this motion, signify by saying aye.

16 (Chorus of ayes.)

17 GOVERNOR THOMPSON: Opposed, signify by
18 saying nay.

19 (No response.)

20 GOVERNOR THOMPSON: The ayes have it; the
21 motion carries.

22 I'd like to now call upon the Vice

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Chairman Bob Miller to give a year to date financial
2 update, and the report on the grants and contracts.

3 GOVERNOR MILLER: Anybody who desires to
4 look at the actual numbers can look under Tab E of
5 their booklet in front of them that outlines it.

6 In the fiscal year 1996 through the month
7 of November, NGA shows a surplus of \$400,000. Income
8 is on target. Expenses are below budget. But that
9 is mainly due to timing differences. And we continue
10 to project a budget balanced for the fiscal year.

11 The second component is the approval of
12 grants and contracts. Those are on pages 4 and 5,
13 should you care to review them. If you have a
14 question, please submit it in triplicate 30 days in
15 advance. If you require an immediate response, Ray
16 Sheppach will do that.

17 Otherwise, I move both proposals.

18 GOVERNOR THOMPSON: Motion by Governor
19 Miller. Is there a second? Governor Voinovich?

20 GOVERNOR VOINOVICH: Second.

21 GOVERNOR THOMPSON: Any discussion?

22 (No response.)

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Hearing none, all
2 those in favor of the motion on grants and contracts,
3 signify by saying aye.

4 (Chorus of ayes.)

5 GOVERNOR THOMPSON: Opposed, no?

6 (No response.)

7 GOVERNOR THOMPSON: The ayes have it; the
8 motion is granted.

9 Now, ladies and gentlemen, we go into the
10 second part of our program on tax reform. As all of
11 us know as governors, tax reform is always a hot
12 item, but especially this year. There is a
13 discussion on the flat tax as well as tax reform, not
14 only in Washington, D.C. and our nation's capital,
15 but across the country.

16 There are increasing concerns about our
17 tax system. Number one, it is too complex for the
18 average citizen to understand. The many deductions
19 and credits distort economic decisions. And three,
20 it stifles investment, entrepreneurship, and thus
21 limits economic growth.

22 There are several options on the table for

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 reform, that include various flat taxes that
2 eliminate most credits and deductions, national
3 sales, or value-added taxes, and consumption-oriented
4 income taxes such as those recommended by Senators
5 Nunn and Domenici.

6 Over a year ago, Speaker Gingrich and
7 Senator Dole asked Jack Kemp to chair a national
8 commission on economic growth and tax reform. The
9 purpose of the study was to first find out how
10 restructuring the tax code would unleash a greater
11 entrepreneurial spirit, foster economic growth
12 without inflation, and create opportunities for
13 people to escape poverty.

14 Mr. Kemp continues a long career of
15 distinguished public service, beginning in 1971 as a
16 nine-term Congressman from Buffalo, and later serving
17 as Secretary of Housing and Urban Development. Jack
18 Kemp is also the founding member of Empower America,
19 along with William Bennett, Jean Kirkpatrick and Ben
20 Weber.

21 Jack is an outstanding individual. He's a
22 friend of all of ours, a great public servant, and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 we're delighted to have him here this morning.

2 Jack?

3 (Applause.)

4 MR. KEMP: Thank you so very much, Tommy,
5 distinguished governors, friends, family, and all of
6 you involved in this incredibly important debate that
7 discusses the future of America, whether or not the
8 Browns will move to Baltimore.

9 (Laughter.)

10 MR. KEMP: Let me give you the supply-
11 side, pro-growth hope and opportunity answer to this
12 problem. A pro football team in every state and
13 every city of the United States of America. This is
14 not a zero-sum gain. We want every city, every state
15 to participate in American sport.

16 I am delighted to be here. And talking
17 about professional football, may I introduce the only
18 woman in the history of America who is both the wife
19 and mother of three pro football quarterbacks, my
20 wife, Joanne Kemp.

21 (Applause.)

22 MR. KEMP: I guess I should explain. My

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 13 years in the American and National football
2 Leagues, our oldest son Jeffrey played 11 years in
3 the NFL, and our youngest son plays in Canada. So if
4 you don't tell Pat Buchanan, I will say how important
5 NAFTA was to the Kemp family when we exported our
6 youngest son to the Canadian Football League.

7 (Laughter.)

8 MR. KEMP: I am of course well known as
9 the Hubert Humphrey of the Republican Party, well
10 known for the length of his speeches. But I will do
11 something totally un-Kemp-like. I will keep within
12 the 15 minutes to the best of my ability, and answer
13 questions and turn it over to Byron Dorgan then who
14 will trash everything I'm about to say.

15 Byron, it is a pleasure to be with you on
16 the podium.

17 Let me start by saying a couple of summers
18 ago Joanne and I went to China. We talk about crises
19 in America. It's a much over-used word. In the
20 Chinese language, there is no word for crisis. There
21 are but two characters, one the Chinese character for
22 danger; the other, the Chinese character for

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 opportunity.

2 Clearly, we can look upon this period in
3 American history as one of incredible opportunity.
4 The President of the United States in his State of
5 the Union talked about the possibilities of this era.

6 And of course, we are well familiar with
7 those men and women who have looked out on the future
8 of this country and the world on the eve of the 21st
9 Century, the next millennium, and recognized that we
10 are probably faced with unsurmountable opportunities.

11 They are insurmountable in terms of what
12 we can look forward to as we approach the 21st
13 Century.

14 In my opinion, we can't do it with an
15 economy and that social contract that is so frayed by
16 an economy that it is ultimately reaching a deficit,
17 not so much in its budget, albeit that is a problem.

18 But the real deficit in America is the
19 deficit in hope, and the deficit in wealth, and the
20 deficit in employment, and the deficit in the
21 potential of the American people. It is not that
22 they have a deficit. It is that our economy has

1 somehow not performed up to standards.

2 It is true we have recovered from a
3 recession in the early 1990s. But clearly, as you
4 look at the morning paper, whether it's the Wall
5 Street Journal or the Washington Post or Investors
6 Business Daily, this economy is approaching perhaps a
7 recession.

8 We had slow growth in '95, 1.9 percent.
9 The predictions for '96 is that the economy will grow
10 somewhere in the one percent range. There is no
11 approach to balancing our budget with a one percent
12 in '96 or '97. There is no way we can meet the
13 social contract with the American people, jobs and
14 opportunity, if the economy is not expanded.

15 This is not a football game. I heard
16 Governor Allen give a very thoughtful analysis of how
17 markets should determine ultimate decisions in the
18 marketplace, particularly with regard to the choice
19 of businesses or franchises of the National Football
20 League or anybody else. But this is not in America a
21 football game. This is not where one team is going
22 to win and the other team is going to lose.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 We can't have a country in which it's
2 approached as a winner-take-all society. We have a
3 family to think about, and America is one family, one
4 nation under God. And we have a big stake in making
5 sure that no one is left behind as we approach this
6 21st Century economy.

7 So in my opinion, tax reform is at the
8 heart of opening up opportunity and opening up
9 chances for growth. May I say parenthetically that
10 the governors, Democrat and Republican, working on a
11 budget compromise between a Democratic White House
12 and a Republican Congress, are on the cutting edge of
13 one of the most important things that our society can
14 do right now.

15 And that is to give us a budget that
16 restrains spending on Medicare and Medicaid; that
17 restrains spending on government; that begins to
18 approach the problem of welfare reform, Medicare
19 reform, Medicaid reform; but clearly in my opinion
20 also reduces the tax burden, not just on the family,
21 but on the economic opportunities for a growing
22 entrepreneurial society that calls, in my opinion,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 for a strong approach to the effort that's being made
2 in this body for a welfare reform approach that can
3 be supported by both parties.

4 I think we need a budget. The Congress,
5 both Democrat and Republican, recently passed a
6 telecommunications bill. Most Democrats and most
7 Republicans supported it enthusiastically,
8 recognizing that it is not only going to help us as
9 we approach the millennium have a telecommunications
10 policy that will open up competition.

11 But it will create thousands if not
12 millions of new jobs. Certainly in the next century
13 it will. And I want to applaud the Senate and the
14 House for coming together on a bipartisan basis. But
15 if we can come together on a bipartisan basis over
16 telecommunications, we must in my opinion come
17 together on a bipartisan basis on a budget.

18 Again, it doesn't have to be win-lose.
19 Both President Clinton, Bob Dole, Newt Gingrich,
20 Republicans and Democrats alike in the Senate and the
21 House have a big stake in getting a budget that, as I
22 suggested, can restrain spending, bring our budget

1 into balance over the next six or seven years, and
2 indeed reduce the tax burden on the family, probably
3 the over-taxed institution in the United States of
4 America.

5 Let me say parenthetically when the
6 American family back in the 1950s and '60s -- my
7 family was just beginning. Joanne and I got married
8 in '58, had one child in 1959. Probably two to three
9 percent of our income was paid at the federal level
10 to income taxes.

11 Today the median family income in the
12 United States of America pays 26 to 27 percent of its
13 income to the federal government in the form of
14 taxes.

15 The federal government's share of revenue
16 has increased by 58 percent over the past 20 years.
17 But the median family income has not kept up. In
18 fact, prices have more than doubled over wages in the
19 past 20 or 30 years.

20 We need a society in which wages double
21 over prices in the next 20 years. And the only way
22 to get from here to there is to reduce the tax

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 burden, in my opinion, on middle-income working men
2 and women, on labor, on capital, and on
3 entrepreneurship and success.

4 In 1980, I had the opportunity to speak at
5 our Republican Convention. To quote myself,
6 something I love doing --

7 (Laughter.)

8 MR. KEMP: I can remember in 1980 saying
9 that we have a problem in America. We are taxing
10 certain things and subsidizing other things and that
11 we had it upside-down. I suggested that if you tax
12 something, you get less of it. And if you subsidize
13 something, you get more of it.

14 And in America, we were taxing the worker,
15 the saver, the investor, the producer, the
16 entrepreneur, and the men and women of achievement,
17 production, output, and success; while subsidizing
18 welfare, unemployment, debt, consumption, idleness,
19 mediocrity, and leisure.

20 And we had to change it. We began to in
21 '80. It was all predicated upon the Kennedy tax rate
22 cuts of 1962, in which he said, "It is a paradoxical

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 truth that high tax rates cause low tax revenues."
2 And the best way to get more revenue for government
3 is to bring down the tax rates on working, saving,
4 investing, producing, and expand the economy.

5 He said, "There's not to be a tradeoff
6 between the budget and cutting the tax rate." He
7 said that's a false dichotomy. In his speech to the
8 New York Economic Club in 1962, he suggested that,
9 "You cannot get to a balanced budget unless you bring
10 down the rate of taxation on the factors of
11 production, and grow or expand the economy."

12 Well, you can say that this is a partisan
13 issue. Bob Dole and Newt Gingrich appointed Jack
14 Kemp, a well-known partisan, Abraham Lincoln, 18th-
15 Century liberal Democratic bleeding heart
16 conservative Republican.

17 But clearly, as Tommy Thompson pointed
18 out, Senators Nunn and Domenici got together on a tax
19 reform package. It's not something that I am
20 thrilled about. But at least they began to suggest
21 that we should repeal the whole code, start over,
22 tabula rasa, and design a new system.

1 I think there is an emerging consensus --
2 Dick Gephardt has said the same thing. Remove the
3 whole system and start over. He wants a 10 percent
4 tax rate on 75 percent of the American people, with a
5 34 percent tax rate on capital gains, and income
6 above a level -- I think it's \$250,000.

7 But irrespective of that, there is an
8 emerging consensus, I think in this country, that
9 Republicans and Democrats alike can agree on, that
10 the current code is costly, cumbersome, and
11 confusing. It takes 5.1 billion hours -- not
12 according to Kemp, but the IRS -- in order to fill
13 out taxes. It costs more than \$200 billion to raise
14 \$700 billion in income tax. It costs us almost 25
15 percent of our income tax revenues to support raising
16 it, which is just absolutely mind-boggling to think
17 of the consequences of a \$200 billion cost.

18 It's clear that our system is not working.
19 As I suggested, prices have risen twice as fast as
20 wages. And I want to suggest, that is unacceptable
21 in a modern day democracy, particularly one that
22 wants to teach the rest of the emerging world,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 particularly in Eastern Europe, how to form a
2 democratic capitalistic society.

3 Some thoughts. We had six months of
4 hearings. We had over 1,000 witnesses, spent over
5 2,000 or 3,000 hours of testimony, went through South
6 Central Los Angeles and Silicon Valley, California,
7 to Omaha, Nebraska, to Boston, Massachusetts,
8 Charlotte, North Carolina. Went to East Harlem, and
9 Howard University.

10 We heard from low-income working men and
11 women, as well as minority entrepreneurs that the
12 cost of capital and the inability to get access to
13 capital is denying people their chance to get a stake
14 in the American system.

15 And I would make a case that revenues have
16 not gone up in the last four years with two tax
17 increases. Revenues when Ronald Reagan left office
18 in 1989 were 8.9 percent of our gross national
19 product from income taxes. Now they're 8.2 percent.

20 I'm not making a case against the
21 President. I am making a case that the rates are too
22 high on working and saving and investing, and of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 course entrepreneurship.

2 We finished our report by suggesting that
3 there is a way to solve the problem in our opinion
4 for the middle class that would relieve the burden on
5 the poor in toto, and bring down the tax rate on
6 labor and capital, take out the whole system, take
7 out 7,000 million words of IRS regulations, and
8 replace it tabula rasa with a single tax rate on
9 income, taxed but once.

10 I don't know. I was accused by the
11 Washington Post of not suggesting what the rate
12 should be. We didn't suggest the rate because we
13 wanted to lay out a philosophical road map for this
14 country to move into the next century. But we
15 suggested in our press conference with Bob Dole and
16 Newt Gingrich that the top rate ought to be closer to
17 20 than to 40. I would prefer 19.

18 But whether it's 19 or 17 or 32, or
19 whatever it is, it seems to me that Republicans and
20 Democrats can agree that we cannot solve our problems
21 in America, and you can't solve the problems of your
22 fiscal situation, without a growing economy.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And really, the federal government has a
2 large responsibility for the size of the economy
3 because of the impact on interest rates of the
4 Federal Reserve Board, the impact of regulations on
5 entrepreneurship and output and production, and of
6 course, what the tax code does to the ability of
7 people to make decisions to work, save, invest, and
8 produce income.

9 I think the rate should be 19,
10 hypothetically. We think there should be a large
11 exemption for the poor. Low income people face the
12 highest income tax rate in America. Someone
13 challenged me the other day to prove it.

14 Well, if you're on welfare in any state in
15 the union, almost, and you take a job -- if a woman
16 with two children takes that job, she loses welfare
17 and health care and food stamps, and they hit her
18 with a payroll tax, which according to most analyses,
19 is the toughest tax on the first five or six rungs of
20 the ladder.

21 So we suggest that, not only should there
22 be a large exemption for low-income people, the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 payroll tax should be fully deductible. And whether
2 you leave in the earned income tax credit or not is
3 less important than the fact is, we must do something
4 about the impact of the payroll tax on an unemployed
5 father or a welfare mother taking his or her first
6 job in our society.

7 Tax income once. Whether you tax it on
8 the business side or to the side of the recipient,
9 clearly it ought to be taxed once. When Joanne and I
10 were in Budapest, Hungary two years ago, we heard
11 Vaelar Klaus tell us, when I asked him if he was
12 going to raise the tax on capital gains in the Czech
13 Republic, and he laughed and said, "Oh, Mr. Kemp,
14 we're not going to do to our new country what you
15 have done to your country. We're only going to tax
16 income once."

17 They had a flat income tax rate. They
18 don't tax capital gains. They don't tax -- double-
19 tax dividends. They don't even tax inheritance
20 taxes. I frankly think states should have the
21 opportunity to tax wealth that is passed on to
22 children. But it ought not to be the federal

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 government's purpose to redistribute wealth. It
2 ought to be the purpose of the federal government to
3 create the conditions for a growing economy.

4 Let me just stop with this thought. A
5 tremendous debate is taking place. But the one thing
6 about which liberals and conservatives, Republicans
7 and Democrats, big state governors and smaller state
8 governors and mayors, to whom I spoke last week to
9 the U.S. Conference of Mayors -- whether, I said,
10 it's city or suburb, we have a stake in getting this
11 economy growing to higher levels.

12 And my hope would be that we at least make
13 it as a national goal, in both the Republican and
14 Democratic conventions this summer, that we double
15 the rate of growth.

16 Someone said, "We can't do it." Robert
17 Samuelson of the Washington Post said, "There's no
18 way Kemp could possibly get the economy to four
19 percent growth." He said, "The highest our country
20 has ever grown for any period of time was 3.9."

21 At 3.9 percent growth over the next seven
22 years, you'd have a budget surplus. You'd have more

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 than 25 million new jobs. The GNP would be \$3
2 trillion higher. And the deficit would be lower,
3 without gouging or cutting programs instrumental to
4 the social fabric of our society.

5 I want to close with this thought from Mr.
6 Lincoln. He said, "Our system was founded on a great
7 principle." He said, "The progress by which the
8 poor, honest, industrious, and resolute man" --
9 excuse me, ladies, this is the way they talked in
10 1961. Today all of us are politically correct, and
11 wisely so. We'd talk about resolute men and women.

12 But Mr. Lincoln said, "The progress by
13 which the poor, honest, industrious, and resolute man
14 raises himself is that he may work on his own
15 account, and be able to save, and someday be able to
16 hire others to work for him. This the great
17 principle for which this government was really
18 formed."

19 Let me close with this thought. Class
20 warfare is unbecoming, Democrats and Republicans. I
21 am embarrassed that in my party, one of our leading
22 candidates has been attacked for being rich. I've

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 been attacked for helping the rich. It is unseemly
2 to have in either party a campaign being run on class
3 warfare or class distinction.

4 We have a stake in each other's well
5 being. How do we get capital into the hands of those
6 who have no capital, if it is not by unleashing and
7 liquefying the markets of America?

8 Someone suggested that cutting the capital
9 gains tax in this budget, as being suggested by some
10 Democrats and Republicans for a budget compromise,
11 would unlock close to \$6.7 trillion of capital.

12 Where's it going to go? It is not going
13 to go into consumption. There's only so much
14 consumption that one can make. It's going to liquify
15 our markets. It's going to flow into our inner
16 cities. It's going to help the poor get jobs. It's
17 going to help people not only get access to being
18 truck drivers, but someday being truck owners and
19 starting their own businesses.

20 In my opinion, there's so much that has to
21 be done. I would hope that we end any smacking of
22 envy in the tax code. The tax code is not meant to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 redistribute wealth. It is meant to create the
2 conditions in which people can unleash their own
3 talent, their own potential, and their own resources
4 so that we can get this country to the highest level
5 of opportunity for all of the American people.

6 I want to thank you for giving me a chance
7 to come by your very important meeting. I think this
8 is the most important meeting going on in the United
9 States of America because next week we're either
10 going to make it or break it in terms of getting a
11 budget compromise.

12 And I personally believe that it is
13 absolutely essential, not only to reduce the tax
14 burden on the family, but to reduce the tax rate
15 burden on the formation of the capital, so important
16 to the future of this economy because all of you have
17 a big stake in making sure our economy grows by more
18 than one percent in 1996.

19 Thank you very, very much.

20 (Applause.)

21 GOVERNOR THOMPSON: Thank you very much,
22 Jack. I want you to know I have been with you on

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 many occasions and listened to you hundreds of times
2 in your speeches. That is the fastest you've ever
3 completed a speech, and I compliment you on it.

4 (Applause.)

5 GOVERNOR THOMPSON: Questions of Secretary
6 Jack Kemp?

7 Yes, Governor Bayh, then Governor Whitman.
8 Evan?

9 GOVERNOR BAYH: Mr. Secretary, I'd like to
10 know your position or your opinion on the
11 deductibility of the home mortgage interest? And in
12 the absence of such a deduction, what in your opinion
13 would be the effect on housing prices in the country?

14 I know this is an issue that many middle
15 Americans are concerned about.

16 MR. KEMP: Governor Bayh, in my opinion,
17 being an old unemployed HUD Secretary who tried to
18 stress ownership and expanding ownership, both of
19 businesses and of homes for low-income people,
20 particularly in urban America, I am very sympathetic
21 to the deductibility of mortgage interest.

22 I think it is a misnomer to fight this out

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 so early in the debate because it is not the most
2 critical issue. But it is an important issue, so I
3 would say leave it in. It is moot.

4 If the lending institution pays tax on the
5 interest it earns from a mortgage, then mother and
6 dad, the homeowner, should be able to deduct that
7 interest. It is a wash to the Treasury.

8 We can design a tax system that would
9 allow for the full deductibility of the payroll tax,
10 the deductibility of interest on mortgages, and
11 charitable contributions, because one other thing I
12 learned at HUD is that the Salvation Army, Habitat
13 for Humanity, Christmas in April, Catholic Charities,
14 United Jewish Appeal, Boys and Clubs of America do a
15 far better job of taking care of low-income people
16 than HUD was ever able to do in the last 30 years of
17 its creation.

18 (Applause.)

19 GOVERNOR THOMPSON: Governor Whitman?

20 GOVERNOR WHITMAN: Yes, Mr. Secretary.

21 You mentioned what the top rate should be. Is there
22 any reason to concern, or is there any way that you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 have in the study that you did that you addressed the
2 issue of, how do we stop it?

3 I mean, it may be great to have a
4 simplification or a flat tax at 17 or even 20
5 percent. But if it gets to 30 or 35 -- I don't think
6 it would happen with this Congress -- we're going to
7 see changes and back to spending ways.

8 MR. KEMP: In 1986, as Governor Whitman
9 pointed out, we thought we had the rate down to 28.
10 It went up to 32, and then up to 40, as it is today.

11 In my opinion, having left this out of my
12 speech, I appreciate very much the question. I think
13 the tax code should be stable. I think it should be
14 locked in. I think it should take some form of a
15 constitutional majority to be able to raise that
16 rate.

17 But I would suggest one way to keep it
18 stable is to make it very visible, put it low enough
19 so the American people can see it, and then have a
20 national debate every two years or four years over
21 whether or not raising that tax rate would be good
22 for the economy.

1 In Hong Kong, they've got a 15 percent
2 income tax, a 16 percent corporate income tax, and a
3 zero capital gains tax. And the last two members of
4 the city council who tried to raise it were defeated.
5 That's ultimately the only protection you have in a
6 democracy, is that when people come up with stupid
7 ideas, they don't get elected.

8 But I think there should be a
9 constitutional majority to have to raise that rate.

10 I pick 19, incidentally -- and this is
11 Sunday, so I will give you Genesis 41:34 in which
12 Joseph, the little 19-year-old Jewish boy sold into
13 slavery to Pharaoh's Egypt by his jealous brothers,
14 told Pharaoh, if he wanted to get the economy growing
15 again, stupid, he should cut the top tax rate from 80
16 down to 20.

17 Well, you've got to read between the
18 lines. But clearly, he said, "Take up to one-fifth,
19 no more." And that sounds to me like a pretty flat
20 tax rate. I would be happy to start at 25 and go
21 down to 19, with the fiscal dividend, in my opinion
22 which would come as a result of lowering tax rates on

1 labor and capital.

2 GOVERNOR THOMPSON: Governor Engler?

3 GOVERNOR ENGLER: Mr. Secretary, I very
4 much appreciate your comments this morning. I find
5 myself in accord with what you're saying, and I think
6 you made a point about the unseemliness of this class
7 warfare.

8 But I think in this debate, one thing
9 that's lost sight of -- it's in many ways the segment
10 of the population that's sometimes very difficult to
11 communicate with, those at the lower end of the
12 economic ladder. Under these proposals, I think
13 there's a common ground, at least in the treatment of
14 lower income populations.

15 What's your sense in terms of being able
16 to get this point across, to sort of push it through
17 the clutter of the debate? Because those incentives,
18 in terms of moving people off of welfare, or keeping
19 somebody from falling into welfare, and helping those
20 who are working hard, but feeling like every day they
21 get further behind -- there's an awful lot of
22 optimism in this message.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And I'm struggling a little bit, how do we
2 overcome some of the clutter out there? Because this
3 is a critical, critical point for, I think, the
4 national debate.

5 MR. KEMP: An 11th Century Talmudic
6 philosopher, Maimonides, said, "The noblest charity
7 is to prevent someone from having to take charity."
8 The highest form of charity, Maimonides said in the
9 11th Century of the Talmud, is to create a job for
10 someone so they could take care of themselves.

11 It seems to me you cannot create jobs when
12 you over-tax the men and women who create the jobs.
13 I would suggest that the Fortune 500 do not create
14 the jobs. As every governor in this room knows, the
15 ultimate generator of new jobs are those men and
16 women who start the new ones. According to David
17 Birch at MIT, they create 91 percent of all the new
18 jobs in America.

19 Clearly, if we want a high-growth economy
20 and a high-job-generating economy, we should
21 eliminate the tax on the capital gains of those men
22 and women who begin to start those new businesses.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Someone said, "Well, isn't that going to
2 help the rich?"

3 I tell people -- I would have liked to
4 have spoken to the Million Man March on this issue.
5 I tell folks all over this country, the rich are
6 already rich. If the tax code was supposed to help
7 the poor, how is it helping the poor to allow the top
8 one percent of the U.S. taxpayers and income levels
9 to be able to generate 95 percent increase in wealth
10 over the past, say 25-30 years?

11 The system isn't working. So maybe we
12 ought to, as Emerson warned us -- he said, "You
13 cannot see the field well from within the field." As
14 an old quarterback, every now and then, you've got to
15 step out of the field and look down in order to see a
16 bigger perspective.

17 And I think, John, you've raised a great
18 issue. You cannot help the poor by soaking the rich.
19 You help the poor by giving them access to the
20 opportunity on that ladder so they can get rich
21 themselves. And ultimately, to be rich in America is
22 to be, not only rich in creature comforts, but to be

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 rich in jobs, education, a savings account, ownership
2 of property, access to capital, and a chance to move
3 from being a truck driver maybe someday to be a truck
4 owner.

5 I'm very sensitive to this. My daddy was
6 a truck driver who bought the truck and started a
7 trucking company that put four boys through college
8 in the 1940s and '50s. In my opinion, I think we
9 could as Democrats and Republicans agree upon one
10 thing in '96, that we're going to start over, replace
11 the code, commit ourselves to high levels of economic
12 growth, the type of welfare reform that's being
13 discussed and debated and actually carried out in the
14 State of Wisconsin and Michigan and throughout this
15 great country, and commit ourselves to doubling the
16 size of the U.S. economy in the next 10 years.

17 That would give us a \$12 trillion economy,
18 \$1 trillion more of revenue, a lot of new jobs, and
19 an opportunity to really have a debate on other
20 peripheral issues.

21 But let's not get hung up on class warfare
22 in 1996. I must go. But I wish you well, and look

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 forward to your effort to make sure we get a budget,
2 because I think it would lower interest rates and
3 lower tax rates on families, and the formation of new
4 capital.

5 Godspeed to each and every one of you.

6 (Applause.)

7 GOVERNOR THOMPSON: Thank you very much,
8 Congressman and Secretary. It's always a pleasure to
9 hear from you. Thank you very much.

10 I'd like to call Governor Ed Schafer to
11 the podium to introduce our next speaker.

12 GOVERNOR SCHAFER: Esteemed colleagues, it
13 is true we North Dakotans sent a tax collector to
14 Washington to represent us in the U.S. Senate.
15 Senator Byron Dorgan's long public service career
16 started in the State Tax Department. Soon after he
17 received his masters degree.

18 His performance there led to an
19 appointment to Tax Commissioner. And at 26, he
20 became the youngest constitutional officer in the
21 history of our state.

22 He was subsequently elected twice to that

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 position, and was chosen as one of the 10 outstanding
2 state officials in the United States by Washington
3 Monthly.

4 In 1980, Byron was elected to the U.S.
5 House of Representatives, and spent 12 years there.
6 I know first hand his acceptance by the people of
7 North Dakota, for I challenged him in 1990 for his
8 fifth term in the House. And after a hard-fought
9 campaign, Byron managed to eke out a victory by a
10 mere 65 percent of the vote.

11 He is now serving his first term in the
12 Senate, having won an impressive victory in 1992. He
13 is the Assistant Democratic Floor Leader, and Vice
14 Chairman of the Ethics Committee.

15 In this session, we're talking about
16 numbers and tax policy, and how it affects the
17 budget, and importantly, how it affects other
18 people's pocketbooks. We have some interesting
19 numbers in North Dakota, too. In Rock Lake, North
20 Dakota last week the wind chill temperature reached
21 minus-102 degrees. The good news though, this
22 morning it is only 16 below.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 That kind of reminded me, when I was in
2 Las Vegas not too long ago for a Western Governors
3 Association meeting, I was visiting with a person in
4 the hotel. He said, "How are the winters in North
5 Dakota?" I said, "They're cold. It could get to 40
6 below." And he looked at me and said, "Forty below
7 what?"

8 (Laughter.)

9 GOVERNOR SCHAFFER: Interesting
10 perspective. But it is a dry cold.

11 Numbers are important to our state. I'd
12 like to remind you that our tourism number is 1-800-
13 HELLO-ND. And numbers are important to the Senator
14 as well. He's proud to tell you that he graduated
15 fifth in his high school class.

16 It is my pleasure to introduce to you the
17 Senator from the great State of North Dakota, Senator
18 Byron Dorgan.

19 (Applause.)

20 SENATOR DORGAN: Thank you very much.

21 There were nine in my high school class.
22 That's why the Governor mentioned that. I come from

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 a town of 300 people. I was the first baby of the
2 year. My folks got all of those presents you get. I
3 was born May 14th. You didn't have to be born real
4 early to be first in a small town.

5 (Laughter.)

6 SENATOR DORGAN: Following Jack Kemp is
7 really quite remarkable. I served with Jack for many
8 years in the House of Representatives. And typical
9 this morning of Jack is, I think he philosophically
10 weaves a wonderful garment, and is one of the
11 brightest, most interesting, thoughtful people I
12 know.

13 The details occasionally get missed. My
14 name is Byron, not Brian, per Jack's introduction.
15 Jack cloaked his presentation of the flat tax. In
16 support, he drew from the Scriptures. He said he was
17 supported by the Bible. He said he was supported by
18 an 11th Century philosopher, and also seemed to
19 suggest he was supported by Abraham Lincoln.

20 Now the fact is, none of us know very much
21 about this subject. And I thought I would quote
22 Ogden Nash about a man who drinks too much and a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 woman who nags him about it. "He drinks because she
2 scolds, he thinks. She scolds because he drinks, she
3 thinks. Neither will admit what's really true: He's
4 a drunk, and she's a shrew."

5 (Laughter.)

6 SENATOR DORGAN: The fact is, none of us
7 know very much about this subject, taxes and economic
8 growth. There's a notion, it seems to me, especially
9 listening to Jack and others, and probably listening
10 to me, that we have an engine room on this ship of
11 state, and in this engine room, there are dials,
12 knobs, and gauges, and levers. And if you simply
13 adjust them all exactly right, taxes, M1B, and all
14 the other notions -- just get all of them adjusted
15 right, and the ship of state moves right ahead.

16 The fact is, that's not what moves the
17 ship of state. We I think, almost all of us who talk
18 about economic theory, have an over-inflated sense of
19 self-importance. No one I know knows very much about
20 this subject. I used to teach economics, actually
21 part-time. I taught economics in college for a
22 couple of years, and was able to overcome that

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 experience nonetheless and go on to other pursuits.

2 My notion then was that economics, the
3 study and field of economics, was largely psychology
4 pumped up with a little helium to demonstrate that
5 nothing really seems as it is. The Federal Reserve
6 Board exists in this town. All of you know that.
7 It's in a big concrete bunker over here not too many
8 blocks from where you meet today.

9 They've got folks sitting in there who
10 would never have to see the sun in order to do their
11 jobs. They could sit in some concrete enclave and
12 just whir all their computers and use all their
13 numbers. And you know what they do? They decide
14 with their models that a car accident is economic
15 growth. They decide that Hurricane Andrew was one-
16 half of one percent of economic growth for America.
17 That's the way they look at the economy.

18 My point is, no one here knows very much
19 about what's happening. But the central thesis of
20 Jack Kemp is one that I share, and one that I think
21 most of you share: This country can and should
22 experience better and more robust economic growth.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And providing that kind of economic growth will offer
2 and provide more opportunity for everyone in this
3 country.

4 The question is, how do you get that?

5 Some maintain that the central economic
6 issue of the day is, shall we have a flat tax? And
7 if we do, will the flat tax spur new economic growth
8 in America?

9 In 1986, we went through an enormous tax
10 reform effort in the Congress. And we destroyed,
11 virtually destroyed the entire tax shelter industry
12 in America. You'll recall all those folks whose
13 business was to get good grades and graduate from
14 college, and then go to work trying to figure out how
15 you avoid taxes and make millions of dollars advising
16 others how they could save millions of dollars by
17 sheltering their income.

18 We don't have much of a tax shelter
19 industry in America anymore because we decided with
20 the '86 tax reform effort that we were going to have
21 the market system send signals about whether
22 apartment buildings needed to be built, not the tax

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 code. We've made some real progress.

2 However, in 1986, the effort was fairness
3 and a more market-oriented tax system. But it was
4 not simplicity. The tax system is not as simple as
5 it should be. Jack Kemp is correct about that.

6 But what do we do to simplify it without
7 undercutting the central fairness of a tax system?
8 If I might, just in a thumbnail sketch, give you the
9 context in which we debate this -- and I'll get you
10 back on schedule here, I won't be long.

11 But the context is this. We have a \$7.5
12 trillion economy. The federal government has a
13 budget of about \$1.5 trillion. We have a \$160
14 billion budget deficit if you don't count the Social
15 Security revenues, which are now being misused, which
16 adds another \$70 billion to the deficit.

17 We have a merchandise trade deficit in
18 American today that exceeds the federal budget
19 deficit. But there's almost a conspiracy of silence
20 about it. You won't hear anyone speak of the trade
21 deficit. You can reasonably make a case, although in
22 my judgment it wouldn't be a good case, that the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 budget deficit is a deficit we owe to ourselves
2 because it's unequally held. We wouldn't want to
3 decide to repay it immediately because we'd have a
4 mal-distribution of income.

5 But no one can make the case that the
6 trade deficit must be repaid with a lower standard of
7 living in our country. It must be repaid with a
8 lower standard of living in America. And we have a
9 higher trade deficit, merchandise trade deficit, now
10 than we have a budget deficit.

11 We have a global economy. We operate in a
12 global economy. The stock market is at record highs
13 in this country. Profits are at record highs.
14 Productivity is on the rise. And as Jack Kemp
15 mentioned, accurately so, wages are down in real
16 terms. Sixty percent of the American households now
17 have less income per worker than they had 20 years
18 ago. And that's a real problem.

19 We spend more on gambling than we spend on
20 defense. We have 23,000 murders. We have somewhere
21 around 110,000 rapes and a million aggravated
22 assaults in America. We have about 10 million people

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 out of work, 25 million people on food stamps, 40
2 million people living in poverty.

3 About 1.25 million babies will be born
4 this year out of wedlock; 900,000 will never in their
5 lifetime learn who the father was. And some will
6 take those numbers together and say, "This is an
7 awful place. This place is a terrible place to
8 live."

9 But as all of us know, the other side of
10 this is, we've got people talking about building
11 fences around our country to keep people out. We
12 don't have people rushing to leave America. We've
13 got people trying to get into this country because
14 the other side of the equation is, this is a
15 wonderful place with a lot of good news.

16 Good news doesn't get much attraction
17 these days. The old story, bad news travels halfway
18 around the world before good news gets its shoes on,
19 all of us in politics especially understand that
20 dimension.

21 In the New York Times, I read about a
22 fellow who died some months ago. And I called about

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 it because I was curious. Stanley Neuberg -- Stanley
2 died and did something unusual. He came to this
3 country -- when I called and found out about him --
4 he came to this country with his parents, fleeing the
5 Nazis and persecution of the Jews in Austria; reached
6 New York with nothing; and with his daddy, walked
7 beside his daddy day and night on the lower East Side
8 of New York peddling fish.

9 That's the way they made some money. They
10 made enough money so Stanley could go to school.
11 Stanley went to school, did very well; went to
12 college, did well; went to work for an aluminum
13 company, did very, very well; rose to manage the
14 aluminum company, and then bought it and made a lot
15 of money.

16 And then he died. And when Stanley died,
17 they opened his will. And he left \$5.7 million to
18 the United States of America, with, he said, this
19 admonition: "It's with gratitude for the privilege
20 of living in this great country." And I thought to
21 myself, that's pretty remarkable. That's the kind of
22 news that won't get spread very far, I suppose. But

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 he understands, and so many others do, what we have
2 in this country -- opportunity.

3 The question is, in the context of all of
4 these discussions about who we are, what we are, and
5 where's headed, can we provide, or will we provide
6 better opportunity in our country by changing the tax
7 code, and therefore triggering more economic growth?
8 And that's the central question, I think, that Jack
9 Kemp asks.

10 The flat tax is not a new idea. In my
11 judgment, we should have substantial tax
12 simplification. I think it's very important for us
13 to change the tax code. And I would agree with some
14 of the tenets discussed by Jack Kemp.

15 The interesting thing is, two-thirds of
16 the American people pay more in payroll taxes than
17 they do in income taxes. Payroll taxes in this
18 country, in my judgment, are becoming too high.

19 We say to people, "If you have a choice
20 between hiring a machine and hiring a human being --
21 there's no choice. We're not even going to give you
22 a choice." Our tax system says, "Hire a machine, for

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 God's sake. We'll give you a tax break if you hire a
2 machine. We'll allow you to write it off on an
3 accelerated basis.

4 "But you hire a human being, guess what
5 happens? We use that as a clothes hanger to hang on
6 all kinds of social costs."

7 Our payroll taxes have gone up and up and
8 up and up. The act of creating a job becomes an act
9 that says, "We're going to require it to bear a
10 substantial increase in tax responsibility." Well,
11 it seems to me we ought to address that. There are a
12 lot of ways to address that.

13 But that is not the same issue as
14 addressing the question of, what kind of an income
15 tax do we collect in this country? The flat tax, the
16 so-called flat tax, as I said, is not a new idea.
17 It's been around for many, many years. Congressman
18 Armey offered, I think, the first flat tax in the
19 Congress. Mr. Forbes running for President offered
20 the next real major flat tax proposal, and it became
21 part of the debate.

22 There are three in my judgment central

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 problems with the flat tax. First of all, of those
2 proposed, it is not flat. It is a 17-percent tax
3 rate on people who work for wages and salaries, and a
4 zero tax rate for people who receive their income
5 from inherited wealth or capital gains or interest or
6 dividends. So it is not flat. It is two rates, 17
7 percent and zero.

8 Second, it doesn't add up. Senator Dole
9 has an ad on the air in the primary states, which is
10 an accurate ad, saying that the Steve Forbes plan
11 will add \$186 billion to the federal deficit a year
12 because it doesn't raise enough money. This plan
13 adds \$1 trillion to the federal debt in seven years.

14 Well, heck, if there's no requirement to
15 have it add up, then I'd like to weigh in with a
16 three percent, and probably make the three percent
17 only on investment income, and zero percent on work.
18 It seems to me that there must be some requirement
19 that it must add up. And the major proposals, both
20 the Arme y proposal and the Forbes proposal, simply
21 don't add up. They're not flat. They don't add up,
22 and they're not fair.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 The two major proposals eliminate the
2 earned income tax credit. The result of it would be,
3 people who are now in the roughly \$20,000 income
4 bracket would end up paying more in taxes than they
5 now pay. And someone in the \$300,000 bracket would
6 receive about \$330,000 tax cut.

7 So on the lower end of the scale, you end
8 up paying more. The upper end of the scale, you end
9 up paying a lot, lot less.

10 I'm not going to quote an 11th Century
11 philosopher. But let me quote my Uncle Joe.

12 (Laughter.)

13 SENATOR DORGAN: My Uncle Joe -- we were
14 talking about this. My Uncle Joe says, "Here's the
15 way I figure it. If the poor end up paying nothing,
16 and the wealthy end up paying less, it seems to me
17 that there's not much room left in there for me. It
18 seems to me like I'll probably end up paying more."

19 And Uncle Joe had it right. The fact is,
20 those folks in the middle are going to end up paying
21 more, assuming that you have to raise the same amount
22 of revenue.

1 Now, let me just conclude with a couple
2 points. We have some very significant economic
3 challenges which should be addressed through
4 thoughtful, new, innovative, and exciting approaches,
5 by you and by us and by the American people.

6 We should eliminate the trade deficit.
7 That ought to be something all of us ought to work on
8 together on a priority basis. We ought to restore
9 good jobs by eliminating the trade deficits, which
10 can bring jobs back to this country. I notice those
11 Hershey's kisses in front of all of you. You know,
12 they're Mexican now. They used to be made here in
13 America, but they're made in Mexico.

14 I could talk an hour about NAFTA and
15 trade, but I won't do that.

16 We've got to reduce the trade deficit,
17 which will restore more jobs, back into this country.
18 It's fine for us to say, "Let's have the American
19 worker compete with two or three billion others
20 around the world." But the American worker can't and
21 shouldn't be asked to compete with someone who works
22 14 hours a day for 14 cents an hour when they're 14

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 years old. That happens all too often, and it
2 happened to help to create the trade deficit that we
3 now experience here in this country.

4 We need to find ways to produce more here
5 at home. Those who measure, including the Federal
6 Reserve Board, and virtually everyone else, measure
7 economic health on what we consume, do no service to
8 this country. The issue is not what we consumed this
9 month or last month or last year. The issue is, what
10 do we produce in America?

11 The genesis of economic health, in my
12 judgment, relates to having a healthy, vibrant,
13 productive sector. That's the sector that produces
14 good-paying jobs in the future in this country.

15 The second thing, in addition to dealing
16 with the trade deficit, we have to get more economic
17 growth. And one of the ways we ought to do that is,
18 all of us to the extent we can ought to try to find a
19 way to bring the Federal Reserve Board to change
20 their modeling techniques. If we live in a global
21 economy, then they ought not model with 50-year-old
22 models.

1 The fact is, the Fed says, "If we have
2 less than six percent unemployment, it's a bad thing.
3 If we have more than three percent economic growth,
4 it's a bad thing."

5 I mean, I don't understand the Federal
6 Reserve Board sitting there with a foot on the brakes
7 suggesting that we can't tolerate any less than six
8 percent unemployment, and can't tolerate any more
9 than three percent economic growth.

10 Jack Kemp and others are exactly right.
11 We can and should have better economic growth numbers
12 in this country. In this global economy, with more
13 accurate modeling, I think even the Fed would
14 understand that we don't have inflation clouds over
15 the horizon. Those sudden interest rate increases
16 that they gave us, they were wrong. They said they
17 were wrong, and in retrospect it's clear they were
18 wrong.

19 Third, we should simplify our tax system.
20 There isn't any question about that. We have to deal
21 with this issue of payroll taxes, and see if we can
22 find a way to create a new tax system that recognizes

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that, if you start taxing the way we do at our
2 levels, the creation of jobs, you're doing no service
3 to your productive economy.

4 And I would say one other thing. There's
5 one tiny little insidious provision in our tax laws
6 that says, "Let's provide a tax break." If you close
7 your plant in America and move it overseas, any
8 country that decides that it ought to give a tax
9 break for those who move their jobs overseas is not
10 thinking very straight.

11 If we can't close that little insidious
12 tax break, there's something wrong. I offered an
13 amendment on the floor of the Senate and lost four or
14 five votes on a partisan vote. We ought to at least
15 start down this road of saying, "We ought not to have
16 imbedded tax incentives in our tax code that make it
17 more attractive to move American jobs overseas."

18 Let me conclude by just mentioning one
19 other person who I served with in the House of
20 Representatives, Don Sundquist and Mike Lowry and
21 others will know here, Claude Pepper. Claude Pepper
22 was a wonderful man. In the first week I came to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Washington, came to Congress, I walked into Claude
2 Pepper's office. He was the oldest person here.

3 One of the sights I saw in his office as I
4 walked in were two pictures behind his chair, hanging
5 on his wall. And I've never forgotten it and what it
6 represents.

7 Claude Pepper had a picture of Orville and
8 Wilbur Wright making the first airplane flight. And
9 it was autographed to Claude. Orville Wright
10 autographed it to Congressman Claude Pepper:
11 "Regards" -- and it was Orville Wright before he
12 died, and then underneath it a picture of Neil
13 Armstrong standing on the moon, autographed, "To
14 Claude Pepper."

15 It occurred to me, when you think of what
16 it means between going from the ground to the air to
17 the moon, the technology, the burst of progress in
18 this country, what this country accomplished in
19 dozens of areas, yes, that's technology. Medicine
20 and education and so many areas -- sometimes we take
21 all of that for granted. We have had a remarkable
22 history of achievement, and I think we'll have a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 remarkable future of achievement.

2 These kinds of discussions and debates
3 about flat taxes and budgets are good. I mean, it's
4 what this country needs to do. It's what our
5 political system is about. And through it all, I
6 hope that, instead of getting at the worst of what
7 political parties have to offer, we can get the best
8 of what both political parties have to offer.

9 Because I think there is a reservoir of
10 good ideas all around this country, from every corner
11 and every source that will advance this country
12 forward in the future.

13 Thank you very much.

14 (Applause.)

15 GOVERNOR THOMPSON: Senator Dorgan is
16 willing to answer some questions. Any questions?

17 Yes, Governor Nelson.

18 GOVERNOR NELSON: Senator, would you
19 describe the effort at working for a flat tax for
20 fairness and equity, a typical effort where there
21 tends to be a belief that somehow everybody will pay
22 less, but somehow we'll raise more? Would you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 describe it that way? Or is that a fair assumption?

2 SENATOR DORGAN: Yes.

3 (Laughter.)

4 SENATOR DORGAN: I think you've said it
5 well. I think the basic thesis here is that, if you
6 simply cut tax rates generally for everybody, that
7 somehow you will end up getting more from everybody.
8 I think that's an acceptable way of describing that
9 particular philosophy.

10 GOVERNOR NELSON: Part of the philosophy
11 goes that, if the taxes are actually reduced as to
12 rate, there will be more money flowing through the
13 economy for more jobs. And somehow, that will come
14 back in to increasing the amount of revenue by rate.

15 SENATOR DORGAN: Right. And I think if
16 all of you as governors, or all of us in Congress
17 could get a revenue estimated to share with us, if we
18 can reduce all these things, that there will be this
19 nirvana in the future and a burst of new revenue,
20 we'd have a much easier time moving legislation
21 forward because you could propose all kinds of
22 constructs, and maintain that, even though you're

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 reducing your tax base, you're actually going to get
2 much more revenue.

3 You could do a lot of creative things. Of
4 course, the Congressional Budget Office will not
5 allow one to do that.

6 GOVERNOR THOMPSON: Governor Engler?

7 GOVERNOR ENGLER: One of the people that
8 Secretary Kemp quoted was President Kennedy. I was
9 wondering if you could just walk us through the
10 fallacy of the Kennedy argument that was quoted by
11 Kemp. Why didn't that work?

12 SENATOR DORGAN: Actually I missed the
13 Kennedy quote. Did he quote Kennedy?

14 GOVERNOR ENGLER: Yes, he did, the 1962
15 speech to the New York Economic Club. He has been
16 talking about reducing capital gains rates, and the
17 idea of bringing those down.

18 I certainly take it from your comments you
19 disagree.

20 SENATOR DORGAN: No, not at all. It's
21 interesting. Go back for a moment and think through
22 what President Kennedy was proposing. President

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Kennedy was proposing bringing capital gains rates
2 down to 28 percent. Ask yourselves, what is the
3 capital gains tax rate in America today? Twenty-
4 eight percent.

5 I mean, I think that we have a
6 circumstance where, in the 1950s, the top income tax
7 rate was 90 percent. In 1980, the top income tax
8 rate was 70 percent. In 1981, the top income tax
9 rate went down to 50 percent. It has systematically
10 been reduced, moving in the direction that most
11 Americans wanted it to move in. It went down. The
12 top tax rate now is about 39.5 percent.

13 But, you know, we don't have many
14 Americans paying that rate. But we now have a
15 capital gains tax differential, and that differential
16 is at 28 percent versus the 39.5 percent.

17 GOVERNOR THOMPSON: Governor Tucker?

18 GOVERNOR TUCKER: Senator, do you see any
19 prospect of movement towards a consumption, greater
20 reliance on consumption tax rather than an income
21 tax?

22 SENATOR DORGAN: I think that will happen

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 at some point in the future, and there is some
2 discussion about that. In fact, the Nunn-Domenici
3 tax approach is basically a consumption-based
4 approach. I think in the longer term, probably as an
5 offset to some of the payroll tax issues I discussed,
6 there will be more serious and thoughtful discussion
7 about some other kind of consumption tax.

8 This country will probably in the longer
9 term also take a look at the European models in those
10 areas. But we're not anywhere near that at this
11 point.

12 And I think frankly we are I guess at an
13 intersection where we're now talking about the flat
14 tax. I mean, that happens to capture the public
15 debate at the moment.

16 And you'll forgive me I hope for just
17 mentioning -- I don't want this to be class warfare
18 or anything of the sort. But it is, at least in my
19 judgment, unusual that a near-billionaire proposes to
20 reduce his own taxes, and everybody in Washington,
21 D.C. calls it a new idea. That probably could only
22 happen in this town.

1 GOVERNOR THOMPSON: Thank you very much.

2 Governor Whitman is the last questioner.

3 GOVERNOR WHITMAN: Senator, I just have
4 one question. As this issue of the taxes gets
5 debated in the Senate and in Washington, are you
6 looking purely on the revenue side? Is there any
7 attention given to possible cutting of federal
8 expenditures? I notice that you say if you cut
9 taxes, you lower revenues. You're presuming the same
10 level of expenditure.

11 Do you in your discussions and
12 deliberations consider at all the possibility of
13 cutting federal spending, and that there would be any
14 way to achieve a balance?

15 SENATOR DORGAN: Sure. If you simply took
16 the lower of the two offers on the table in these
17 budget talks -- in every single category of spending,
18 take the lower of the proposed spending cuts, because
19 in every area you're talking about cuts -- take the
20 lower of the cuts in every area, you have \$711
21 billion in the seven years of spending cuts.

22 Everyone is now talking about spending

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 cuts. We're not a city or a Congress any longer
2 talking about what kinds of programs will be
3 increased.

4 The dilemma I would say, however -- and I
5 think as governors who understand this as well as we
6 do -- we in this country have attached our
7 entitlement programs to inflation so that their
8 spending goes up with inflation. Then we've attached
9 the tax code to inflation so that it's prevented from
10 increasing revenues with inflation.

11 I mean, it doesn't take anybody more than
12 a fourth or fifth grade understanding of math to
13 understand what we've created. And we must deal with
14 that somehow. We must bring spending and revenues
15 into balance.

16 And the question of how that's done will
17 really relate to how the American people want it to
18 be done. You and other governors and we in the
19 Congress are creatures of this political system,
20 hired by and serving at the pleasure of the American
21 people.

22 They, it seems to me, will provide the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 signals how we balance this budget and how we deal
2 with the question of revenues and expenditures.

3 The American people, in my judgment, will
4 want less spending in a lot of areas. They want a
5 fair tax system. They want more economic growth and
6 more opportunity. And they're very concerned about a
7 circumstance where everything looks like it's hitting
8 new records, except wages for working families, which
9 are falling. That's of great concern to many
10 American families and something all of us had better
11 be concerned about as well.

12 Thank you very much.

13 (Applause.)

14 GOVERNOR THOMPSON: Thank you very much.

15 (Applause.)

16 GOVERNOR THOMPSON: We have two more
17 policy issues that have got to be discussed before we
18 break for lunch. The first one is on the farm
19 program. I'll call upon Governor Branstad quickly,
20 and Governor Nelson.

21 GOVERNOR BRANSTAD: The 1990 Farm Bill has
22 expired. Yet a new farm bill has not been passed.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 This is causing a great deal of concern among
2 America's farmers, because farmers are trying to plan
3 for the coming year, and want to know what the
4 federal program is going to be.

5 Governor Nelson and I are the lead
6 governors on agriculture, and are recommending a
7 resolution urging quick action on the farm bill.

8 Passing a farm bill that gives greater
9 flexibility to farmers in making their choices and
10 lets farmers take advantage of the tremendous
11 opportunities that are growing in the international
12 marketplace, and one that fosters efficient family-
13 based agriculture is something that we need,
14 something that also contributes to preserving our
15 natural resources through the conservation programs.

16 We already in some of the southern states,
17 farmers, and those people that raise winter wheat
18 have already planted it. Farmers are getting ready
19 for their 1996 cropping year, deciding what to do.
20 It is critical that this matter not be delayed any
21 further.

22 I would hope that the governors, by coming

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 together in a bipartisan way, urging action, as soon
2 as the Congress gets back, and one that would be
3 supported on a bipartisan basis so that it could be
4 approved by the President, is critical.

5 The National Governors Association urges
6 Congress and the Administration to expedite the
7 development of the 1996 Farm Bill, consistent with
8 the NGA's approved policy regulations. Every effort
9 must be made to finalize this farm legislation before
10 February 15, 1996. The consequences of not taking
11 action on this is to revert to the old law.

12 I think back in the 1930s, it is not
13 designed for the modern circumstances with the
14 international marketplace that exists today.

15 GOVERNOR THOMPSON: Why don't you move it,
16 Governor Branstad?

17 GOVERNOR BRANSTAD: I would move the draft
18 resolution.

19 GOVERNOR NELSON: Second.

20 GOVERNOR BRANSTAD: I would like to yield
21 to Governor Nelson.

22 GOVERNOR NELSON: Thank you, Governor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Branstad and Governor Thompson.

2 I'll second that motion.

3 The truth of the matter is that our
4 association has already adopted a policy on
5 agriculture for a farm bill that would increase
6 flexibility in agricultural programs, allow farmers
7 to take advantage of international market
8 opportunities, and to foster an efficient family-
9 based system on agriculture, and contribute to
10 natural resource conservation goals in the process.

11 The longer this languishes, the less
12 likely it is that a bill that will come through that
13 will take care of all of the policies adopted by the
14 NGA, and it leaves agriculture in a suspended state
15 where we need to in fact move beyond that.

16 I certainly hope that we will pass the
17 resolution here, and adopt one that will urge
18 finalization of farm legislation before the 15th of
19 February.

20 GOVERNOR THOMPSON: Thank you very much,
21 Governor Nelson and Governor Branstad.

22 We'll have to have the executive committee

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 move that.

2 Governor Voinovich?

3 GOVERNOR VOINOVICH: I move that.

4 GOVERNOR CAPERTON: I'll second it.

5 GOVERNOR THOMPSON: Is there discussion?

6 GOVERNOR DEAN: Mr. Chairman.

7 GOVERNOR THOMPSON: Governor Dean?

8 GOVERNOR DEAN: I was not aware this was
9 coming up, because I had a nice five-hour stay in our
10 airport yesterday trying to get down here. I fully
11 concur with the notion that the governors ought to
12 support getting a farm bill out, but not any farm
13 bill will do. And our Senators are very much
14 involved with the farm bill, as you can imagine.

15 I would like to propose an amendment to
16 this resolution, which would be one sentence, which I
17 would take from our present policy. It's just a very
18 specific reiteration of our policy, and it's based on
19 the notion that states themselves might do a better
20 job of regulating certain commodities, in my case
21 dairy. They are the federal government.

22 This policy statement is taken from page

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 146 of the Policy Manual, which I probably grant that
2 most of you don't have, dated August 1995, and would
3 say that the governors also recommend that Congress
4 gives states flexibility to create multi-state
5 marketing agreements in order to enhance farm prices
6 within their borders. Such authority would not be
7 intended to permit states to erect trade barriers.
8 That is our existing policy.

9 We are in a battle probably with your own
10 state Senators, Governor, over the New England dairy
11 compact. This would simply reiterate our existing
12 policy. It's important for us to have that in there
13 if we could.

14 GOVERNOR THOMPSON: Governor Dean, are you
15 going to make a motion?

16 GOVERNOR DEAN: I would move it.

17 GOVERNOR THOMPSON: Is there a second to
18 the amendment?

19 GOVERNOR ALLEN: I'll second it.

20 GOVERNOR THOMPSON: You're not on the
21 executive committee; I'm sorry. And I'm adamantly
22 opposed to it, George. Is there a second?

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR CAPERTON: I'll second it.

2 GOVERNOR THOMPSON: Any discussion?

3 (No response.)

4 GOVERNOR THOMPSON: Hearing none, all
5 those in favor of the amendment to the farm policy
6 which allows for a group of states to set up a
7 marketing agreement which is CNG policy -- but all
8 those in favor of that amendment, signify by saying
9 aye.

10 (Chorus of ayes.)

11 GOVERNOR THOMPSON: Opposed, signify by
12 saying nay.

13 I want to be recorded as voting nay,
14 loudly.

15 Thanks, Governor Voinovich, for your
16 assistance here.

17 (Laughter.)

18 GOVERNOR THOMPSON: It passes, in spite of
19 the cheer.

20 (Laughter.)

21 GOVERNOR THOMPSON: All those in favor of
22 the farm policy as amended with this terrible

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 amendment, signify by saying aye.

2 (Chorus of ayes.)

3 GOVERNOR THOMPSON: Opposed, signify by
4 saying nay.

5 Nay.

6 The ayes have it. This is under
7 suspension. We will have to have a three-quarters
8 vote on Tuesday.

9 The last thing I'd like to bring up
10 concerns a new thing that came to my attention that I
11 think is near and dear to every governor's heart.

12 That is that the Pentagon right now is
13 reassessing the force structure and equipment needs
14 of the United States Armed Forces. Every time they
15 do that, they tend to really reduce the National
16 Guard.

17 As part of this reassessment of the
18 National Guard, it has once again become the focus of
19 possible structural changes. And there has been a
20 proposal granted. This is not what the Pentagon has
21 agreed to right now. This is a proposal they are
22 discussing. But there is a proposal that will delete

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Guard units in over 20 states, and refocus the
2 mission from being a part of the combat-ready force
3 to being just the maintenance force, and the
4 secondary forces.

5 I would think that each and every governor
6 would be adamantly opposed to this. We have a policy
7 that I would like to have us reaffirm that supports
8 an Army National Guard force structure allowance of
9 405,000 individuals as approved by the current U.S.
10 Secretary of Defense two years ago in the bottom-up
11 review and the Army Off-site Agreement.

12 The governors remain committed to a
13 National Guard that provides sufficient forces and
14 capabilities for dealing with state emergencies, as
15 well as the federal mission, should the need arise.

16 The governors believe that the Guard
17 should and will be the primary force in our country,
18 and will continue to play a critical role in peace
19 and war. Their strengths are our citizens, their
20 unique state and federal ties, their unique dual
21 mission, and their cost-effectiveness and combat-
22 readiness.

1 They are the national insurance policy for
2 domestic and foreign emergencies.

3 I would move the reaffirmation of that
4 policy, and send the proposal to the Department of
5 Defense.

6 GOVERNOR VOINOVICH: Second.

7 GOVERNOR THOMPSON: Second by Governor
8 Voinovich.

9 Any discussion?

10 (No response.)

11 GOVERNOR THOMPSON: Hearing none, all
12 those in favor of that policy, signify by saying aye.

13 (Chorus of ayes.)

14 GOVERNOR THOMPSON: Opposed, signify by
15 saying nay.

16 (No response.)

17 GOVERNOR THOMPSON: The ayes have it. The
18 motion is granted.

19 Now a motion to adjourn is in order.

20 VOICES: So moved.

21 VOICES: Second.

22 GOVERNOR THOMPSON: All those in favor of

1 adjourning, signify by saying aye.

2 (Chorus of ayes.)

3 GOVERNOR THOMPSON: We will reassemble at
4 the Governors Only luncheon that's very important to
5 the direction of our organization. So I hope you
6 will all come as soon as you possibly can, starting
7 at 11:30.

8 (Whereupon, at 11:20, the meeting was
9 recessed, to reconvene at 1:30 on Sunday, February 4,
10 1996.)

11

12

13

14

15

16

17

18

19

20

21

22

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

PLENARY SESSION

Washington, D. C.

MONDAY, FEBRUARY 5, 1996

ACE - FEDERAL REPORTERS, INC.

Stenotype Reporters

1120 G Street, NW
Washington, D.C. 20005
(202) 347-3700

**NATIONWIDE COVERAGE
800-336-6646**

NATIONAL GOVERNORS' ASSOCIATION

* * *

WINTER MEETING

PLENARY SESSION

J.W. Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Grand Ballroom

Washington, D. C.

Monday, February 5, 1996

1:30 p.m.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 P R O C E E D I N G S

2 GOVERNOR THOMPSON: We have an extremely
3 interesting afternoon. So I would hope that the
4 governors who are slowly filtering into the room
5 would hurry as much as possible, because I would like
6 to get started.

7 We have of course just an outstanding
8 speaker who is a friend of all of ours here today.
9 And I would like for everybody to get a chance to
10 hear Mr. Greenspan and give him as much time as
11 possible.

12 So those governors out there that are in
13 the hallway, I would hope that they would quickly
14 come in here.

15 (Pause.)

16 Would the governors please come in? We
17 have a very busy afternoon, but an exciting one. We
18 have some outstanding speakers that are going to be
19 addressing the governors this afternoon. And I would
20 like to have as many governors come in as soon as
21 possible so we can get started.

22 Ladies and gentlemen, it is my distinct

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 honor this afternoon to have the privilege of
2 introducing an outstanding leader in America,
3 somebody I think that all Americans are deeply
4 indebted to him for his leadership and his
5 dedication.

6 We're going to be able to discuss this
7 afternoon as governors a crucial national issue:
8 What is driving the United States economy? And how
9 is the structure of the economy changing?

10 And I believe very strongly, personally,
11 that one of the primary reasons our economy is as
12 strong as it is today is that the Federal Reserve
13 Board and its esteemed Chairman, Alan Greenspan, has
14 supported sustained growth with low price inflation.
15 This means more Americans can afford college loans,
16 and more young families can buy their first home and
17 have their first new car.

18 Chairman Greenspan knows what he talks
19 about. He is the former Chairman of the Council of
20 Economic Advisors, Chairman of the National
21 Commission of Social Security Reforms, and board
22 member of several Fortune 500 companies.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Mr. Chairman, we are deeply in your debt
2 for taking time out of your busy schedule to be with
3 us today. And we appreciate your leadership, and we
4 thank you for coming.

5 Mr. Greenspan.

6 (Applause.)

7 MR. GREENSPAN: Thank you very much,
8 Governor. I'm really quite impressed to look around
9 the room and see that everyone apparently has got the
10 same first name.

11 (Laughter.)

12 MR. GREENSPAN: I hope I can live up to
13 Governor Thompson's view of what I'm supposed to do.
14 But I'll try. And I must say that we are dealing in
15 a period which is probably one of the most
16 fundamentally changing periods in American economic
17 history.

18 The United States is currently confronting
19 a set of forces pulling us in divergent directions.
20 The rapid acceleration of computer and
21 telecommunication technologies can reasonably be
22 expected to appreciably raise our productivity and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 standards of living in the 21st Century, certainly,
2 and quite possibly in some of the remaining years of
3 this century.

4 In the short run, however, the fallout
5 from rapidly changing technology has created a marked
6 degree of uncertainty and insecurity among a
7 significant segment of our work force.

8 It should not be surprising to find that
9 when the stock of plant and equipment with which most
10 Americans have to interact in their day by day job
11 routines is turning over rapidly as it is today,
12 human skills are subject to obsolescence at a rate
13 perhaps unprecedented in American history.

14 Almost six years ago, I stressed to this
15 association the dramatic trends towards an ever-
16 increasing conceptualization of our gross domestic
17 product, the substitution, in effect, of ideas for
18 physical matter in the creation of economic value.

19 This afternoon I should like to update and
20 extend the implications of these extraordinary forces
21 which are driving the American economy, and indeed
22 most of the major industrial economies in the world

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 as well.

2 The roots of increasing conceptualization
3 of output lie deep in human history. But the pace of
4 such substitution probably picked up in the early
5 stages of the industrial revolution when science and
6 machines created new leverage for human energy.

7 Nonetheless, even as recently as the
8 middle of this century, the symbols of American
9 economic strength were our output of such products as
10 steel, both for vehicles and heavy machinery, items
11 for which sizeable proportions of production costs
12 reflected the value of raw materials, and the sheer
13 manual labor required to manipulate them.

14 Since then, trends towards
15 conceptualization have focused today's views of
16 economic leadership increasingly on downsized,
17 smaller, less palpable evidence of output requiring
18 more technologically sophisticated labor input.

19 Our radios used to be activated by large
20 vacuum tubes. Today we have elegantly designed,
21 pocket-sized transistors to perform the same
22 function, but with the higher quality of sound and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 greater reliability that consumers now expect.

2 Thin fiberoptic cable has replaced huge
3 tonnages of copper wire. Advances in architecture
4 and engineering, as well as the development of
5 lighter but stronger materials now give us the same
6 working space, but in buildings with significantly
7 less concrete, glass, and steel tonnage that was
8 required in an earlier era.

9 If we actually had the data and
10 effectively weighed our gross national product in
11 tons, we would find that it was rising at an
12 imperceptibly mild rise; whereas the total value
13 added has been rising at a fairly pronounced pace,
14 the difference basically being the substitution of
15 ideas.

16 The process of conceptualization and
17 output seems to have accelerated in recent decades
18 with the advent of the semiconductor, the
19 microprocessor, the computer, and the satellite.
20 These technologies have become especially significant
21 since my visit with you in 1989.

22 Under the circumstances, it has puzzled

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 many of us that the growth of output as customarily
2 measured has not evidenced a corresponding pickup.
3 Of course, output may not be measured correctly.
4 Indeed, the financial markets are suggesting that we
5 increasingly expense items which should be
6 capitalized, and hence underestimate the growth of
7 our GDP and productivity.

8 But it is also possible that some of the
9 frenetic pace of change is wheel-spinning -- changing
10 production inputs without increasing output -- rather
11 than real advances in productivity.

12 A number of commentators, particularly
13 Professor David of Stanford University, have
14 suggested that much of the wheel-spinning, if that's
15 what it is, reflects the extended time it typically
16 has taken to translate a major new technology into
17 increased productivity and higher standards of
18 living.

19 It may be that the big increases in
20 productivity growing out of the introduction of
21 computers and communications equipment still lie
22 ahead. Past innovations such as the advent of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 electricity or the invention of the gasoline-powered
2 motor vehicles required considerable infrastructure
3 before their full potential could be realized.

4 Electricity, when it substituted for steam
5 power late last century, was applied to production
6 processes suited to steam. Gravity was used to move
7 goods vertically in the steam environment. And that
8 could not initially change with the advent of
9 electric power.

10 It was only when horizontal factories
11 newly designed for optimal use of electric power
12 began to dominate our industrial system many years
13 after electricity's initial introduction that
14 productivity as we usually measure it clearly
15 accelerated.

16 Similarly, it was only when modern
17 highways and gasoline service stations became
18 extensive that the lower cost of motor vehicle
19 transportation became evident. It is possible that
20 the computer telecommunications revolution is just
21 too new to as yet fundamentally improve standards of
22 living overall.

1 Moreover, to be fully effective,
2 innovations also require a considerable amount of
3 human investment on the part of workers who have to
4 deal with these devices on a day to day basis.

5 On this score, I sense that we still may
6 not have progressed very far relative to potential,
7 compared to the facility with which the average
8 citizens handles another complex device, the
9 automobile, most workers and consumers still appear
10 to possess only rudimentary skills when it comes to
11 making computers do what is wanted of them.

12 Mass acceptance and full exploitation of
13 computer technologies, the analog of what was
14 accomplished in making cars that were affordable,
15 standardized, and easily operated, probably still lie
16 ahead.

17 In the meantime, we have a situation in
18 which there are some serious mismatches between the
19 skills of workers and technologies that have changed
20 considerably, and still are advancing rapidly. And
21 these mismatches are affecting pay differentials
22 between the skilled and the unskilled.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 As conceptualization of output has moved
2 apace, the relative economic value of intellectual
3 skill has clearly increased. During the past 15
4 years, for example, the earnings of college graduates
5 have increased relative to those who are high school
6 graduates. And in turn, high school graduates have
7 continued to open up their advantage over those who
8 are high school dropouts.

9 In fact, a significant minority of our
10 labor force has experienced real wage decreases, and
11 this development surely is one factor in the unease
12 that is all too prevalent, as well as in the apparent
13 stretching of the distribution of incomes in recent
14 years.

15 Exaggerating this income dispersing trend
16 is the growing evidence of what is being called a
17 winner take all society in which the best in any
18 activity tends to take an increasingly larger share
19 of a market. The best actors, the best basketball
20 players, the best business innovators earn far more
21 than average.

22 The reason is that the major advances in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 telecommunications technologies have allowed any
2 skill a far wider market than a generation ago.

3 New visual communications allow talents to
4 offer their services throughout the world. Who wants
5 second best when the best is available at nearly the
6 same price? Who buys the records of the fourth or
7 fifth best tenors in the world singing an aria from
8 Don Giovanni? The two top performers take most of
9 the market. A century ago, such performers could not
10 readily compete outside their localized areas.

11 Fortunately, the rapidly changing
12 technologies have engendered an increased degree of
13 competitive intensity which may very well cap and
14 perhaps reverse the trend toward winner take all and
15 other forces increasing income dispersion.

16 Once-proud high tech firms are being
17 upended by new technologies developed by upstarts.
18 But even the latter are lately looking over their
19 shoulders at other upstarts with still newer
20 technologies. The outsized rewards to high skills
21 induce others to emulate them, and hence staying at
22 the top has become ever more precarious.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 More generally, entrenched economic
2 advantage is being increasingly challenged by a
3 global competition which shows no signs of abating.

4 In addition, we must be alert in coming
5 years to the need to improve the skills and earning
6 power of those who appear to be falling behind. In
7 the long run, better child rearing and better schools
8 are essential. But in the shorter run, on the job
9 training is a critical necessity to overcome the
10 educational deficiencies of all too many of our young
11 people, and to renew the skills of workers who have
12 fallen behind the rapidly rising curve of
13 technological change.

14 It has become quite apparent that many
15 firms have concluded that it makes more sense to
16 invest in such training than to bid up wage scales in
17 a zero-sum competition for the existing limited pool
18 of well qualified workers. As a bottom line,
19 through, workers in many kinds of pursuits probably
20 had better look forward to a lot of hard work
21 acquiring and maintaining the skills needed to cope
22 with a rapidly evolving economy.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 The notion that early education could be
2 crafted to support the needs of one's life work is
3 rapidly changing. Education is increasingly becoming
4 a lifetime activity. Over time, as workers acquire
5 new skills, and as computer applications continue to
6 become ever more user friendly, the present income
7 mismatches should diminish.

8 To be sure, the most visible force of
9 recent change, the continuous downsizing of
10 microprocessors, and hence computer and
11 telecommunications equipment may increasingly
12 encounter physical limits. But almost as surely, new
13 technologies not now visible will emerge.

14 We can anticipate change to be pervasive,
15 and its competitive forces are allowed free rein, and
16 our fiscal problems resolved. We can expect ever
17 higher living standards for all Americans.

18 Will Americans adjust to a frenetic pace
19 of change and allow it to happen? While we have in
20 the past, and almost surely will in the future, it is
21 important that we recognize that adjustment is not
22 automatic. We do have episodes in recent human

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 history where, for example, pressures of change were
2 not easily absorbed. And people chose what appeared
3 to be a greater degree of security rather than
4 competitive challenge.

5 Competitive forces, especially those
6 driven by technological change, create uncertainty
7 and dislodgement. But they also bring with them an
8 enhanced quality of living and the increased economic
9 abundance so necessary to confront the problems that
10 exist in societies throughout the world.

11 Thank you very much.

12 (Applause.)

13 GOVERNOR THOMPSON: Thank you so very
14 much, Alan, for your being here. Thank you for your
15 wonderful words.

16 And I'm going to lead off by the first
17 question. I'm sure there will be a lot more that
18 follow.

19 The National Governors organization has
20 taken a leadership role in urging Congress to use
21 accurate numbers in the CPI. I would like to ask
22 you, what will happen? First off, should Congress do

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 it? I put you on the spot. Second, what will happen
2 if they do? And what is the cost savings on the
3 different percentages?

4 MR. GREENSPAN: I think there are two
5 issues here, Governor. One is, what should be done
6 with the so-called Consumer Price Index? And, what
7 should be done with indexing those federal retirement
8 and tax programs? These are actually two different
9 issues.

10 The Consumer Price Index has indeed -- it
11 is stated within the materials made available by the
12 Bureau of Labor Statistics, is not a measure of the
13 cost of living. It is a measure which endeavors to
14 capture average prices at the retail level.

15 And that differs from the cost of living
16 because it's a fixed market basket. And people have
17 demonstrated time and time again that, as prices of
18 certain items rise relative to others, consumers
19 switch to the lower-priced goods. And as a
20 consequence the cost of living tends for that reason
21 alone to run significantly under the measured
22 Consumer Price Index.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Similarly, there are a number of technical
2 issues which are involved in calculating the CPI.
3 For example, it is almost impossible for any agency
4 to capture new products prior to them being matured
5 enough in the markets to be recognizable, and have
6 wide particular applications of use.

7 The result of this is that since most new
8 products in their very early stages have falling
9 prices, and then start to rise thereafter, if you
10 consistently eliminate the first part of this change,
11 namely the decline, and you never go back and revise
12 the data because we have the CPI locked into so many
13 legal contracts, you bias the index higher.

14 There is very little that the Bureau of
15 Labor Statistics can do to alter a number of these
16 technical problems, which are built into the
17 structure of what that index is. As a consequence of
18 that, it can only correct for what is now a generally
19 agreed to be an over-estimate of the cost of living,
20 partially.

21 I testified before the joint hearing of
22 both budget committees upon the Hill about a year

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 ago. And I suggested that there is very potentially
2 significant savings involved if indeed the purpose of
3 the Congress to adjust both tax and retirement
4 programs for the true cost of living indeed did that,
5 which meant that we would have to subtract some of
6 the gains from the CPI which, by general acceptance,
7 as I indicated, over-estimates this.

8 Now, part of that adjustment is going to
9 be made by actual changes in the way the BLS adjusts
10 the CPI, and in so doing, it will effectively remove
11 some of the bias. And that will of course be in the
12 published data. And no legislation is required to do
13 that, other than to fund the BLS properly, for them
14 to make those estimates.

15 What I was actually getting at a year ago,
16 and I will repeat today -- and I think this is
17 basically what the issue is -- is that we should be
18 legislating some adjustment which would be beyond
19 this technical adjustment, and in effect produce a
20 new index whose sole purpose is to index programs of
21 the federal government.

22 It's pretty clear that if we were to do

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that, the original intent of the Congress in
2 endeavoring to hold everyone harmless from changes in
3 the cost of living would be accomplished.

4 But it would require legislation which
5 would essentially say, for want of a better way of
6 coming at this, that the published Consumers Price
7 Index would be used as a means to create this new
8 index. But it would basically be saying, it is the
9 Consumers Price Index minus X. And that X presumably
10 would best be judged by a group of nonpartisan
11 technicians who would endeavor to view what in fact
12 the BLS did with respect to the actual index, and
13 make what further other adjustments were required to
14 capture a true cost of living.

15 I think basically doing that would have a
16 very major effect, as everyone who has calculated the
17 numbers has found out, on the issue of costs of
18 expenditures in the budget going forward. And I
19 think it's clearly a very sensitive issue, because
20 numbers of people are concerned, that it is in fact a
21 cut in either Social Security or in various other
22 retirement programs.

1 I don't think that it is. I think what it
2 tends to do is to remove a bias in the governmental
3 procedure to actually endeavor to capture what
4 Congress in my judgment originally intended.

5 GOVERNOR THOMPSON: Thank you very much,
6 Alan.

7 Yes, Governor Whitman.

8 GOVERNOR WHITMAN: Given the volatility
9 that you talked about, the change in the marketplace,
10 and what you're suggesting on finding true CPI
11 numbers, what about true unemployment? Are the
12 monthly numbers as they are currently compiled by the
13 Department of Labor accurate for trends, for
14 planning? Is there a better way to do it?

15 What do you feel those numbers reflect as
16 they are reported on a monthly basis, as they are
17 now, or have been? They're going to be changed, I
18 guess.

19 MR. GREENSPAN: The basic sample, as I
20 recall, is something like 60,000 households a month.
21 And it's a very sophisticated statistical technique
22 which, despite the very small, presumed very small

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 sample of the general work force, has I think a
2 fairly good history of being accurate, as best we can
3 judge.

4 It's not very good on a month by month
5 basis because there's a lot of noise in there. But
6 its trends seem to capture basically what
7 unemployment is, if you use the definition which the
8 BLS uses, which is basically individuals employed or
9 actively seeking work.

10 That I think over the years has pretty
11 much been accepted by all technicians and economists
12 as probably the best measure of unemployment. That
13 is not to say that you can't get alternate measures
14 by taking discouraged workers, for example, who are
15 not in those data, adding them back, making
16 adjustments for the fact that part-time workers are
17 included the same and equally weighted as total
18 employees.

19 But having said all of that, I don't think
20 that those data give us a misreading of what's going
21 on in the labor markets. And I think they continue
22 to hone the accuracy of it as they have about a year,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 a year and a half ago. And as a consequence of that,
2 I think that's a pretty good statistic.

3 GOVERNOR THOMPSON: Thank you.

4 Governor Leavitt, then Governor Graves.
5 That's the question.

6 GOVERNOR LEAVITT: Mr. Greenspan, I was
7 captivated by your argument on the mismatch between
8 our technology and the capacity to use it. You've
9 enumerated your arguments. I was struck by how apt
10 your comments were for education, higher education,
11 and public education in particular.

12 Higher education -- for 2,500 years,
13 people have been going to campuses to get knowledge,
14 and now knowledge comes to them. And I can see a day
15 when the kind of winner take all strategy you've
16 talked about -- not strategy. But the effect could
17 occur in the campuses where you have access to some
18 of the finest and the best on a worldwide basis.

19 I'd be interested to hear you reflect on
20 that in the context of education, and what you see
21 the implications being for higher education as an
22 institution and public education as well.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 MR. GREENSPAN: Well, Governor, I think
2 the most important starting point is to recognize
3 that when you take a look at the average age of the
4 capital stock, that plant and equipment that we have
5 in place in this country, which of course our work
6 force of necessity interfaces with on a day by day
7 basis, as I remarked, that is going down. That
8 average age is going down very considerably and
9 quickly.

10 Another way of looking at that is that the
11 capital stock is turning over very quickly. And what
12 that means is that any set of skills that any group
13 of people have at any particular point in time,
14 working with this rapidly changing capital stock, are
15 almost surely going to become obsolete, or
16 obsolescent perhaps, within a relatively short period
17 of time.

18 And were they not to continuously endeavor
19 to hold up skills, upgrade them and change them, job
20 security I think, which is under real stress at this
21 particular stage because of this process, would
22 worsen.

1 I mean, one need only consider, for
2 example, the possibility of how a skilled typist who
3 has been working for 20 years honing those skills is
4 all of a sudden confronted with somebody changing the
5 structure of the keyboard. You feel as though the
6 world has changed. And indeed, to a lesser extent,
7 that is what is going on.

8 So, what strikes me as the major issue
9 which is coming up with respect to the question of
10 education generally is the necessity of continuous
11 education. I'm sure, as you know, Governor, there
12 are innumerable high-tech corporations particularly
13 who have separate internal universities in which they
14 require that their work force go to school
15 periodically to continuously hone skills.

16 And I think what we are in the process of
17 seeing at this stage is an increasing interaction
18 between corporate America or business America
19 generally, and education because what we tend to do
20 in public schools or private universities is
21 increasingly teach abstract questions of how to
22 handle various things, which is very useful.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 But it is terribly important for people
2 who are working on complex technologies not to be
3 giving wide abstractions, but to have capabilities of
4 adjusting very explicitly to very specific
5 technological changes, so that their value added when
6 associated with this capital stock is at a maximum,
7 and their incomes are at a maximum.

8 So what I see the markets tending to do is
9 to increasingly force a larger and probably
10 progressively increasing share of our educational
11 efforts into the business community itself. And I
12 think that because education per se is an ever-
13 increasingly important issue because if what we're
14 turning out is conceptual as distinct from physical,
15 either people using computers and being able to deal
16 with the new technologies -- unless they can do that,
17 they have the risk of falling behind.

18 But one thing we do know, very fortunately
19 from looking at the way technology changes, is that
20 every human being has got capabilities which cannot
21 be replicated by technology. So that there is a
22 fundamental, deep-seated value added in the way a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 human being functions that can create very
2 significant real incomes when interfaced with this
3 complex technology.

4 And so what is required at all levels of
5 the income scale is an enhancement of educational
6 capabilities. And my own judgment is that what's
7 going to happen in the years ahead is that the
8 universities, the public schools, will interface with
9 a process which inevitably is going to mean that
10 education, rather than being related to a very early
11 stage of our lives, is of necessity going to expand
12 as far out as our life work's occur.

13 Because to do otherwise would indefinitely
14 relegate a significant part of our population to jobs
15 in which their skills increasingly become less
16 adequate to the task.

17 GOVERNOR LEAVITT: Can I follow up with
18 that?

19 GOVERNOR THOMPSON: Sorry, Mike. We
20 haven't got time. Governor Graves has got the last
21 question. I'm sorry, Mike. I would like to help
22 you. But we have Leon Panetta here, and we're on a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 very tight schedule, as you know, this afternoon.

2 Governor Graves.

3 GOVERNOR GRAVES: I'm sorry, Mike.

4 Mr. Chairman, we've had a couple of
5 speakers share with us the pros and cons of the flat
6 tax. Would you care to enlighten us on what the
7 proper rate of taxation should be?

8 (Laughter.)

9 MR. GREENSPAN: Probably not.

10 (Laughter.)

11 GOVERNOR THOMPSON: We've got to get done
12 this afternoon, too.

13 MR. GREENSPAN: Let me just say, Governor,
14 as I very hopefully, sinuously evade that question,
15 to indicate what I think is terribly important. The
16 crucial issue on taxation is that, if you have to
17 finance a very high level of expenditure, virtually
18 no tax system will be structured in a manner which
19 will not be undercutting economic efficiencies.

20 So all I would say, without coming to
21 grips with flat taxes, marginal rates, and a variety
22 of other things which I agree with the Chairman would

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 go on well into the afternoon, is, whenever we think
2 of tax reform, I think we ought to start on the
3 expenditure side, because if we can keep expenditures
4 down, it is very easy to structure any numerous
5 different tax regimes which are effective from issues
6 of equity and efficiency.

7 If we end up with bloated expenditures,
8 with too high a level of expenditure, vis a vis our
9 tax base, I don't envisage any particular regime
10 being of necessity so superior that it will eliminate
11 that particular problem.

12 Thank you very much, ladies and gentlemen.
13 It's a pleasure to be here.

14 (Applause.)

15 GOVERNOR THOMPSON: The final question,
16 Alan, is, if the Congress and the President agree
17 upon a balanced budget in seven years, what will the
18 interest rates go down, in 2002? One answer.

19 MR. GREENSPAN: Didn't you say I just
20 answered the last question?

21 (Laughter.)

22 GOVERNOR THOMPSON: Thank you very much,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Mr. Greenspan. You were outstanding. I personally
2 am delighted, and I know all the governors are, that
3 you came down and shared your wonderful thoughts with
4 us. We really appreciate it.

5 GOVERNOR LEAVITT: Governor Thompson, can
6 we get copies of that available, actually?

7 GOVERNOR THOMPSON: I've already asked for
8 it, Mr. Leavitt. I knew you'd want one, sir.

9 Alan, can you leave a copy, as asked?
10 Okay.

11 This afternoon we're very pleased once
12 again to have another one of our friends come down
13 and be with us. He's an outstanding public servant,
14 and is totally dedicated to the public good with no
15 thought of personal gain.

16 He's a friend of mine, and he's a friend
17 of all of the governors. He's one of those guys you
18 can call up, and you know that you will always get a
19 friendly response. It may not be what you always
20 agree upon. But he will always respond, and he will
21 do it in a friendly manner, something I respect in an
22 individual.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I'm delighted, of course, to have Leon
2 Panetta here. But I also found out that he's a
3 graduate of the same school as our Vice Chairman Bob
4 Miller. So I thought it was only fitting to have Bob
5 Miller personally introduce him. Bob has been
6 wanting to do this. And I don't know what's going to
7 happen. So we'll find out shortly.

8 Bob?

9 GOVERNOR MILLER: I don't think there's
10 much I can add, other than that he obviously received
11 an outstanding education, which has resulted in his
12 prominence. I on the other hand was obviously at the
13 other end of the curve when we graduated from Santa
14 Clara University at different times.

15 But Leon Panetta and his experience, both
16 on the Hill and in the White House, have been very
17 positive for this country, and certainly for our
18 association. It is a pleasure to welcome you here
19 today. It is truly a pleasure to work with you on a
20 daily basis.

21 (Applause.)

22 MR. PANETTA: Thank you very much, and I

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 appreciate the opportunity to be here.

2 Bob Miller, as he mentioned, we are
3 graduates of Santa Clara University, which is a good
4 Jesuit school. And I often remember a priest who --
5 in those days all of us had to take what was called
6 theology classes.

7 And I remember having an old Jesuit who
8 was teaching about the old approach, and said
9 essentially that he believed that at the last
10 judgment, we would all gather in a large valley for
11 the last judgment. Everybody would be reunited with
12 their body, and they would gather in this large
13 valley. And he went on and on.

14 Finally I raised my hand, and I said,
15 "Father," I said, "I just don't think that everybody
16 who ever lived can be reunited with their body, and
17 all gather in one valley anyplace on earth."

18 And there was this long silence. And he
19 said, "Son, if it's good enough for me, it's good
20 enough for you."

21 (Laughter.)

22 MR. PANETTA: I use that in the White

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 House staff.

2 (Laughter.)

3 MR. PANETTA: But basically the message
4 was, don't make waves.

5 But essentially what governors have to do
6 these days, and the President is trying to do, is to
7 essentially make waves so that we can all work
8 together to try to improve this country and improve
9 the future of our children.

10 I want to personally express my
11 appreciation to all the governors for the cooperation
12 that you've provided.

13 Whether it's under a Democratic chairman
14 or a Republican chairman, I have to tell you that in
15 my experience in this town, which extends over 20
16 years, I have never witnessed either on Capitol Hill
17 or for that matter in the administration the level of
18 cooperation and discussions that we have had with the
19 governors over the last three years.

20 It has been intense; it has been
21 continuing. And we deeply appreciate the cooperation
22 that you have provided as we try to work through some

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 very tough issues.

2 I'm a believer that in all form of
3 government, we're talking about the need for a
4 partnership, a partnership between the federal
5 government and between the states and local
6 government, working together to try to help working
7 families in this country, working together to try to
8 provide a sense of community as we deal with the
9 issues that face these families, working together to
10 promote, I think, a common set of values.

11 What I wanted to do today was to basically
12 summarize where I believe the discussions are with
13 regard to the budget, touch a little bit about where
14 the appropriation situation is. Then I'd be happy to
15 answer your questions.

16 Budgets, as all of you know, are not just
17 about numbers. There's always a tendency in this
18 business when you're dealing with budgets,
19 particularly seven-year budgets, basically to kind of
20 focus on numbers, and say, you know, "Why can't you
21 just split numbers? Why can't you just do it this
22 way?"

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 But numbers in a budget are more than just
2 numbers. They're about people, and they're about
3 priorities, and they're about what this country
4 represents in terms of helping people.

5 So budgets go beyond just numbers. This
6 is not just a question of, obviously allowing
7 deficits and debts to drive our future. But neither
8 should budgets be about forgetting our obligation to
9 one another.

10 The goal that we have always had, and that
11 the President has, as we have gone into these
12 negotiations, and to any budget for that matter --
13 the fundamental goal is that we have to discipline
14 our budget. We have to significantly reduce our
15 deficits. But we also have to protect our
16 responsibilities, be it on Medicare, Medicaid, be it
17 on the key investments on education and training, on
18 science and technology, on the environment.

19 But we also have to be careful certainly
20 not to raise taxes on working families. That was the
21 thrust of what we felt we put together in a \$500
22 billion deficit reduction package. And in fact, when

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 we put that in place, as tough as that was, whether
2 you agree or disagree, the reality is that the
3 economy has performed better.

4 We have moved forward. We've been able to
5 make our investments in the key areas we care about,
6 in growth and inflation; have been on the right
7 track. Productivity is on the right track. And as
8 the President points out, we're producing almost 8
9 million jobs in our economy.

10 So there is not a conflict here about
11 whether or not you can balance the budget, or
12 discipline your budget, and at the same time provide
13 the investments that keep our economy moving forward.
14 We think you can do both. So our goal has
15 essentially been, let's focus on balancing the
16 budget. We can do it in seven years. We can do it
17 according to the Congressional Budget Office.

18 But we can also do it in a way that
19 protects those areas that we care about that affect
20 people.

21 That essentially was built into a
22 bipartisan agreement in a continuing resolution

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 between the Republicans and the Democrats. In that
2 continuing resolution, we said we're committed to a
3 seven-year budget. We're committed to having it
4 scored by the Congressional Budget Office.

5 But we are also committed to providing
6 adequate resources to Medicare and to Medicaid, to
7 education, to the environment, to veterans. There
8 were a series of investments that we also committed
9 ourselves on a bipartisan basis to as part of these
10 negotiations. And the negotiations themselves have
11 basically been about, how do we achieve a balanced
12 budget, but at the same time, try to protect these
13 areas?

14 The 50 hours of negotiations in the Oval
15 Office, as all of you can understand, are
16 unprecedented. I have worked, I think, in the time I
17 have been in this town -- well, I have on every major
18 budget summit that has involved the Congress and the
19 President of the United States. And in that time, I
20 have never seen a President commit as much time to
21 direct negotiations with the leadership in the
22 Congress as this President.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 In 1990 when we were working on the budget
2 agreement at that time with President Bush, President
3 Bush appeared for about 20 minutes to kick off the
4 negotiations. I think we saw him a few minutes
5 during the negotiations.

6 But never was it at any time the kind of
7 time commitment that this President has committed to
8 trying to reach an agreement -- 50 hours of
9 negotiations. There's been a great deal of
10 discussion. As you can understand, there's been a
11 lot of give and take. I think both the President and
12 the leadership understand the positions of both much
13 better than they did.

14 They've found that there are in fact areas
15 of agreement. They've found obviously that there are
16 also significant areas of disagreement. But it's
17 been a good give and take.

18 I want to point out that, for those that
19 sometimes say there hasn't been much give here, what
20 you have seen in numbers that we currently have on
21 the table are a movement of almost about \$283 billion
22 from the President's original balanced budget

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 proposal in June. We've essentially moved about \$283
2 billion, a big chunk of that in discretionary
3 spending, but a chunk of that in entitlements as
4 well.

5 In addition, Republicans have moved about
6 \$189 billion from their conference report on
7 reconciliation. So as you can see, both sides have
8 in fact moved off of the numbers that had been
9 originally proposed by both sides.

10 Let me summarize the last offer that we
11 put on the table, so you can understand where the
12 situation is right now. They passed out, I think,
13 the charts to all of you. I'm going to just run down
14 each of those areas. We've got the chart here. You
15 can't probably see it. But just follow it off of
16 your documents.

17 The basic areas are the following. This
18 was the last offer that we put on the table. And
19 incidentally, it is the basis on which we are
20 submitting the '97 budget today. We would basically
21 submit a budget off of these numbers.

22 On Medicare, it is \$124 billion in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 savings. Our original number was about \$97 billion.
2 Just to make clear, the proposal on Medicare does not
3 involve any increases with regards to beneficiaries.

4 The area of differences that we have are
5 that there are some differences with regard to
6 Medigap protection. There are differences to what
7 are called medical savings accounts that the
8 Republicans would like to put in place immediately,
9 and there are some differences with regard to how
10 these approaches would be implemented.

11 The President agrees that there has to be
12 choice provided, that we have to provide greater
13 flexibility in terms of plans. But he wants to
14 ensure that the fundamental protection of the
15 Medicare program is in fact in place.

16 We did make some progress here in terms of
17 discussing options. There was a discussion about
18 whether we could take some of the ideas presented by
19 the Republicans and put them into demonstrations.

20 But there nevertheless remains a
21 difference here in the level of savings, and whether
22 or not beneficiaries would contribute to the level of

1 guarantee of health care under Medicaid.

2 The \$59 billion is basically our people
3 saying to us that, if you want to maintain the level
4 of present care that goes to individuals under the
5 Medicaid program, that's the number you need.

6 And I understand there are differences.
7 We're now looking at about a difference of \$85
8 billion to \$59 billion. But our number was based on
9 our people telling us that, if you want to maintain
10 the guarantee, and the basic benefit programs that
11 you currently require, that's the number you need
12 over the seven-year period.

13 On discretionary, the number is \$297
14 billion over seven years. It was originally \$138
15 billion. So you can see that the largest movement
16 has been in the discretionary area. This represents
17 more than a hard freeze. But it also represents what
18 we believe will protect our investments in education
19 and environment and in high tech.

20 This could represent, however, a reduction
21 in other areas of the budget of anywhere from 10 to
22 20 percent because, obviously, if you're going to try

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 savings.

2 The principle concern we have on Medicare
3 as it was proposed in the Congress is that it
4 provides incentives for the healthiest and the
5 wealthiest to get off of Medicare into a private
6 program. That then leaves the program short on
7 resources, so that we feel it doesn't sustain the
8 basic program for most of the elderly in the country.

9 That's a fundamental policy difference. I
10 think Republicans would argue that perhaps this could
11 produce greater incentives with regard to choice.
12 But we nevertheless, and the President, made clear
13 that that's our fundamental concern. We do not want
14 to undercut the basic security of the Medicare
15 program itself.

16 The differences there came down to about
17 \$124 to \$168 billion.

18 On Medicaid, we are at \$59 billion in
19 savings. We went from 38 was our original proposal
20 on savings. The fundamental difference there, as all
21 of you know in your negotiations, is the guarantee
22 and whether or not we will protect the fundamental

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to focus your discretionary accounts and your
2 discretionary targeting in education, and the
3 environment, and high tech, it's going to result in
4 reductions in other parts of the discretionary
5 budget.

6 We did discuss, however -- and I think the
7 Republicans concur in this -- that if we get a deal
8 for '96, we will add about \$5 billion additional
9 discretionary funds. And for '97, we will add about
10 \$10 billion in additional discretionary funds above
11 the levels that the Republicans have proposed.

12 That will, we believe, protect the
13 investments that we care about. And we believe the
14 Republicans would concur in that.

15 On welfare, we have \$41 billion. It's an
16 increase from \$38 billion. And you realize that our
17 welfare approach here is becoming very similar to the
18 kind of work that the governors are involved with.

19 On EITC, the earned income tax credit,
20 this was an area where we believe we can get about \$5
21 billion as a result of actions to enforce against
22 fraud and abuse in the EITC program. This began as a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 cut in the Republican program of almost somewhere
2 between \$25 to \$30 billion.

3 And what we have done is said that that's
4 too much. That increases taxes on working families.
5 And we think we now are moving to an area of
6 potential agreement on EITC, somewhere between \$5 to
7 \$10 billion in savings.

8 On other mandataries -- other mandataries
9 basically means other entitlement areas -- we have
10 largely agreed on about \$67 billion worth of savings
11 in these areas. This includes user fees, asset
12 sales, savings from continuing some veterans savings,
13 some retiree savings. We're hoping to get some
14 savings out of the agricultural area, although there
15 is some dispute between the administration and the
16 Congress as to what kind of agriculture program is to
17 be agreed to for savings.

18 So this represents what I would call the
19 other entitlements outside of health care. We have
20 an agreement of about \$67 billion in those areas. So
21 when you add those up, plus some additional corporate
22 subsidies -- this BLS, by the way, there's been

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 discussion about whether or not we should do anything
2 with regards to the CPI, the Cost of Living Index.

3 There are some that would recommend that
4 we in fact go further here. This agreement of \$19
5 billion the CPI represents where we think the Bureau
6 of Labor Statistics intends to go in terms of
7 reflecting the level of increase in the economy that
8 we anticipate seeing over these next few years.

9 So it is in line with what the Bureau of
10 Labor Statistics would show, and it does not go
11 beyond that. But we still pick up about \$19 billion
12 just on that move.

13 Corporate subsidies, we have \$46 billion.
14 I think the Republicans are at \$26 billion. We have
15 a little on tax compliance. When you add that up
16 with interest, it's \$740 billion in savings that we
17 have put on the table as our last offer.

18 We recommended a tax cut of about \$130
19 billion. We have moved from a tax cut that we had
20 recommended of \$116. It basically would provide for
21 a child tax credit at \$500. It would have to
22 transition in, though, because of the number we're

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 using.

2 Education -- it provides for the education
3 deductions that the President has recommended. It
4 provides for a back-loaded IRA. It provides for
5 small business expensing. There is a small reform on
6 a state and gift tax that's included. There is
7 pension simplification, and there are tax incentives
8 to industries on the so-called brown fields, the
9 abandoned industrial sites so that they can be
10 cleaned up.

11 So that represents then our basic approach
12 that is on the table, and that is included in our
13 budget.

14 Let me just, to show what the President
15 has been talking about in terms of common savings.
16 There are obviously still some differences here. But
17 there are also some areas of common savings that, if
18 in the end we cannot agree as to every area, we want
19 to at least accept these common savings.

20 On your sheet, you can see the differences
21 th re. If you take the Democrats' last offer or the
22 President's last offer, if you take the Republicans'

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 latest offer, and if you take the minimum of savings
2 laid down by each side, you have a total of \$711
3 billion.

4 So if you just take, in Medicare, instead
5 of 168, take 124; in Medicaid, 59; in corporate
6 subsidies, take the 26 that the Republicans have
7 offered -- just go down and take the minimum savings,
8 you come out with \$711 billion.

9 What the President has said is, in the
10 very least, if we can't agree on all of these policy
11 differences, let's accept at least the minimum level
12 of savings that's on the table, because that will get
13 you a balanced budget, and it will be scored by a
14 CBO, and it will provide for a minimum tax cut at the
15 same time.

16 So let us not lose at least the
17 opportunity to get a balanced budget, if in fact
18 that's our goal. Hopefully, we can resolve our
19 differences. We think we're close. We would like to
20 continue these negotiations in the Oval Office. They
21 are on hold right now, I think largely because I
22 don't think the leadership is quite certain right now

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 whether, in arriving at an agreement, they can
2 deliver the votes to basically pass a balanced
3 budget.

4 We hope we can continue to negotiate. We
5 hope we can continue to do that within the Oval
6 Office. But there are some encouraging signs within
7 the Congress itself.

8 There are bipartisan groups. On the
9 Senate side, Senators Breaux and Chafee have put
10 together a bipartisan group that is working hopefully
11 towards trying to get a plan that is very close to
12 the level of savings here. There is a coalition
13 group on the House side that is doing very much the
14 same thing.

15 Obviously, if we can build a group from
16 the center out that can agree on a balanced budget,
17 and be able to get that through the Congress, then we
18 would certainly want to work with them and get that
19 done.

20 The President deeply feels that we have
21 come a long way. And as you can see from these
22 numbers, we have come a long way. We're close to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 getting agreement, and we ought to try to get it done
2 before the end, certainly of this session, and
3 hopefully within these next few weeks.

4 Let me just talk very briefly about the
5 state of appropriations and what we're looking at
6 there. On appropriations, it is unprecedented that
7 we would be in a year -- this is fiscal year '96. We
8 still do not have some of the key appropriations
9 bills agreed to by the Congress for fiscal year '96,
10 and we are four months into '96.

11 The main bills that are still out are the
12 following: Labor, HHS, VA/HUD and independent
13 agencies, State Commerce and Justice, Interior are
14 the key bills that are still out, and that have not
15 been resolved.

16 We have a continuing resolution in place
17 that funds programs through March 15th in these
18 areas. But as you know, it's about a 75 percent
19 floor. The problem with that is that it is now
20 creating severe problems in terms of planning.

21 School districts are now telling us that
22 they will have to dismiss school teachers, that they

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 are going to have to make significant reductions in
2 terms of what they can provide children in education
3 if they do not get some kind of firm appropriations
4 bill soon.

5 The same kind of thing is true in job
6 training, as was pointed out this morning by one of
7 the governors. In addition to that, we have serious
8 problems in the environment, where we are now seeing
9 inspections in EPA down about 40 percent, and the
10 revolving fund down about 30 percent.

11 So for that reason, our goal is obviously
12 to try to get a deal. If we get a deal, we can
13 resolve the appropriations bills. If we do not get a
14 deal, I have to tell you that the administration
15 cannot tolerate a short-term CR. We cannot continue
16 to tolerate that for the sake of school districts and
17 for the sake of those that depend on funding in these
18 areas.

19 So our goal will be essentially, hopefully
20 to resolve these remaining appropriations bills, but
21 in the very least, get a level of CR that takes us
22 through October 1, so that people can plan then for

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the future, and not be on a 15 or 30-day hold every
2 time we pass a short-term CR.

3 The same thing, I think, has to be said
4 for the debt ceiling. The debt ceiling has now been
5 extended through March 15th. We thank the Congress
6 for having done that. But frankly, our goal is to
7 not have continuing short-term extensions of the debt
8 ceiling. That's bad business. It's bad for the full
9 faith and credit of this country.

10 We would want a one-year extension of the
11 debt ceiling so that we can make clear to the country
12 and to the world that we do not intend to default;
13 that we will abide by our full faith and credit, and
14 that we will keep our word. That needs to be done.
15 And it needs to be done by the Congress soon.

16 In conclusion, this has obviously been a
17 tough year for everyone. There have been some
18 fundamental differences in direction that we have had
19 to fight through. We have had, obviously, the battle
20 over one group staking out some area on ideology, and
21 another group fighting to try to govern at the same
22 time.

1 There is always a time to stake out
2 ideology, but there is also a time to govern. And I
3 think the time to govern is now long overdue. That
4 means frankly that there's got to be some give.
5 There's got to be some compromise in order to be able
6 to do that.

7 Our responsibilities are to essentially
8 govern this country. There is still time to get a
9 balanced budget. There is still time to resolve the
10 '96 to '97 appropriations. There is time to get a
11 line-item veto. There is time to pass the
12 Kennedy/Kassebaum health care proposal.

13 I think the governors have basically set
14 an example of bipartisan cooperation. And if you can
15 do it, the Congress can do it.

16 The work that you're doing now with regard
17 to the proposals on Medicaid, the work that you're
18 doing on welfare reform, is drawing together a
19 bipartisan group to try to work your way through some
20 very tough issues.

21 I think what you presented the President
22 this morning indicates that you're making significant

1 progress in trying to arrive at an agreement here.
2 The President continues to encourage you to move in
3 that direction. We will provide whatever help and
4 guidance we can to try to ensure that ultimately we
5 can get an agreement, not only in those areas, but on
6 the balanced budget.

7 There's no reason why we cannot have the
8 President and the Congress following your example of
9 bipartisanship and resolve these issues. We owe it
10 to your states. We owe it to the American people.
11 But most importantly, we owe it to our children.

12 Thank you very much.

13 (Applause.)

14 GOVERNOR THOMPSON: Leon has agreed very
15 generously to take a couple of minutes to answer any
16 questions that we might have.

17 Any questions?

18 The only question that I would have, Leon,
19 is, on your deficit reduction path, there seems to be
20 an acceleration in the outer years. Is there any
21 reason for that?

22 MR. PANETTA: Yes. Let me have that. As

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 you can see from the charts, both the President's
2 proposal, as well as the Republican proposal chart a
3 very similar path with regards to deficit reduction.
4 There is concern -- and I would indicate that it's
5 shared on both sides -- about whether or not, instead
6 of moving to 2000 and then having this kind of drop,
7 that there be a greater transition in terms of
8 getting to 2002.

9 Some of this is not easy to do, obviously,
10 as you try to reach a set goal of balancing the
11 budget. And I think, frankly, both sides have to do
12 a little bit of work at trying to see if we can get a
13 better transition.

14 Part of the problem is the tax proposals.
15 And I would tell you that if there's a major
16 difference that we currently have in the negotiation,
17 it is still over the level of the tax cut. We had
18 proposed \$130 billion; the Republicans were still
19 trying to push for a tax cut of somewhere over \$200
20 billion.

21 To do that, obviously, you've got to pay
22 for it. And how do you pay for it? You've got to go

1 back at these programs in order to pay for that level
2 of tax cut.

3 I was encouraged that there are some
4 members now that are talking about the possibility of
5 moving the savings approach and then dealing with the
6 tax cut approach, and having that basically be
7 debated on a separate track.

8 There is something to be said for that,
9 because then we can propose a more modest tax cut,
10 show how we would pay for it. Those who want a
11 larger tax cut would show how they would pay for it,
12 and we could debate that out, and at least get the
13 savings involved, and a balanced budget in place.

14 So there is some hope that perhaps that
15 alternative might be looked at.

16 GOVERNOR THOMPSON: Mike Lowry, last
17 question.

18 GOVERNOR LOWRY: Thank you.

19 Most of us, probably all of us, are
20 dealing with legislatures at home trying to plan a
21 budget, in particularly planning a budget for the
22 future.

1 Seeing that the program cuts really come
2 in the out years, one of my calculations with 33
3 times more in the seventh year than the first year in
4 one of the proposals -- we have legislators at home
5 that are saying that Congress is not going to come to
6 agreement. There's not going to be a balanced
7 budget, so we shouldn't be prepared for that now.

8 Is there going to be something along the
9 lines of a seven-year balanced budget?

10 MR. PANETTA: Mike, after 50 hours of
11 negotiation, and a lot more discussion both on the
12 Hill as well as at the White House, it's still hard
13 to tell whether in fact that will happen. I think
14 the President's feeling is, we have come so far from
15 both sides that with a little more work, we can get
16 to an agreement with regard to balancing the budget.

17 I think it would be a mistake -- I think
18 the Speaker recommended the possibility of basically
19 trying to break up the savings, and doing smaller
20 packages. I would be concerned about that approach
21 because, as you know, having been a member, it's
22 easier to cast one vote on some very tough decisions

1 than have to cast 20 votes on 20 tough decisions.

2 And that it would be far better for us to
3 pull a large agreement together than to try to
4 develop 20 smaller agreements in terms of savings.

5 So I would say this, that I think there
6 are many members that are still anxious to see if we
7 can get a balanced budget. The President is anxious
8 to get this done. I still have hope that we can do
9 it, if there's good will and commitment on both
10 sides.

11 I just would not give up on that. It's
12 not to say it's going to be easy. But on the other
13 hand, we have come too far not to give this final
14 agreement to the American people.

15 As I said, we have got \$711 billion in
16 common savings here that we ought to embrace. And in
17 the very least, let's embrace those savings because
18 it will give us a balanced budget. CBO will score
19 it. If there are some fundamental policy differences
20 that remain, we can fight those out to the election.
21 But let's at least agree to this level of savings.

22 Thanks very much. Thank you, Tommy.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Thank you very much,
2 Leon.

3 (Applause.)

4 GOVERNOR THOMPSON: Thank you, Leon. And
5 would you thank the President for this morning? We
6 appreciated it.

7 Now we have a young star in Congress who
8 has graciously agreed to come back from his home
9 state to be with us this afternoon. I would like to
10 call upon Governor George Voinovich of Ohio to
11 introduce our next very special guest.

12 George?

13 GOVERNOR VOINOVICH: Thank you, Mr.
14 Chairman.

15 We're honored to have with us today
16 perhaps this country's most enthusiastic and
17 effective leader in pursuit of our effort to achieve
18 a balanced federal budget.

19 Since assuming the chairmanship of the
20 House Budget Committee, he has led the fight to
21 produce a full, workable plan to balance the federal
22 budget in seven years. And he's given every ounce of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 energy to it. There was no one who could have
2 brought more practical knowledge, experience, and
3 dedication to the budget debate than John Kasich.

4 John has had a passion for balancing the
5 federal budget since he came to Congress in 1983. As
6 a junior member of the Budget Committee, John wrote
7 his own alternate budget plans in an annual exercise
8 that routinely challenged conventional wisdom, and a
9 lot of cherished cows.

10 In all candor, his efforts from time to
11 time -- his efforts were cause for a fair amount of
12 discomfort in both political parties. John was
13 talking budget cuts and specific budget cuts long
14 before it was thought to be politically safe to do
15 so.

16 But slowly and surely, John's dogged
17 persistence and willingness to forge working
18 partnerships with colleagues in both parties and all
19 across the ideological spectrum began to win, and the
20 respect admiration he deserved was forthcoming from
21 Washington and others, all of which put him in an
22 ideal position one year later to hit the ground,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 becoming the Budget Committee Chairman.

2 John, I think everyone here, each of the
3 governors who make tough calls in balancing our own
4 budgets, appreciates your ground-breaking work to
5 pass the first balanced budget in three decades.
6 Every one of us recognizes that we cannot continue to
7 saddle future generations with crippling debt. We
8 also know that our country's future is in mortal
9 danger if we fail.

10 We applaud your efforts, and we want you
11 to know that we are willing to do everything on our
12 part to help you, including what we're doing here at
13 this meeting today, hopefully. Because of the
14 effort, Republicans and Democrats working together,
15 we can break the impasse that you now have with
16 Medicare and Medicaid.

17 Ohio is proud of your leadership.

18 Ladies and gentlemen, please join me in
19 welcoming my good friend and my Congressman, John
20 Kasich.

21 (Applause.)

22 REPRESENTATIVE KASICH: Thank you,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Governor. It's a pleasure for me to be introduced by
2 a great governor like George Voinovich from my state.
3 And it's a pleasure for me to be here with so many of
4 my friends.

5 I didn't have a chance to hear Mr.
6 Panetta. I figured it would break my rhythm if I was
7 in here. I took the trouble to get down here. But
8 listen.

9 I want to first of all thank you for
10 letting me have the opportunity to come before you.
11 But I want you all to know that what we are arguing
12 about, and what we're fighting about, and what
13 budgets are all about is not numbers. I don't know
14 how many of you are aware of it, but the fight is
15 frankly not about numbers. It's not about CBO. It's
16 not about OMB. It's not about DOS, CPR, GDP, or any
17 of these other terms. You might as well speak
18 Chinese if you're going to speak in that language.

19 Oh, it's partially about numbers, when you
20 get down to simple arithmetic, when you figure out
21 how many people are going to be retired when the baby
22 boomers start retiring, and how many people are going

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to be there to be workers in order to support the
2 retirees. That becomes a case of numbers.

3 But beyond the simple arithmetic, the
4 fight over the budget is not about seven years, and
5 it's not about CBO, and it's not just about numbers.
6 A budget is never about numbers, or I wouldn't have
7 much interest in it.

8 The budget is a fight about values. The
9 budget is a fight about philosophy. The budget is a
10 fight about vision and hopes. And at the federal
11 level, just like at the state level, where you try to
12 propose what it would be best for the people that
13 live inside the State of Ohio, the budget of the
14 United States is an effort by the Congress to figure
15 out how to make America better, how to make America
16 more prosperous. That is what the fight about the
17 budget is all about.

18 And let me suggest to all the governors
19 here, and frankly everybody who would watch this
20 show, that the fight is really about the swinging of
21 a pendulum. It's really about common sense, isn't
22 it? You see, because what's happened over the period

1 of the last 41 years is that we as Americans have
2 allowed the pendulum to swing up towards a big
3 central government.

4 And we have done it for the right reasons,
5 and the most noble of reasons. And those reasons
6 have a foundation of one single thing, to empower the
7 individual for the individual in America to be able
8 to live their dreams, for the individual in America
9 to be able to fly.

10 That's why, for 41 years, we have made an
11 effort to send our power and our money and our
12 influence to the central government so they could do
13 a number of things to empower individuals, including
14 education.

15 You think about what has happened over the
16 course of the last 40 years in education, where we
17 had giant gulfs from one state to another; where some
18 folks in some places just didn't think education was
19 that important; and frankly, they were denying young
20 people, the children of our great country, an
21 opportunity to live their dreams because they weren't
22 giving them the skills.

1 And the federal government assumed a
2 larger part of the burden, in an effort to give kids
3 opportunity in America.

4 Medicare -- what a wonderful,
5 compassionate program Medicare is. It allowed our
6 senior citizens to get quality health care, and was
7 aimed at rescuing them at the end of their lives from
8 poverty -- as noble an idea as man could conceive.
9 And so, we sent some of our power and our money to
10 the central government to create Medicare.

11 Medicaid -- in a Judeo-Christian society,
12 you are judged on the basis of how you take care of
13 the least of those in your society. And Medicaid was
14 a program that was designed to serve the poor, the
15 disabled, and the poor children of America, and to
16 give them opportunity and to empower them.

17 And the efforts that we've made over the
18 last 25 years to help the disabled be able to have
19 equal rights in America is wonderful. And we felt
20 the central government needed to provide the
21 leadership.

22 Maybe the gemstone, the cornerstone, of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 all the power and money and influence we sent to the
2 central government can be viewed in the context of
3 the Civil Rights movement, where Americans, because
4 of their color, had to ride in the back of the bus as
5 a best case, and in most cases, in many corners of
6 this country, were treated like animals.

7 And we said, with great compassion, great
8 hope, that we wanted to use the central government to
9 beat down the barriers of racism and discrimination.
10 And we've gone a long way.

11 But you know, like any other pendulum, any
12 other pendulum at some point, it's time for the
13 pendulum to swing back. And frankly, what we're
14 fighting about today, the Republicans on Capitol Hill
15 and the Administration, is about philosophy, common
16 sense, and that pendulum.

17 And what we're arguing is those reasons
18 why we sent money and power and influence to the
19 central government to empower individuals is
20 precisely why we need to bring the pendulum back.

21 Because frankly, ladies and gentlemen, in
22 your states you know that Americans over about the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 last decade have felt as though they've sent too much
2 power and too much money and too much influence to
3 the central government. And they believe in their
4 hearts that it's time to end the frustration that
5 they feel, and the sense of hopelessness throughout
6 our communities, that they can't stand up to the
7 government, and the government isn't serving them.

8 That if in fact we can give the power and
9 the money and the influence back to our citizens in
10 all the towns, in all the villages of this country,
11 they can do better themselves to solve problems where
12 they live, that they can show compassion better,
13 whether it's in New Jersey or Kentucky or Indiana.

14 People living in neighborhoods believe
15 they can show better compassion than the federal
16 government. They believe that they can educate their
17 children better, don't they, George Allen? They
18 believe that in the State of Virginia, they don't
19 need a federal bureaucrat or the federal government
20 to try to tell them how their children are going to
21 get educated.

22 In fact, they're not even real enamored

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 with the idea of George Allen telling them. They
2 want to do it right in their communities because they
3 believe that they can educate their children better
4 where they live.

5 They believe they can choose health care
6 better. And they believe they can create jobs for
7 their fellow men and women.

8 But I want to tell you that they also feel
9 as though big government and powerful bureaucrats who
10 regulate every part of their lives, and each and
11 every part of their business, are beginning to crush
12 their ability to effect change themselves in the
13 areas where they live.

14 There is a fear that Washington, the
15 central government in Washington, D.C., is out of
16 control; that it's threatening their children's
17 future by driving us towards bankruptcy, and that
18 America's greatest legacy is starting to become at
19 risk.

20 And that legacy is this -- that your
21 children will have a better tomorrow, that your
22 children will inherit an opportunity in this country

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that is better than what you had inherited from your
2 children. And they're beginning to believe that wont
3 happen.

4 Look at the polls. Look at the
5 frustration. Look at the hopelessness on the faces
6 of mothers and fathers across this country who are
7 worried, deathly worried about their children's
8 future.

9 And you know, they know as we know that
10 the 21st Century is not about big taxes and big
11 governments and powerful bureaucrats. It's about the
12 power of the individual.

13 You think about this. In the 21st
14 Century, the next millennium -- and Martin Luther
15 King talked about the next century in 1963. We're
16 right on the edge of the next century, the next
17 millennium.

18 A 12-year-old child with a magical
19 instrument called a computer will be more powerful in
20 many respects than his mother and his father. The
21 21st Century is not the era of bigness and
22 bureaucracy and over-taxation and over-regulation.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And what we are arguing is that, out of
2 the same compassion where we sent power and money and
3 influence to the central government to empower the
4 individual, we want our power, our money, and our
5 influence brought back to our local communities so
6 one more time the individual in America can be
7 empowered. That's what it's all about.

8 And we feel that standing in our way are
9 Washington lawyers, Washington lobbyists, and
10 Washington special interest groups.

11 And you know, I suppose if you had a
12 beach-front condo in Ocean City, you work three days
13 a week, you ate in the fanciest restaurants in the
14 world, and you played golf at some of the great
15 places, and you had a group of rebels that came down
16 here and said you wanted to transfer power and money
17 and influence out of this city, which makes you less
18 important, you wouldn't like it either, would you?

19 You would fight against giving me my power
20 and my money and my influence back. And that's what
21 this is all about.

22 But I want to get specific with you. I

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 want to talk to you about trust. I want to talk to
2 you about trusting people. You see, that's what this
3 is about. Who do you trust? Washington bureaucrats,
4 or people that live across this great country of
5 ours?

6 I want to tell you about Medicare. I
7 don't know how many of you saw the New York Times
8 front page story today. But Medicare is in worse
9 shape than what the Republicans thought it was.
10 Yeah, the bureaucrats in Washington were wrong again.
11 Medicare heads towards bankruptcy, not in seven
12 years, but in a shorter period of time than that.

13 And you know what we've done? We've tried
14 to touch the third rail of American politics, the
15 entitlement programs. And we have said in Medicare
16 that the single most important thing we could do is
17 to keep it solvent.

18 We must guarantee our senior citizens that
19 they will have a viable quality program to take care
20 of their health needs for as long as they shall live,
21 and for the next generation. And you cannot save
22 Medicare by transferring pieces of it out of the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Medicare trust fund into the general fund, and
2 heaping even more burden on young working families in
3 America.

4 We cannot play shell games with the
5 precious program called Medicare. But we believe the
6 way in which you fix it is to give people choice, to
7 allow them to choose the kind of system they want to
8 be in, exactly the kind of system that exists in your
9 states for your employees, and across small
10 businesses and large businesses all over this country
11 where we've been able to control the costs of our
12 health care programs for the first time in a
13 generation, while at the same time being able to
14 guarantee quality.

15 And we want to break the iron fist of the
16 big federal bureaucracy called the Health Care
17 Financing Agency that couldn't even get this right.
18 We want to break the fist, the iron fist, of
19 Washington bureaucrats so that our senior citizens
20 can choose that health care plan that will give them
21 quality, and will result in their program being
22 sustained and controllable.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 But I want to talk to you about young
2 workers. You know the group of people in America who
3 are the most forgotten? They're young working
4 Americans with children. And they're paying more and
5 more and more of the bill. And no one is ever
6 thinking about them.

7 And if we cannot -- you see, it is not
8 inconsistent to have a quality Medicare program while
9 at the same time being able to have some control of
10 the cost of that program so we don't bankrupt the
11 young people in this country. But you've got to be
12 able to have choice. You've got to be able to stop
13 the politics.

14 And I hope that today the President has
15 read this article, and understands that Medicare
16 needs to be taken out of the political debate, and
17 put on the table for real solutions, trusting in
18 Americans to make good choices.

19 I want to talk to you about welfare and
20 Medicaid. But you know what I want you to do? I
21 want you to look around this table, because you know,
22 Medicare in some degree is trusting people. Medicaid

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and welfare is the Congress of the United States
2 trusting you as messengers for your people in each of
3 your 50 states.

4 And the thing that I can't understand is
5 how anybody who is a governor in our 50 states would
6 allow somebody in Washington to say that you're not
7 capable, that you don't care, that you're not to be
8 trusted.

9 And I want you to think, when all 50
10 governors get back in here, I want you to look around
11 the table. And I want you to figure out which guy
12 and which woman don't you trust? Do you not trust
13 Christie Whitman? Do you not trust George Bush? Do
14 you not trust Governor Sundquist or Irvin Bayh?

15 Maybe you don't, but I do. You see, I do
16 trust that you will be good stewards and good
17 messengers for your people. And that's what welfare
18 is all about.

19 Let me just show you very quickly the
20 welfare situation in this country. And I think you
21 all know it very well. You can see that welfare
22 spending in this country is going through the roof.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 ADC enrollment is going through the roof.
2 Illegitimacy rate -- the President just formed a
3 commission to try to figure out how to stop
4 illegitimacy -- through the roof.

5 Violent crime, which really threatens the
6 rights of every American, through the roof with a
7 little leveling off this year. Let's hope it's going
8 to last. And the poverty rate. We're not winning
9 the war on poverty, are we?

10 Now I would not mean for one second to
11 tell you that the higher rates of welfare have caused
12 any of this. That's not what I'm telling you.

13 But what I am telling you is, they're a
14 Washington-run program, run by Washington bureaucrats
15 who don't even know what time zone you're in,
16 Governor Bayh. Did you ever call them down here?
17 Before you get off the phone, they'll say, "Now, what
18 time is it in Indiana?" Governor Voinovich will
19 say, "What time is it in Ohio? Is it the same time
20 in Indiana that it is in Ohio?" They didn't even
21 know what time zone we live in. Governor Schafer,
22 they'd never get you right.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 What we are saying is that this Washington
2 one-size-fits-all philosophy hasn't served us, has
3 it? And so what we're trying to do with welfare is
4 to trust you to run the program, to trust you to end
5 the one-size-fits-all mentality.

6 And you know, when you take a look at what
7 you have to do, you come to Washington on hands and
8 knees to beg a bureaucrat whose biggest challenge
9 during the day is to fight their way across the 14th
10 Street Bridge every morning, to allow you to serve
11 more people with compassion.

12 Governor Engler in Michigan -- he has a
13 program from his servings in welfare that he got from
14 his waiver that allows him to provide a health card
15 to people coming off welfare.

16 Governor Weld in the State of
17 Massachusetts -- boy, he's on the leading edge of
18 saying, "We've got to take care of people who have
19 mental illness." That's something nobody has wanted
20 to touch, to fix, to address.

21 Bill Weld did it out of the savings of his
22 welfare plan. And Tom Carper wanted to do it a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 little bit differently, and they're telling him, "No,
2 no, a thousand times, no. That's not how we're going
3 to fix welfare."

4 I want to tell you that this weekend I was
5 in New Hampshire, big meeting, 300 people. And I
6 said to them, "We want to send welfare back to the
7 states. Frankly, we don't even want to send it to
8 the states. We want to give it to the local
9 communities so that Mr. Smith, doesn't want to go to
10 work, we pick him up and put him in the back of our
11 pickup truck, and we take him to work," don't we,
12 Governor Bush?

13 And if Mrs. Jones is sick with two
14 children, we take care of her. That's compassion.

15 He wants faith-based welfare. He
16 shouldn't have to come here and get on his hands and
17 knees and beg a Democrat, or a Republican for that
18 matter -- it doesn't matter which party bureaucrat to
19 tell him how he's going to take care of his people.

20 Well, we had a vote in New Hampshire. And
21 I said, "Look, ladies and gentlemen in the room," 300
22 people. I said, "I'm going to let you give 10

1 percent of your income to help poor people. I want
2 to know how many in here would send it to a
3 government-run welfare agency, and how many of you
4 would give it to a charitable group to deliver health
5 to the poor?"

6 I got one vote for the government agency,
7 and everybody else was going to send their money to a
8 local-based welfare operation that was charitable.

9 Frankly, when it all gets down is, the
10 three legs of the stool, community, family --
11 community is a critical part of all of this. Family
12 is another absolutely vital part of this. And faith.
13 You put the three legs of the stool, and you begin to
14 deal with welfare.

15 I trust you. I want you to run it.

16 Medicaid -- you know, my governor told me
17 that if we don't control Medicaid, Medicaid is
18 becoming a giant entitlement program wrapped around
19 his neck. And what it's beginning to do is to erode
20 into the programs of education, taking care of the
21 environment in the State of Ohio, being able to do a
22 whole host of things because he's being strangled by

1 a federal program that was designed to treat those
2 people who don't have power and money and influence
3 and who are disabled.

4 And he says he has a better way to do it.

5 But let's talk about Governor Sundquist.

6 Governor Sundquist has a program in Tennessee that is
7 giving the most amount of care to people in this
8 country -- health care in this country, than any
9 other state in this country, including Hawaii which
10 has an employee mandate.

11 He didn't create the program. A Democrat
12 created the program. But he's been a good steward of
13 it, and he's making it better.

14 And what is Medicaid all about? Medicaid
15 is allowing you to end the one-size-fits-all
16 philosophy, and to allow you to serve people in your
17 states the way you think is best. And I believe that
18 if we can cut down on the bureaucracy, the red tape,
19 the rule-making directed out of Washington, you will
20 show more compassion to your fellow man. You will
21 treat more children and more poor and more disabled
22 than you do at the current time.

1 And who stands in your way? Bureaucrats
2 that have your power and your money.

3 And for those that don't trust a whole lot
4 in here, we've got a new program that says, "Well,
5 only trust you halfway. We don't trust that you can
6 show real compassion, but we'll require the states to
7 cover these populations -- pregnant women, young
8 children, and poor children, and the disabled folks
9 and the elderly, and make sure that they get a
10 benefits guarantee package."

11 Surely the governors in this country can
12 agree that this is a far better way to run Medicaid
13 than the current system of being blocked and
14 frustrated in your ability to show real compassion.

15 So with both welfare and Medicaid, we want
16 you to be stewards for your people. We want you to
17 be the messenger. We want you to show real
18 compassion to the people we've tried to serve. And
19 all we're asking for is common sense that swings the
20 pendulum back out of Washington into your hands, and
21 better than that, into the hands of the people who
22 elected you.

1 I want to talk about tax relief quickly.
2 The economy is going south. We need to get the
3 economy moving in this country.

4 Now, we've got the highest tax on risk-
5 taking that I can think of in any major
6 industrialized nation in the world. And you know
7 what capital gains is all about? First of all, you
8 know, if you're an older couple and you lived on a
9 farm, and you want to sell your farm, I don't think
10 the government ought to take the whole value of your
11 farm. You ought to get a capital gains break. And
12 if you're a senior citizen, you want to sell your
13 home, you ought to get a capital gains break.

14 And if you're just a guy that delivers
15 mail like my dad did, and you happen to have some
16 kind of an investment in the stock market, and you
17 make a gain, you ought to get a capital gains rate.

18 But you know, capital gains, to some
19 extent, is about rich people taking risks. You see,
20 I like it when rich people take risks because when
21 they take risks, I get a job in the plant they
22 create. And then I get a job there, and then I go

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and I take the money, and I get an education.

2 And then I get like real smart. And then
3 I go out, and I buy them out in a leveraged buy-out,
4 and then that rich guy ends up working for me.

5 You see, in a society like ours, in good
6 times, the rich get richer. In bad times, the rich
7 get richer. The only time the poor get rich are when
8 things are good. That gives them the greatest
9 opportunity to elevate themselves, and for them to
10 become rich.

11 Frankly, what it's about is opportunity.

12 The second piece of the tax cut is the
13 child credit. You know, one brilliant -- I think it
14 was a Democrat politician said, "The best Department
15 of Health, Education, and Welfare is the American
16 family." If there is any institution that must be
17 rebuilt into the 21st Century, it is the American
18 family.

19 And as we downsize government, we ought to
20 give them a piece of their money back. The children
21 of this country ought to be held the highest, and
22 they deserve some of their money back. And frankly,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 they'll spend the money better than anybody in
2 Washington can dream up.

3 That's why the family tax credit has got
4 to be a part of any solution.

5 To the Democrat governors here -- we need
6 you to help us fashion a bipartisan solution.
7 Governor Lowry, we need you.

8 I know that your concern about the
9 Republican plan is not political. But I ask you to
10 search your heart, as I do every day when I go to do
11 this job, to make sure it's not political. And I ask
12 you to think about it, because frankly this is the
13 last chance that you have to really design this
14 program of Medicaid and welfare, to save your own
15 budgets, to allow you to set your own priorities.

16 I'm just asking you to take a chance, to
17 work with our Republican governors to design a
18 program on a bipartisan basis that both sides have to
19 give a little bit. But at the end of the day, we can
20 reach an agreement.

21 Now, I know that's tough sometimes.
22 Sometimes if you have to take a little heat from your

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 own people like I did from the last administration,
2 it wasn't fun to go out and try to kill a B2 bomber
3 with Dick Cheney as the Secretary of Defense; but
4 that's life.

5 You know, John Kennedy said that sometimes
6 we do things, not because they're easy, but we do
7 them because they're hard.

8 This isn't a political appeal. I sat with
9 Governor Romer and Congressman Condon, Leader of the
10 Blue Dogs, and asked them to get together with the
11 Republican Governors, Engler and Leavitt here, just a
12 couple of months ago. And I said, "You can give us
13 the breakthrough that we need."

14 Look, to all of us, we're on the edge of
15 the 21st Century. If we don't get a change, we're
16 going to drown in debt. And the one number I'll tell
17 you is, for a child born today -- a child born today
18 with the status quo in effect, that child throughout
19 his lifetime will give 84 cents out of every dollar
20 he or she earns to the government.

21 They won't work for 84 cents out of every
22 dollar to be paid to somebody that they don't know

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and they don't see, and frankly they think is wasting
2 their money.

3 This is our chance. We are stewards at
4 the end of the 20th Century. We have an obligation
5 to do some of the heavy lifting so that the children
6 of the next millennium are going to be able to have
7 their hopes and their dreams. That's what this is
8 all about. We do it for the children.

9 And if we can reach agreement on saving
10 the Medicare system, which rolls towards bankruptcy,
11 and we can give people choice; and if we can trust
12 you and you can trust one another, and you can trust
13 your people to be smarter than people here, then we
14 can reach agreement.

15 You see, it's not about numbers. It's
16 about policies. It's about philosophy. Who do you
17 trust? And if we blow this opportunity, and we
18 continue at 100 miles an hour towards bankruptcy, the
19 21st Century will mean being choked by red tape and
20 bureaucracy, driven out of the central government.
21 It will mean bankruptcy for our young people. It
22 will mean a slash in benefits for our baby boomers,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and tax rates that are just unconscionable.

2 But on the flip side, Ronald Reagan talked
3 about the shining city on a hill. You know, it's a
4 shining city on a hill that's shining because we're
5 generous. As Americans, we're loving. We're
6 peaceful. We're kind. We seek justice. We're
7 righteous without being self-righteous.

8 And the greatest thing about America is
9 why people came here the whole time we've existed.
10 It's because people see this as the land of
11 opportunity, and a chance for them to live their
12 dreams.

13 Now, look. We've done some wonderful
14 things over the last 40 years by empowering the city.
15 But if we're going to empower people again, if we're
16 going to give them a sense of hope rather than
17 hopelessness, then we need to take the power and the
18 money and the influence and put it back in their
19 hands, reinstitute the Judeo-Christian principles
20 that this country was founded on, and Ronald Reagan's
21 shining city on a hill will not be tarnished.

22 And you know what's important? The rest

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 of the world, it sees the beacon. Its hope is
2 America. Its model is America. And if we can plug
3 together as Republicans and Democrats and trust the
4 people who run this country, we're going to be able
5 to have a beautiful, wonderful shining city on the
6 hill into the 21st Century that our children and our
7 grandchildren can inhabit.

8 Thank you for letting me be here today.

9 (Applause.)

10 GOVERNOR THOMPSON: Are there any
11 questions for Congressman Kasich? Yes, Governor
12 Graves.

13 GOVERNOR GRAVES: Congressman, I want to
14 follow up on a comment Governor Lowry made to Leon
15 Panetta. You know, my legislature is in session.

16 I know each governor has got a different
17 sort of dynamic back at home they have to deal with.
18 But I've got people back in my home state who want to
19 be part of shaping the new look to our state that's
20 going to be the result of whatever changes occur
21 here. And they're all actually getting kind of
22 frustrated.

1 They want to wrap up a section, go back,
2 and run their own election campaigns and so forth.
3 And I have a great fear that this whole thing is
4 going to drag on and on into the late spring or the
5 summer, and not get resolved at all.

6 Have you got any good advice for those of
7 us that are trying to figure out where this is going
8 to end up, so that we can make plans with any
9 certainty?

10 REPRESENTATIVE KASICH: George Pataki has
11 already budgeted for an enormous amount of change
12 occurring. And I can't imagine the fiscal train
13 wreck that he's going to experience if we don't get
14 something worked out here. And many of you are in
15 the same position.

16 So it's not just the fact that many of you
17 have planned for these changes. But at the same
18 time, if you were to, for example, get a capped block
19 grant program, that's an unfunded mandate on you.
20 How can we give you a few dollars and no flexibility?

21 And it is not just a matter of degree. We
22 know what the threshold is. We know what the

1 threshold of success is. And you can all work it
2 out. That's why I would urge you to have everybody
3 sit down.

4 But I've got to tell you something. I'm
5 not going to cave into some half baked deal that's
6 based on some goofy numbers written by CBO and OMB.
7 This is philosophical, you see, because if all we do
8 is add up numbers, you know, I'm going to go on a
9 diet. I'm going to lose 50 pounds this year. The
10 first 51 weeks, I'm going to lose one pound, but in
11 that last week I'm going to lose 49.

12 I mean, I'm not going to sign off myself
13 personally on another rotten Washington deal. This
14 has to be done right. And it's not just numbers,
15 it's philosophical.

16 All I can tell you is, that if we cave in
17 now, we're going to come back in five years, and it's
18 going to be worse. It's going to be immensely more
19 difficult.

20 Now, look. I've got a sense that there is
21 starting to be a lot of pressure being put on a lot
22 of people, memos flying all over the place, pulls

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 from one party to the other about -- you know. Maybe
2 at the end of the day, we can convince the
3 Administration that, you know, basically this is
4 about shifting power.

5 That's why I asked a couple of Democrats
6 to do it because, look. A number of you are aware of
7 the midnight mandates from Washington on Medicaid.
8 You wake up the next day, you go, "What the heck did
9 they do down there?"

10 We're giving you a chance to design your
11 program, to fit your people. You've got to seize the
12 opportunity, and you're going to. I'm going to make
13 a prediction you're going to.

14 Because there is no way that we can keep
15 moving along with unsustainable rates of Medicaid,
16 unsustainable rates of Medicare, and unsustainable
17 rates of welfare. It just can't happen. We're too
18 smart for that, and we're not ready to put the white
19 flag up. Talk to your governors, get down on your
20 hands and knees, pray first, and then beg some of the
21 Democrats to work with you.

22 I know with this chart on Medicaid -- get

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that chart back up there one more time. I can't
2 figure out who isn't cared for under this chart.
3 We're going to guarantee all of these benefits. This
4 is not some pure block grant. This has got everybody
5 lined up who we're concerned about being able to
6 help.

7 This is good. This is a compromise. The
8 Republicans went from \$270 billion in Medicare
9 savings down to \$168 in the spirit of compromise. I
10 will tell you this, that by doing that, we've
11 shortened the life expectancy of that program. Now,
12 we think we've moved to shore it up till the edge of
13 the baby boomer generation. But I've got to tell
14 you, every dollar less we save, and the faster that
15 program grows, it's going to run out of money.

16 So I would say, Governor, you can slide
17 over there next to my friend Lowry there and whisper
18 in his ear, and let's get an agreement between all of
19 you on Medicare and Medicaid before you leave here
20 this week.

21 GOVERNOR THOMPSON: I would just like to
22 remind the governors that we have a very busy

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 afternoon, and the more questions you ask, the less
2 opportunity we have to go in there and whisper in
3 Mike Lowry's ear.

4 (Laughter.)

5 REPRESENTATIVE KASICH: Tommy, they may
6 ask me one I can't answer. That would be the
7 scariest one.

8 (Laughter.)

9 GOVERNOR THOMPSON: Governor Lowry, for a
10 very short question.

11 GOVERNOR LOWRY: John, you and I have been
12 friends for a long time. I appreciate your courage
13 and your leadership for a balanced budget.

14 Two items. We last year in the State of
15 Washington took 10,200 people off welfare onto the
16 job rolls, saved \$34 million, using waivers and using
17 the things that we can do to do that, a high success
18 story. I think it ranks with any state, if not the
19 best in the country.

20 We did that because we weren't constricted
21 by things like teenage mothers, whether they can be
22 covered on AFDC, family caps, things we didn't want

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to do. We were able to do so.

2 So will we have from Congress support of
3 welfare reform that won't have any type of
4 restrictions on states so that we can do our jobs?

5 Second question -- I'll give you two.
6 Second, as you know well, health care inflation is
7 actually higher than Medicaid inflation. And our
8 biggest problems in the states is the fact that we
9 can't get around the ERISA mandate on the states or
10 the federal government.

11 If we can get rid of the ERISA mandate on
12 the states by the federal government, we can do much
13 more in Medicaid. So will you commit to help us get
14 rid of that federal control of states accomplishing
15 real savings in health care?

16 REPRESENTATIVE KASICH: Let me suggest to
17 you that Harris Fewell is our expert on ERISA. I
18 will call him tomorrow and make sure he calls you to
19 get your views on how that program needs to be
20 reformed.

21 Everybody knows it needs reform, and I
22 hope we will get on that immediately. And I will

1 talk to him.

2 In regard to the welfare, first of all, I
3 don't want you to have to have a waiver. I want you
4 to be able to go out and design your own program.
5 And as you know, inside the Congress, we had some
6 debates on some minimums.

7 I personally would rather have either no
8 minimums, or very few minimums, because I trust you
9 to design the program the way you want to. And then
10 we can look at each state's experience and come out
11 with a result.

12 I don't think that Tom Carper should have
13 been denied the reforms. Maybe you've now since
14 gotten them through. But he had some unique ideas in
15 terms of how to control the problem of illegitimacy
16 in this country.

17 There ought to be the minimum. But as you
18 know, Governor, you've got to pass the bill. And it
19 will be tough. If we ever get to the point where we
20 think we've reached some agreement, I've got a sense
21 that I'm going to be right in front having all kinds
22 of things thrown at me by my colleagues. But that's

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 part of leadership.

2 I can promise you that Speaker Gingrich
3 wants there to be fundamental changes, and he'll
4 fight. And if we have to make a few compromises in
5 terms of taking some people on, and feel strongly
6 about this mandate, we will do it.

7 I thank you for your program, and also
8 tell you that there's no place better than the Hoh
9 Rain Forest.

10 GOVERNOR THOMPSON: Does anybody really
11 need, or feel compelled, to ask any more questions?

12 GOVERNOR CARPER: I sure do. I'll make it
13 real quick.

14 John, it's great to see you, my friend.
15 We asked the Clinton Administration for two waivers
16 for us to go to a managed care medical system January
17 1st of this year. We got that. We're up and
18 running.

19 The second one was to implement our
20 welfare reform plan, a better chance, which we
21 implemented last October 1st. The piece that has not
22 yet been approved -- it's not been denied; they just

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 have deferred a decision -- is the piece we want to
2 implement in 1996.

3 They've actually been pretty responsive.

4 REPRESENTATIVE KASICH: My only concern
5 is, if Governor Voinovich puts your waiver in -- I
6 don't know how long in fact he's had this waiver
7 in -- on trying to be able to make reforms in our
8 program in order to serve more of his population, he
9 should never have to jump through all these hoops.
10 It's ridiculous.

11 I trust you folks will do it the best.
12 And I want different laboratories going out inside
13 this country, because we learn, and one governor
14 learns from another. And people learn from others.

15 So let's get this worked out, Mr. Carper,
16 if we can before you get out of here.

17 GOVERNOR THOMPSON: Governor Voinovich has
18 an emergency question in less than five words.

19 See that it is, George.

20 GOVERNOR VOINOVICH: John, if we can cut a
21 deal here, will you buy it?

22 (Laughter.)

1 (Applause.)

2 REPRESENTATIVE KASICH: Yes.

3 (Applause.)

4 GOVERNOR THOMPSON: Motion to adjourn is
5 in order. Please quickly get to the Governors Only
6 meeting. We've got a very, very busy agenda.

7 VOICES: So moved.

8 (Whereupon, at 3:25 p.m., the meeting was
9 recessed, to reconvene at 9:15 a.m. Tuesday, February
10 6, 1996.)

11

12

13

14

15

16

17

18

19

20

21

22

TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' ASSOCIATION

WINTER MEETING

PLENARY SESSION

Washington, D. C.

TUESDAY, FEBRUARY 6, 1996

ACE - FEDERAL REPORTERS, INC.

Stenotype Reporters

1120 G Street. NW
Washington. D.C. 20005
(202) 347-3700

NATIONWIDE COVERAGE

800-336-6646

NATIONAL GOVERNORS' ASSOCIATION

* * *

WINTER MEETING

PLENARY SESSION

J.W. Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Grand Ballroom

Washington, D. C.

Tuesday, February 6, 1996

9:15 a.m.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

P R O C E E D I N G S

GOVERNOR THOMPSON: Ladies and gentlemen,
we have an extremely busy morning, and I want to get
started right on time. We have about two minutes.

I would just like to encourage the
governors to come in because we're going to hear from
Lou Gerstner. Then we would like to get the
education awards out. And then we want to go to
Senator Dole. And then we want to try to get all the
policies done between Senator Dole's speech and the
President's speech.

So I'm going to try and keep us all on
time and task, so that we can complete our work.
We've got a lot to do, and we've got some exciting
things to take place this morning.

As I've indicated, this is an historic
meeting for the NGA because of the kind of agreements
we have tentatively reached. And of course, we have
not and will not reach those agreements fully until
after the plenary session, and we've all voted on
them.

So if people can come in quickly, I would

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 certainly appreciate it. And I would appreciate it
2 if the governors would take their chairs, and that
3 the staff would leave the governors the opportunity
4 to take their chairs.

5 Good morning, ladies and gentlemen. I
6 would appreciate it if you would please listen up.
7 We have a very busy morning.

8 We have all of the policies that we have
9 tentatively agreed on to get through. But as I
10 mentioned in the opening press conference, this could
11 be a very historic meeting for our association.

12 And I believe it has been, considering the
13 kind of work that has gone into it, work done by
14 several governors and the completion of a compromise
15 on Medicaid, on welfare, employment and training, the
16 Farm Bill, the National Guard, plus all of the hard
17 work done by the committee chairs and the members,
18 and the policies that they have promulgated and
19 approved.

20 So this morning, let me just say, welcome
21 to the closing plenary of the 1996 National Governors
22 Association Winter Meeting. And, as throughout this

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 meeting, we have a very busy agenda this morning. So
2 I would like to get started.

3 I would like to now call this session to
4 order. The winter meeting traditionally is devoted
5 to developing policy and a broad consensus on issues
6 before Congress that impacts on us as governors in
7 our respective states.

8 This year of course is no exception. We
9 have covered everything from a sustained national
10 economy, a balanced federal budget, tax reform, and
11 best of all, the best state practices.

12 As I've mentioned, I would ask you to get
13 your best state practices into the NGA office by the
14 end of next week.

15 We are preparing books on seven subjects.
16 And we need to have the cooperation of governors to
17 present their best practices in those seven subject
18 areas. We will then be able to present those books
19 to you at our summer meeting in Puerto Rico, which is
20 going to be an exciting conference.

21 And Governor Rossello, thank you for your
22 reception, and thank you for your assistance in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 helping to put on, I think, a very historic and
2 exciting convention this summer.

3 Our Governors Only sessions have given
4 each of us some great new ideas to work on. We had a
5 great opportunity at this meeting to hear
6 perspectives from the President and from
7 Congressional leaders of both parties. And finally,
8 to get them to listen to what we have to say, which
9 has been a unique situation and is something that
10 hopefully will be an ongoing thing.

11 Most of us think this is a crucial year
12 for major changes in the way our governments work,
13 state and federal. We believe the people are
14 speaking loud and clear, the status quo just will not
15 do.

16 Both parties are proposing major changes
17 in government to meet the challenges before us. It
18 is my strong conviction from several years of making
19 tough choices in my state, and you have in yours,
20 that Washington finally also has got to make some
21 choices, and sooner rather than later.

22 A little later this morning, we will hear

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 about the tough choices being proposed by Senator
2 Dole and President Clinton. But now I'd like to
3 introduce our first guest. And after Lou Gerstner
4 gets done speaking, which is going to be an exciting
5 speech on education and our summit, I would like them
6 to get into the education awards quickly, before
7 Senator Dole comes.

8 And then, after Senator Dole gets done
9 with his speech and questioning, I would like to get
10 to the policies, and I would like to try and complete
11 the policies after Bob Dole gets done, before the
12 President comes.

13 So after President Clinton gets done with
14 his speech, we can adjourn.

15 There has been a great deal of discussion
16 about the upcoming National Education Summit. And I
17 can sense that you are as excited as I am about this
18 event. With all of your help, it will truly be a
19 success. We already have 37 governors that are
20 committed to come to Palisades, New York, on March
21 26th and 27th. They have designated 30 CEOs that
22 will accompany them.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And I would encourage each and every
2 governor to make every effort possible to come on
3 March 26th and 27th.

4 Lou Gerstner, of course, is the Chairman
5 and Chief Executive Officer of IBM, and my co-chair
6 for the summit. We had the chance to hear his
7 thoughts on education in our last meeting in
8 Burlington, Vermont.

9 I invited him here today to talk about the
10 summit from the perspective of the CEOs who are
11 working with us. I would also like to take this
12 opportunity to publicly recognize him for his
13 leadership on education issues, specifically in the
14 area of academic standards, assessments, and
15 accountability, as well of course as his leadership
16 in education technology.

17 Mr. Gerstner, thank you so very much for
18 coming. We appreciate it, and we hope to have the
19 educational summit the most successful one ever in
20 the country.

21 (Applause.)

22 MR. GERSTNER: Thank you, Governor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Thompson, and thank all of you for having me here
2 again. And I know your final session is devoted to
3 issues of great importance. So I'm enormously
4 pleased that you regard the upcoming educational
5 summit as one of these issues.

6 I'm pleased, but I'm not surprised. Just
7 six months ago, we agreed to have this summit. And
8 since then, the news on the education front continues
9 to be grim.

10 A report from the National Goals Panel,
11 which met here yesterday, says that reading levels
12 among our high school graduates are lower today than
13 they were in 1992. We've made modest progress in
14 some areas, like math. But in many subjects, we have
15 stagnated, and in some, we have actually declined.

16 In fact, our national goal of being first
17 in the world in math and science appears to be well
18 beyond our current reach. Our current math
19 performance now ranks us second -- second from the
20 bottom, behind such countries as Slovenia, Korea, and
21 Taiwan.

22 By contrast, the news is encouraging when

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 it comes to the country's determination to face up to
2 the education crisis. The vast majority of Americans
3 think our standards are too low. In fact, over 80
4 percent favor the idea of holding schools to much
5 higher academic standards.

6 In addition, a recent survey by Gallup,
7 CNN, and USA Today finds that two-thirds of our
8 citizens now list education as the number one
9 concern, ahead of crime, welfare, health care, and
10 jobs.

11 Let me repeat this, please. Two-thirds of
12 Americans rank education as the country's number one
13 problem, above jobs, health, welfare, and crime.

14 That is the kind of public support that
15 political leaders need to overcome inertia and self-
16 interest and to achieve real educational reform.

17 State governors have already begun to
18 speak to the public's concern. This year, more than
19 half of the governors' state of the state addresses
20 put education among the most pressing public needs.
21 Along with this welcome talk, there has been some
22 action.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 For instance, by the year 2000, every high
2 school student in Wisconsin will have to pass a
3 rigorous new statewide academic test in order to
4 receive a high school diploma. States like Colorado,
5 New Jersey, Delaware and Virginia, just to name a
6 few, have begun to set new, tougher standards.

7 In Charlotte, North Carolina, after clear
8 grade-by-grade standards were put in place, test
9 scores jumped, particularly among minority students.

10 The goal of the education summit is to
11 take this public sentiment and turn it into political
12 muscle, to take the stream of state reforms and turn
13 them into a river. The aim of the summit is to give
14 you, the nation's governors, tools you need to work
15 for the changes we need to boost student performance.

16 As Governor Thompson said, the summit will
17 take place on March 26th and 27th in New York. We
18 are very fortunate that the bipartisan group of
19 governors on the planning committee is headed by
20 Governor Tommy Thompson of Wisconsin. His leadership
21 has been essential in turning the idea of an
22 educational summit into reality.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 The committee has invested a lot of time
2 to ensure that the summit produces concrete,
3 politically feasible goals, and practical means of
4 reaching them.

5 Let me assure you, this will not be your
6 run-of-the-mill education conference. It will
7 include, not just public officials and educators, but
8 the cream of America's business leadership. Every
9 governor will be accompanied by a CEO from his or her
10 state, as a full partner at the summit.

11 For example, Paul O'Neal, the CEO of
12 Alcoa, will attend with Governor Ridge of
13 Pennsylvania. Governor Whitman of New Jersey, will
14 bring Art Ryan, the CEO of Prudential. Governor
15 Carnahan of Missouri will attend with Sanford
16 McDonald of McDonald Douglas. And Governor Caperton
17 of West Virginia will bring John Hall, the CEO of
18 Ashland Oil. And Governor Edgar of Illinois will
19 bring Dick Notabart, the CEO of AmeriTech.

20 And as I think you know, the steering
21 committee includes Bob Allen, the CEO of AT&T; John
22 Clendennan, the CEO of Bell South; George Fisher, the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 CEO of Eastman Kodak; John Pepper, the CEO of Proctor
2 & Gamble Company; and Frank Schontz, the CEO of the
3 Boeing Corporation.

4 When I met with you governors in July in
5 Vermont, you gave me a very clear message. You said
6 you needed business support to bring about the
7 changes we need to make in state education. Well, we
8 all got the message. And the business community will
9 be there in March.

10 We know there is a crisis. We know we
11 must act. We know that time is running out. And we
12 know that, while there are many things we can and
13 should do to improve our schools, none will matter
14 unless we first hold schools accountable to a set of
15 high academic standards.

16 We have no hope of succeeding unless we
17 can agree on the difference between success and
18 failure. And we cannot agree on this difference
19 unless we accept common standards for measuring our
20 performance.

21 At the summit, we will examine the clear,
22 overwhelming evidence that high standards increase

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 student performance. And we will see the direct
2 relationship between high academic standards and the
3 skills required in today's work force.

4 We will be able to see just what a
5 standard looks like by examining standards that have
6 been successful. And we will look at standards, not
7 just from different U.S. school districts and states,
8 but from dozens of different countries, so that we
9 will recognize what a world-class standard is, and
10 know what kind of competition we are up against.

11 The summit will be different in other ways
12 as well. First of all, this summit will not be a
13 debate. WE will not argue about whether a problem
14 really exists, or how serious is the crisis. We will
15 examine the depth of the public's support for
16 standards, using poll data and focus groups. We will
17 look at the practical and political barriers to
18 building and creating standards, and we will identify
19 strategies to overcome those barriers.

20 Finally, we will see demonstrations by
21 more than a dozen companies of various ways that
22 technology can restructure schools to improve their

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 performance, to make them more accountable, and to
2 achieve higher standards.

3 We will not promote technology as an end
4 in itself. We will not present technology as a
5 substitute for good teaching, or student initiative.
6 Instead, we will see how technology can multiply a
7 teacher's power, speed the education process, and
8 draw an increasing number of students into learning
9 activities; and also, how technology can restructure
10 and expand the school day and year.

11 In the past six months, a very, very
12 curious debate has arisen among some educational
13 writers over whether America's schools are really as
14 bad as we think they are. These revisionists say
15 that our schools are now more inclusive than ever,
16 and a drop in achievements is a natural result.

17 These critics say that, although there was
18 a significant decline in school performance in the
19 '70s, we have recovered from it, and today our
20 schools are no worse than they were 30 years ago.

21 So as we try and reform our schools, we
22 must not only cope with entrenched bureaucracy and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 blatant self-interest, but we must answer this
2 additional defense of the status quo.

3 Yet it is not a hard question to answer.
4 It is in fact bizarre to argue that this country
5 should be satisfied with the performance levels of 30
6 years ago. In 1994, among 29 Olympic gold medals we
7 received, the U.S. set a world record in the women's
8 100-meter free-style swimming relay, and an Olympic
9 record in the shot-put.

10 In the 1992 games, 28 years later, we set
11 a world record again in the swimming event. But our
12 swimming time was 25 percent faster. We won another
13 goal in the shot-put, but exceeded the old record by
14 five feet.

15 If we had stuck with our old performance
16 levels, we wouldn't even have finished in the top
17 three in either event. In fact, our 1964 performance
18 levels would have won us only two medals overall,
19 reversing our standing in the Olympics from near the
20 top to near the bottom.

21 That's what you get if you face the
22 challenges of today with performance levels of the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 past.

2 In 1960, my own company's best-selling
3 item was the IBM Selectric typewriter. Today an
4 organization of any size that tries to base its
5 operations on a typewriter alone will soon disappear.

6 Thirty years ago, doctors performed tens
7 of thousands of surgeries and other invasive
8 procedures to produce diagnoses that we make today
9 with CAT scans and MRIs. To return to the medical
10 practices of 30 years ago would strike us all as
11 barbaric.

12 There are always people who would like the
13 world and the country to stand still. But America
14 cannot allow those people to carry the day, in this
15 era of all eras. We know standing still doesn't
16 work. We know we must educate our children for a
17 changing world economy, and an ever more complicated
18 set of political choices.

19 World-class education standards are the
20 only way that we know whether we're doing that job
21 successfully. And the most encouraging sign I have
22 seen is that the nation's governors and the nation's

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 business leaders have taken up this responsibility
2 for safeguarding the country's long-term future.

3 Let me conclude with a final observation.
4 As the budget battle of last fall becomes the budget
5 battle of this winter, and perhaps this spring and
6 summer, the rhetoric is steamy with the hot air of
7 politics, and the fiery passion of principle.

8 But one chilling fact stares all of us in
9 the face. If we do not revolutionize America's
10 public schools, any budget balancing act will be an
11 irrelevant exercise in futility, because without a
12 revolution in our schools, the vitality of our
13 economic well-being will atrophy and die. And the
14 great experience in democracy we call the United
15 States will come to an end.

16 I look forward to seeing you all at the
17 summit in March, and to getting on with the task at
18 hand.

19 Thank you.

20 (Applause.)

21 GOVERNOR THOMPSON: Thank you so very
22 much, Lou. We appreciate your dedication, your

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 vision, your hard work. And I personally -- and I
2 talked to several governors -- am looking forward to
3 our summit. I know it's going to be tremendously
4 successful.

5 I just would like to point out that Roy
6 Romer and John Engler -- John Engler is the chairman
7 of the national education goals. Roy Romer has been
8 with me in ECS, and he's starting to put together
9 work on the goals and the standards and the
10 assessments, and is just doing a wonderful job.

11 Bob Miller -- Governors Miller and Hunt,
12 as well, and Governor Voinovich and Governor
13 Branstad -- all of those governors -- have just put
14 in a great deal of time and effort to make this
15 summit successful, and I'm confident we will.

16 And for all of the rest of the governors
17 who have not committed to come, I urge all of you,
18 each and every one of you, to nominate your CEO that
19 will accompany you, and make a reservation right now
20 to be with us on March 26th and 27th. I can assure
21 you it will capture the national media, and I will
22 assure you that it will also be a summit that you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 will say, "I am very happy to have attended. And I
2 think we've accomplished a great deal."

3 I now would like to take a moment to focus
4 on the school-to-work round table. First I would
5 like to commend Governor Edgar of Illinois, and
6 Governor Hunt of North Carolina for their outstanding
7 leadership of the NGA School-to-Work Round Table.

8 The round table which they co-chaired and
9 of which a lot of us were members, was comprised of
10 governors, CEOs representing leading businesses
11 within their states, and two nationally renowned
12 educators.

13 Over the past two years in the four NGA
14 meetings, the round table promoted the public/private
15 cooperation needed to build state school-to-work
16 transition systems for all youth, and prepare the
17 work force for the challenges of the future.

18 The conclusion of the school-to-work round
19 table's work is marked by the publication of the
20 Employer Connection, state strategies for building
21 school-to-work partnerships, which you will all find
22 in front of you.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 The Employer Connection describes examples
2 of strategies that all of us as governors and others
3 are using to promote the employer involvement in
4 school-to-work partnerships.

5 For example, targeting key employers and
6 industries and linking school-to-work programs with
7 state economic development priorities, reducing
8 barriers to employer participating, including working
9 compensation and liability concerns, and finally what
10 we as governors can do to foster the public-private
11 partnerships to meet work force needs.

12 I thank you, Governor Edgar and Governor
13 Hunt.

14 Jim, did you want to expand on the work
15 that you did, quickly? Governor Edgar, Governor
16 Hunt?

17 (No response.)

18 GOVERNOR THOMPSON: We now go to that part
19 of the program where we make special presentations to
20 some winning governors for the states for the states
21 for what they've done.

22 Following the First National Education

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Summit in Charlottesville, President Bush and the
2 nation's governors agreed to a set of six national
3 education goals to be achieved by the year 2000, and
4 created a national education goals panel to produce a
5 national report on progress towards achieving those
6 goals.

7 Governor John Engler is the current chair
8 of the goals panel, and I would like to personally
9 commend him for the leadership that he has provided
10 that panel.

11 In addition to a national progress report,
12 the President and the governors agreed that each
13 state should produce its own individual report to
14 show progress made by the state towards achieving the
15 goals.

16 Each year, our association recognizes four
17 states for outstanding state progress reports. I
18 wish to thank the staff of the National Education
19 Goals Panel for serving as the review committee that
20 selected the outstanding reports this year.

21 I would now like to present the 1996 NGA
22 awards for outstanding state progress reports. I ask

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that Governor Paris Glendening join me at the podium
2 to be recognized for the Maryland report. It's
3 entitled Maryland Reaches for the Goals.

4 Governor Glendening, congratulations, and
5 thank you for your progress.

6 (Applause.)

7 GOVERNOR GLENDENING: Thank you very much.

8 Let me just say how pleased how I am to
9 receive this, and especially coming from the
10 governors association that has taken the leadership
11 in education.

12 I would also note, though, that it's easy
13 to stand up here as governor, but it's all the people
14 that work so hard. I would make a personal
15 observation, if I might, and why for me and so many
16 others education means so much.

17 I came from a very poor family. We
18 literally did not even have indoor plumbing and
19 electricity until I was about five or six years old.
20 But my father used to say over and over that it was
21 education and hard work that would make a difference.

22 "It's education and hard work." And I can

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 still hear him saying that. And he was absolutely
2 right. And I stand here as a college professor and
3 as governor because of the emphasis on education.

4 And now we face a challenge like we have
5 never seen before in this country. It is not good
6 enough to stand still. It is not good enough to make
7 a little bit of progress. If we are going to prepare
8 our children for cyberspace, and not for space in an
9 unemployment line, we're going to have to be
10 competitive. And competitive makes really, really
11 tough changes.

12 We're in the process of doing that, and
13 I'm pleased with our accountability and assessment
14 process that we have in place.

15 In our last round of scores, we saw
16 improvement in scores at every grade level, and we're
17 pushing even harder. We are holding our schools
18 accountable, and we're seeing results.

19 As a result of that, we were able in the
20 last budget, notwithstanding the fact that it
21 increased by only one-tenth of one percent, today a
22 huge amount of additional resources to education,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 because people understand that that's our future.

2 Thank you so very much for honoring
3 Maryland this way.

4 (Applause.)

5 GOVERNOR THOMPSON: I am now very pleased
6 to call to the podium the Governor of New Jersey,
7 Christie Whitman, to be recognized for the New Jersey
8 report, entitled Progress Towards the National
9 Education Goals.

10 Governor Whitman.

11 (Applause.)

12 GOVERNOR WHITMAN: Thank you very much.

13 As a member of the National Goals Panel, I
14 am delighted to receive this on behalf of my
15 Commissioner of Education in the state.

16 We are demanding the three Es of
17 education -- excellence, equity, and efficiency.
18 We're seeking excellence as we define core curriculum
19 standards in eight core areas, and devising a system
20 of accountability. We'll hold us publicly
21 accountable for what we achieve, or don't.

22 Equity -- as we revamp our funding system

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 for the state, so that we ensure that every child, no
2 matter where they go to school, gets the access to
3 the highest possible standards in efficiency. And
4 this should ring a bell with some governors.

5 We have over 600 school districts. We're
6 trying to encourage them to share services by
7 rewarding those that spend their money in the
8 classroom, and penalize those that spend it on waste
9 in administration and overhead.

10 So I am delighted to receive this, and I
11 will pass it on immediately to my Commissioner of
12 Education, who has done all the work.

13 Thank you.

14 (Applause.)

15 GOVERNOR THOMPSON: I now call to the
16 podium the Governor Indiana, Evan Bayh, to be
17 recognized for his state's report, Meeting the
18 Challenges in 1995: Educational Progress in Indiana.

19 Governor Bayh.

20 (Applause.)

21 GOVERNOR BAYH: Thank you very much, Mr.
22 Chairman.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 As one of the governors who was in
2 attendance in Charlottesville when President Bush
3 called us all together to focus on this important
4 topic, I'm reminded of something that Thomas
5 Jefferson once said. He said that, "A society that
6 expects to be both ignorant and free is expecting
7 something that never has been, and never shall be."

8 Jefferson's words are as true today as
9 they were when he first spoke them. And on behalf of
10 the people of Indiana, I want to express our
11 appreciation for this award. We have set higher
12 academic standards in our state, to be not only
13 nationally but internationally competitive.

14 We have put into place a new generation of
15 assessments to more accurately determine how our
16 students are doing. And this year an additional
17 120,000 schoolchildren in the State of Indiana will
18 receive remedial instruction, who in the years before
19 received none.

20 So I want to thank everyone in our state
21 who has helped make this possible. I want to thank
22 this organization for your support and for your

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 recognition here today.

2 I'd also like to say, Mr. Chairman, that
3 one of the things that characterizes governors, in
4 addition to our bipartisan cooperation, is hopefully
5 an additional sense of humility and humbleness that
6 we bring to the tasks that we tackle.

7 And in that spirit, I'm delighted to tell
8 you that our chairman today is also the recipient of
9 one of these awards, but he was much too self-
10 effacing to present it to himself. So I am happy
11 today, on behalf of all of us, to ask our chairman,
12 Governor Thompson to step forward.

13 I think all of you know that Tom has been
14 a leader in education reform throughout his terms as
15 governor. He was there in Charlottesville, and he's
16 been there every step of the way setting higher
17 standards, better systems for remediation.

18 And I'd also like to say, Tommy, I have
19 personally heard from businessmen who do business
20 both in Indiana and Wisconsin how impressed they are
21 with your work force development efforts in the State
22 of Wisconsin. You have truly been a national leader

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 in that regard.

2 So please join me in welcoming and
3 congratulating our chairman, Tommy Thompson, who has
4 also been a pacesetter in education reform.

5 (Applause.)

6 GOVERNOR THOMPSON: Thank you very much
7 for your kind words, Evan. I am pleased, of course,
8 to receive the award on behalf of all of the
9 students, the teachers, administrators and people
10 that made education such a quality issue in the State
11 of Wisconsin.

12 I'm joined by my lovely wife Sue Ann who
13 is a school teacher. She leaned over to me before
14 she knew I was going to get the award, and she says,
15 "Is there a chance that I could get a bell like that
16 for my classroom back in Kendall, Wisconsin, where we
17 come from?"

18 So, Sue Ann, on behalf of your husband,
19 here is a bell for your classroom. Sue Ann is an
20 active schoolteacher. Thank you.

21 (Applause.)

22 GOVERNOR THOMPSON: While Senator Dole is

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 coming -- I believe he's here -- Governor Graves, I
2 would appreciate it if you would come up and make an
3 introduction. But we have so much to cover.

4 I would like to, while we're finding out
5 if Senator Dole -- yes, he is, okay -- right on time.
6 So, Governor Graves, if you would come up.

7 As Senator Dole is making his way into the
8 room, we will have Governor Graves from the great
9 State of Kansas introduce his great Senator.

10 GOVERNOR GRAVES: Good morning, everyone.

11 I imagine Kansas, like each and every one
12 of your states, has as its source of state pride many
13 of its native sons and daughters. Perhaps our most
14 famous native son in Kansas, Dwight Eisenhower, liked
15 to refer to himself as being from the heart of
16 America.

17 Just 70 miles west of Eisenhower's home,
18 Abilene, is Russell, Bob Dole's hometown. I suppose
19 you could accurately call it the center of the heart
20 of America.

21 Bob Dole of course has served the people
22 of Kansas, Russell, America, in a variety of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 capacities, as a county attorney, as a state
2 legislator, as a member of Congress, both in the
3 House and the Senate, currently as majority leader.
4 But of course, first and perhaps foremost he served
5 this country as a soldier.

6 Senator Jack Kemp stopped by to see us the
7 other day to tell us about some tax ideas. And I
8 discovered that we have something in common. And no,
9 it's not that I wasn't a quarterback. But his father
10 was also a trucker, like my father. The only
11 difference was that in our family, anything that was
12 flat was usually bad, and that was a tire.

13 Trucking, as you know, is sort of a blue-
14 collar sort of business. And I will tell you that my
15 father was never very enamored with people in
16 politics and public service. And it's taken him a
17 little bit of getting used to, a son in this
18 position.

19 But he's a person who always admired and
20 supported Bob Dole, and he did that because of Bob
21 Dole's values, because of his work ethic, because of
22 his leadership, because of his vision, perhaps most

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 importantly, though, because he has a very
2 commonsense approach to the relationship that
3 government ought to have with encouraging businesses
4 in this country.

5 I know that Kansans have benefitted, and I
6 believe that all Americans have benefitted, from Bob
7 Dole's public service. And so it is a great honor
8 for me, and with great pride, that I introduce to you
9 my Senator from Kansas, and my friend, Bob Dole.

10 (Applause.)

11 SENATOR DOLE: Thank you very much.

12 I'm very honored to be here. And Bill, I
13 appreciate that very much.

14 I know you've had a couple of days of
15 meetings and speeches, so I thought I might liven
16 things up by giving my state of the union response
17 again.

18 (Laughter.)

19 SENATOR DOLE: Actually, I had a memo the
20 day after the speech from the President's political
21 consultant, Dick Morris.

22 (Laughter.)

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 SENATOR DOLE: He assured me his polls
2 said people loved my speech, and just keep right on
3 giving it.

4 (Laughter.)

5 SENATOR DOLE: We try to accommodate where
6 we can.

7 I know I speak for all governors today in
8 saying that our best wishes today are with President
9 Reagan as he celebrates what he would call the 46th
10 anniversary of his 39th birthday. It's going to be a
11 great day for President Reagan. In fact, I'm tempted
12 this morning to limit my remarks to just one line
13 that President Reagan spoke to this gathering nine
14 years ago.

15 He said, and I quote, "The best thing the
16 federal government can do for the states is to get
17 out of your pockets and out of your way." That was
18 nine years ago. It was good advice then.

19 (Applause.)

20 SENATOR DOLE: It was good advice then; it
21 was good advice now. It was what many of us, both
22 Republicans and Democrats -- certainly I promised you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 this Congress would try to do when we met in Vermont,
2 and even before that, when we met at Williamsburg.

3 And I'm proud to say that day after day,
4 and in measure after measure, we have worked to keep
5 that promise.

6 I'm also proud to say, and I think it's
7 factual because I've been coming to governors
8 meetings for a long, long time, and we've got a great
9 group of governors, Republican and Democratic
10 governors. And we've never had a time in my memory
11 where the Congress and the governors have worked so
12 closely together.

13 And I think that's remarkable. That's the
14 way it ought to be. And I thank each of you for your
15 willingness to listen to us and hear us out. And by
16 working together, by replacing paternalism with
17 partnership, I think we've made great progress for
18 America.

19 We buried the unfunded mandates. That was
20 the first thing we did that sort of started us off in
21 good faith. We trusted one another. And working
22 together, we have changed the entire debate here in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Washington, and around the country.

2 The debate used to be whether the federal
3 government or state governments were best able to
4 meet the needs of Americans. That's what it used to
5 be. Now there's almost unanimous acceptance that our
6 forefathers knew what they were talking about, and
7 that the Tenth Amendment was a pretty good idea. In
8 fact, I carry around a copy of it. I wouldn't want
9 to miss a meeting without it.

10 I said it's only 28 words in length. It's
11 part of the Bill of Rights. It's a declaratory
12 statement, and it says, in effect, as all of you
13 know, that the powers not delegated to the United
14 States by the Constitution or prohibited by the
15 Constitution to the states -- in other words, they
16 can't have the power -- then the powers are reserved
17 to the states effectively, or to the people.

18 And I think we would all agree, regardless
19 of party, for the past 30 or 40 years, there's been
20 too much shift in the direction of Washington.

21 And our government does a lot of good
22 things. Don't misunderstand me. I've never been one

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to go out there and say, "Unload the federal
2 government." It does a lot of good things.

3 But I really believe our forefathers knew
4 what they were talking about, and that the Tenth
5 Amendment was a pretty good idea then. It didn't
6 come from the Republican National Committee or the
7 Democratic National Committee. Our forefathers had a
8 lot of wisdom. And I think it's good to dust it off
9 and take a look at it today.

10 And the debate today is not whether powers
11 should be shifted out of Washington. It's how fast
12 we should do it. That's how much change we've had in
13 just the past few years.

14 The debate used to be whether or not the
15 federal government should do as our states do, and as
16 our American families do. And that is to balance the
17 budget. And now again, there's almost unanimous
18 acceptance, what I've been saying for a long, long
19 time, and that's the fact that we need to leave our
20 children the American dream, and not the American
21 debt.

22 And again, the question is not whether the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 budget should be balanced now, it's how it should be
2 balanced.

3 The debate used to be whether or not our
4 welfare system was working. Now there's near
5 unanimous acceptance of the sad fact that our welfare
6 system has betrayed the taxpayers who fund it and
7 those Americans who depend on it.

8 The question is not whether our welfare
9 system works; it's what needs to be done to truly end
10 welfare as we know it.

11 And these are the questions you've been
12 discussing for the past few days, I know, with the
13 President at the White House and with each other,
14 Democrats and Republicans sitting down together. And
15 they're the ones that will face Congress and the
16 President in the months ahead.

17 On the way down, I called Speaker Gingrich
18 who's in Georgia. And I think he had a conference
19 call with some of the governors this morning. And
20 we're prepared -- if you want to be the honest
21 brokers, we're prepared to act. And we believe the
22 President will be prepared to act, too.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 (Applause.)

2 SENATOR DOLE: Now, we might have to make
3 a few little changes when it gets up there, because
4 we have to get the votes. And I know you've been
5 through that from time to time. But you give us the
6 basic outlines. You give it a good faith, bipartisan
7 or nonpartisan -- call it what you will -- effort.

8 And one thing I know for certain, that as
9 much as we've cooperated in the past months, we're
10 going to have to do even more if we're going to get
11 this done, if we're going to give the answers the
12 American people are asking for and looking for.

13 And I've been traveling around the
14 country. I'm not certain of the purpose of it, but
15 I've been out there a lot.

16 (Laughter.)

17 SENATOR DOLE: And I can tell you, the
18 people of the United States, whether they're
19 Democrats or Republicans or independents, want us to
20 do the right thing. If it's a matter of principle,
21 okay, we say no. But if it's a matter of coming
22 together, if you're a Republican or Democrat, you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 think you're getting 80 percent or 75 percent, you
2 get the rest later, say in a Dole administration,
3 then we ought to move forward. That's the attitude
4 of the American people.

5 Whether I go, whether it's Iowa, New
6 Hampshire, Iowa, New Hampshire, New Hampshire, or
7 Iowa.

8 (Laughter.,

9 SENATOR DOLE: They all seem to say it.

10 In fact, I have had such success that
11 President Clinton went to New Hampshire last week.
12 He's going to Iowa this week. I hope to see him
13 there.

14 But let me just first talk first of all
15 about welfare reform. You've had Governor Thompson
16 and Governor Carper and Governor Engler and others
17 who have been working on this on a daily basis for
18 the past three months.

19 After we passed the historic welfare
20 reform legislation, 87 to 12 in the Senate -- it
21 would have been 88 to 12, but Senator Hatfield was
22 necessarily absent. Was the legislation perfect?

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 No. Was it better than our present system?

2 Certainly. Was it based on the concepts of work,
3 family, and personal responsibility? Yes. And I can
4 underscore the Yes. Did it return power to the
5 states? It certainly did.

6 Should we give up because President
7 Clinton vetoed it? Obviously not. And that's where
8 you come in. We've come too far and worked too hard
9 to simply throw up our hands and allow the
10 President's system to trap a new generation of
11 Americans in despair.

12 And I know, when you talk about welfare
13 reform, you talk about maybe saving \$60 billion, or
14 Medicaid saving \$85 billion over seven years. The
15 first reaction is, "Well, there they go again, going
16 after the poor people in America."

17 And that's not the case. As every
18 governor knows, I remember Governor Thompson giving a
19 little lecture, some Republicans, one day, saying,
20 "Who do you think I am? I get elected by the same
21 people you do. Do you think somebody's going to go
22 without medical treatment in Wisconsin or go without

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 food in Wisconsin?"

2 And so I'm certain that every governor
3 around this room is just as sensitive and just as
4 caring as anybody in Washington, D.C., and probably
5 more so. And your state legislature is probably just
6 as caring and just as sensitive. And people know
7 where to find your state legislatures. They know
8 where they shop and where they take their cleaning.

9 Closer to the people, Tenth Amendment,
10 what our founding fathers had in mind at the outset.

11 But our goals, speaking of myself, and I
12 think the Speaker because we just had a conversation
13 should be a system that makes sense to you. If it
14 doesn't make sense to you, if you can't implement it,
15 it's not going to work. We're not going to save any
16 money, we're not going to make anybody's lives any
17 better.

18 And I say, having said that, it's also got
19 to obviously be an agreement that must sort of hold
20 true to the principles contained in the legislation
21 that we passed. Maybe more money for day care, okay.
22 If you want people to work, maybe we can find that.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 And I know you're looking at all the
2 different options.

3 Obviously, how much money we save is
4 important. But that's not the bottom line. This is
5 a policy. This is not a course in arithmetic. Who
6 can add up XXX billion dollars?

7 Fundamental policy changes, that's the
8 important direction we must take. And I'm certain
9 that's what you have in mind.

10 If we're going to have real reform in this
11 entitlement program, it's going to be critical that
12 we have policy changes to make this program work.
13 The work requirements must be real. Personal
14 responsibility is critical, and the preservation of
15 families and the protection of children must be at
16 its core, just as every governor here believes.

17 And I understand you've made great
18 progress. And I look forward to a report. And I
19 hope the President -- the President will be here
20 briefly. And I'm certain he must have the same
21 feeling, because I know he's talked to his governors
22 and our governors. I think you all feel pretty much

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the same.

2 Let me also try to get you into the
3 balanced budget area. Lawton Chiles is an expert on
4 this, having been Chairman of the Budget Committee.
5 And we'd like to have your suggestions on how we
6 reach a balanced budget.

7 If you give us welfare reform and
8 Medicaid, you've gone a long way to getting this
9 agreement back together, getting the President back
10 together with the leaders in Congress, because these
11 are two of the main problems we've had. The other
12 two are Medicare and the earned income tax credit.

13 If we can resolve those four issues, my
14 view is that agreement's out there to be made.

15 Now, the biggest parlor game in
16 Washington, besides trying to figure out who wrote
17 Primary Colors, is trying to decide whether or not
18 President Clinton wants a real balanced budget
19 agreement.

20 I think he does. Maybe I'm wrong, but I'm
21 willing to take his word. We spent 50 hours together
22 in different meetings, the most time I've ever spent

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 at the White House. I hope to be there longer later.

2 (Laughter.)

3 SENATOR DOLE: And they take good care of
4 us.

5 We didn't reach an agreement -- came
6 close, but didn't quite reach it. But I'm willing to
7 take the President at his word, even though I read
8 the 20-page document that was submitted yesterday.
9 But I understand a later document in March sometime,
10 in about six weeks, will sort of lay out the budget.

11 We are willing to be flexible. I'm
12 speaking now on behalf of Republicans. We've also
13 left no doubt that there are some things we can't
14 compromise. And there are some the President says he
15 can't compromise. We believe in real spending
16 restraint and real entitlement reform, and tax relief
17 for American working families. And I don't think
18 anybody here disagrees with that.

19 So it's just a question of, how do we get
20 together? How do we go this last half-mile, if we've
21 gone a half-mile now?

22 Much of the opposition to our balanced

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 budget effort, the President indicated, because of
2 our proposed reforms in Medicaid. Now maybe that's
3 history. Maybe you've got it all worked out.

4 He said one time -- in fact, I think he
5 said it maybe at the last governors conference -- if
6 we did what we were doing at the time, it would sort
7 of be a race to the bottom, which state would reach
8 the bottom first. And I disagreed with that premise
9 then, and I disagree with it now.

10 This is not a debate about compassion, and
11 who cares the most about the vulnerable in our
12 society. It's a debate about who can care best for
13 them. And as it was in the case of welfare, we've
14 turned to you again to be the honest brokers, and to
15 help us design a solution that bridges our
16 differences without compromising our principles.

17 And I continue to believe that our trust
18 is well-placed in our states, and in each of you, our
19 nation's governors. So we're very proud, as I said
20 earlier, to be working with you.

21 We've had six governors working on
22 Medicaid. And you all know who the six are --

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Leavitt, Thompson, Engler, Chiles, Miller, Romer, and
2 many others have also been involved. You've
3 committed weeks and months in your discussions. And
4 I want to congratulate each of you for not giving up.

5 And I'm delighted that what appears to
6 be -- and I don't know the facts; I know there was a
7 briefing earlier I couldn't attend -- that protects
8 women, children, the elderly, and the disabled while
9 giving you the flexibility you need and deserve.

10 You dropped some of the words we used to
11 talk about. You talked about guarantees now. That's
12 fine, if that's what we're concerned about. I think
13 we'll get it done. We want to save money in a
14 responsible way, and we want to design a program that
15 will truly serve the citizens of your state.

16 If we left the governors out, we couldn't
17 design a program. That's happened in the past.
18 You're not consulted; you're informed. If you don't
19 cooperate, we tell you what it is.

20 So I think again you've done tremendous
21 work. And I really hope that if we can get welfare
22 and Medicaid, we may be on the way.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Let me just touch on Medicare. If we have
2 a little extra time, maybe you can solve that for us.

3 (Laughter.

4 SENATOR DOLE: Though, again, we're not
5 that far apart.

6 I think the report yesterday in the New
7 York Times, that maybe it's going to happen a little
8 sooner than we think, as far as spending more than we
9 take in, maybe that will bring us closer together.

10 We know we need a solution. Simple
11 tinkering is not enough. It wasn't enough for
12 welfare; it's not going to be enough for Medicaid.
13 And I hope all of us, the Administration and
14 Congress, takes yesterday's report as an opportunity
15 to move beyond the rhetoric of the past months, and
16 work together to preserve and strengthen Medicare for
17 generations to come.

18 Many of you may remember back in 1983,
19 when Social Security was about to go belly-up.
20 Ronald Reagan was in the White House. Tip O'Neill
21 was the Speaker; Howard Baker was leader of the
22 Senate.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 They decided after a lot of wrangling to
2 take that out of politics -- take it out of politics.
3 Don't frighten senior citizens. And we did that.
4 And we established a commission. And we rescued
5 Social Security in 1983.

6 And I was proud to be on that commission
7 with some of my colleagues, and people like Claude
8 Pepper from Florida, the champion of senior citizens.
9 And we all worked together for months and months and
10 months.

11 And we ought to do the same with
12 Medicare -- ought to take it out of politics, ought
13 to stop scaring American seniors. And I think we can
14 do it just as well in 1996 with Medicare as we did
15 with Social Security.

16 Now I need your help on one issue. We're
17 going to take it up today. It's called agriculture.
18 Now, I know there are some farm state governors. I'm
19 looking at one right over there in North Dakota, and
20 there are others here, a lot of them.

21 There's not a single person in your state
22 who does not benefit from the miracle of American

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 agriculture. WE have the best food bargain in the
2 world. We spend less of our disposable income on
3 food in America than any other industrialized country
4 in the world.

5 But we need a farm bill in Illinois, in
6 Kansas. We've already planted our wheat in Kansas,
7 winter wheat. We never know what a farm bill is
8 after five years, or what the program is. So we go
9 out and plant. They also plant in Colorado.

10 We need a farm bill. I've got a little
11 filibuster blocking the bill. And I happen to
12 believe if we're going to have survival in rural
13 America, we're going to have to address this very
14 quickly.

15 What are we trying to do? We're saying to
16 farmers, "We're not going to pay you any longer not
17 to plant," and they like it. They like it. We let
18 farmers produce for the marketplace instead of for
19 the government. And these are the principles of the
20 Freedom to Farm legislation we're trying to pass in
21 the Senate today.

22 We have a vote about 1:00 o'clock, and if

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 you have a minute of free time to discuss it with
2 your Senator, we'd appreciate it very much.

3 Finally, let me close by saying, you know,
4 when I go home at night, I turn on CSPAN. There are
5 no commercials. And I watched a lot of state of the
6 state speeches. In fact, I've watched a lot of those
7 preparing for my state of the union response.

8 (Laughter.)

9 SENATOR DOLE: Took a lot of notes. I
10 thought you were brilliant.

11 (Laughter.)

12 SENATOR DOLE: But I've enjoyed watching
13 many of you, probably eight or ten, Democrats and
14 Republicans. I try to keep everything balanced.

15 They're really not about politics, but
16 they leave no doubt in my mind that America's
17 governors are about energy, they're about change, and
18 they're about leadership, and they're about
19 innovation.

20 I heard that in Governor Whitman's speech
21 when she talked about welfare reform in her proposal
22 in New Jersey. I heard it in Governor Thompson's

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 call for an education system based on choice and
2 academic achievement and technology.

3 And I wish you well in your summit coming
4 up with Mr. Gerstner, and I hope we can follow up
5 what we might do. And I saw your leadership in the
6 no-nonsense way that many of you addressed the coming
7 juvenile crime storm.

8 I imagine everybody -- I know four or five
9 by name -- and in your speeches, many of you also
10 went beyond legislative issues and spoke about the
11 values which have made this country great, and which
12 we must pass on to our children.

13 I just happened to be watching one night
14 when Governor Romer was on. It was a great
15 opportunity to talk about values. He shared a story
16 that night about his father, the journal your father
17 kept, and he held it right up there. And it made a
18 deep impression on me. I don't know if it made an
19 impression on you.

20 In this journal, his father detailed how
21 much young Roy earned, what he spent. And each day
22 he had a notation, like January 4, 1935: "Singing

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 well at the church program, 25 cents." Then October
2 1, 1938, for things he did not do, minus 25 cents.

3 But the important thing was, is what young
4 Roy was learning. And the challenge he made to the
5 legislators in Colorado based on his father's
6 example. He said as we conduct our business we set
7 an example for future generations, like the one his
8 father set for him.

9 And I would just conclude by saying, I
10 think that's good advice. It was certainly good
11 advice that helped Governor Romer, and I think we all
12 have fathers or mothers who may have done something
13 like that to instill in us basic values of honesty,
14 decency, and self-reliance and responsibility, things
15 we talk about and try to instill in our children and
16 our grandchildren.

17 But I think, as we reach decisions on the
18 issues of the day, we should imagine a young child
19 who is standing at your side saying, "What kind of a
20 world are you creating for me?"

21 And I believe -- and I've always been very
22 optimistic about America and about what we can do --

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 can't do it all with legislation. But what we can
2 do, if we keep working together, if the federal
3 government gets out of your pockets and out of your
4 way, I'm confident we're going to succeed in creating
5 a future and creating an America of which we and our
6 children can be very proud.

7 And so I would say to this distinguished
8 group, that I appreciate very much, again having the
9 opportunity to sort of report as the Majority Leader
10 on how we view current events, and how we appreciate
11 so much the help you've given us over the past few
12 months and the past few years.

13 Thank you very much.

14 (Applause.)

15 GOVERNOR THOMPSON: Senator Dole has
16 generously agreed to take a couple of questions
17 before he has to leave.

18 I first want to thank you, Senator Dole,
19 once again for coming, and for your speech. My
20 question to you is, that as you know, we have been
21 working extremely hard to reach a bipartisan solution
22 to Medicaid and welfare. And I know you talked to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Speaker Gingrich this morning.

2 If you could just share with us, if you
3 would, a little bit about, if we're able to get this
4 policy agreed to later this morning -- we're hopeful
5 that we can, and we're hopeful for 100 percent --
6 where does it go from there, and what does it look
7 like in the Congress?

8 SENATOR DOLE: I think, very frankly, this
9 puts a lot of pressure on the leadership in Congress
10 and the President of the United States, a good kind
11 of pressure.

12 The fact that you've come together ought
13 to be an inspiration to us. I've asked the Speaker
14 this morning, and I think he agrees, we want to get
15 this done. As I said earlier, these are two of the
16 big blocks, the whole budget negotiation. Welfare
17 and Medicaid, they've been big stumbling blocks.

18 And if you can resolve those, then I think
19 we're going to get there. It may not happen in a
20 week or two weeks, but it's going to happen. And I
21 believe the American people, regardless of their
22 party, will be grateful to all of us. Everybody can

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 get some credit, if credit is what people want.

2 But I think what we really want is to do
3 the right thing. And you're setting an example that
4 I think we would follow.

5 GOVERNOR THOMPSON: Senator Dole, the
6 second question would be by Governor Carper. But
7 before I call upon Governor Carper, we have a
8 resolution that I think will also pass unanimously
9 that we will get up to you on the 1996 Farm Bill,
10 which I know is very near and dear to you, and is
11 offered by Governor Branstad. We'll pass it
12 unanimously for you.

13 GOVERNOR CARPER: Senator Dole, thank you
14 again for being with us, and thank you for retaining
15 that wonderful sense of humor that you're famous for.

16 A number of us have worked real hard --
17 everybody around the table has worked hard to try to
18 forge a consensus in some areas that have been very
19 difficult to have that consensus. Among those are
20 Medicaid and welfare reform.

21 John Engler, the Governor of Michigan, has
22 been the lead governor on welfare reform. And then I

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 as the lead governor have had ample opportunities in
2 the past to come to the Hill and testify before the
3 Senate Finance Committee and the House Ways and Means
4 Committee, and other venues to talk about what we
5 thought might go into the welfare reform bill.

6 I'm wondering if you would give some
7 consideration to a series of hearings, maybe in the
8 House and the Senate, so we could again come, those
9 who negotiated the Medicaid agreement, and those who
10 worked on welfare, just to spell out clearly what our
11 differences were, and where we found common ground,
12 and how you would suggest that we move forward.

13 SENATOR DOLE: I think, Governor, that
14 would be very helpful. If you just sent it up to us
15 without hearings, then the American public is not
16 going to know, and some of our colleagues aren't
17 going to be fully informed.

18 So I'd be happy, and I know Senator Roth
19 from Delaware, would be happy to respond, and I'm
20 certain Bill Archer would on the House side -- go
21 back and take a look at where we were, and where we
22 are now, and what the differences are, and how that

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 impacts on your state and the people you serve.

2 I think it's something we should do.

3 GOVERNOR THOMPSON: Governor Branstad from
4 Iowa.

5 GOVERNOR BRANSTAD: Senator Dole, we
6 appreciate your efforts on agriculture. A related
7 issue in ethanol, you've been a strong proponent of.

8 I would like to ask your vision of the
9 future for ethanol, and why is retaining the tax
10 credit for ethanol very important?

11 SENATOR DOLE: Senator Grassley, and I
12 think other Senators, had the Government Accounting
13 Office take a look at the ethanol program. And many
14 in this room have an interest in it. We were trying
15 to determine if the subsidy was something we ought to
16 look at, phase out, as somebody suggested out there
17 the last few days -- I can't remember who it was.

18 But I think ethanol has demonstrated that
19 it is a plus, and we're told in the same study, if we
20 eliminate the program, it may increase the cost of
21 farm programs by \$2.8 billion.

22 Just keep in mind that ethanol is clean,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 it's environmentally sound. You don't have to go to
2 war over it. It's renewable every year. It reduces
3 the cost of farm programs. It creates 12,000 jobs,
4 for example, in Iowa. And don't know how many in
5 Minnesota, but a good number. It creates a lot of
6 jobs out there.

7 And my view is, it's a program that's been
8 tested. And it's not a risky idea, and it ought to
9 continue.

10 GOVERNOR THOMPSON: Governor Voinovich.
11 And then, unless somebody really is compelled to ask
12 another question.

13 Governor Voinovich.

14 GOVERNOR VOINOVICH: Senator Dole,
15 yesterday we all met with the President of the United
16 States. I must say I was encouraged by what he had
17 to say about the possibility of working out some
18 compromises.

19 Later on we heard from Leon Panetta who
20 ran the numbers for us. I wasn't as optimistic about
21 things after hearing from Mr. Panetta.

22 The one thing he left us with was that, if

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 you run the numbers, we all agree on \$711 billion
2 worth of cuts.

3 The question is, are you just going to be
4 satisfied with that bottom line of \$711 billion? Or
5 will you insist on paradigm changes in the way we do
6 these programs?

7 SENATOR DOLE: My view is that we can all
8 add up the numbers. If we don't make the changes,
9 then I'm not certain we're going to achieve this
10 balanced budget that everybody wants, Democrats and
11 Republicans alike, particularly around this table.

12 And that's where we've had some of our
13 differences. If we don't deal with entitlement
14 programs, if we postpone it, say, until the next
15 century, then my view is, we're in real trouble. Not
16 just the government, but the people who rely on those
17 programs are in real trouble.

18 And Leon Panetta does a good job, and he's
19 good with numbers. But this is more than numbers.
20 This is policy. And if we don't change some policy,
21 I'm not certain the numbers will stand up. And we've
22 had the same discussion on our side. So it's not

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Republican versus Democrats. We've had the same
2 discussion in our groups.

3 If we don't change policy, we may get
4 there on paper. But we'll never really get there.
5 It's not going to happen.

6 So it just seems to me, I would hope --
7 and I know the President and I have a good
8 relationship and work closely together. As I said,
9 we've spent a lot of time together. We're prepared
10 to renew that discussion. And we're also working --
11 and I might tell the governors on the Democratic
12 side, with the Democratic legislators in both the
13 Senate and the House, we've had similar views trying
14 to put together a bipartisan group.

15 And I've got to believe, I'll tell you
16 again, that what you've done on Medicaid and welfare,
17 you've come together. That will be a big, big plus
18 in our efforts to get a bipartisan agreement.

19 Thank you very much.

20 (Applause.)

21 GOVERNOR THOMPSON: Thanks again, Senator
22 Dole. We always appreciate the fine Senator coming

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 in front of us.

2 As he's making his way out of the room, I
3 would also like to just deviate for a second and
4 introduce a former governor who as the Chairman of
5 this organization was my mentor, and many others, the
6 wonderful Governor of South Carolina, Carroll
7 Campbell, who has joined us here.

8 (Applause.)

9 GOVERNOR THOMPSON: Ladies and gentlemen,
10 we now begin the adoption of the proposed policy
11 positions. We're going to do it alphabetically by
12 committee, with the executive committee being last.

13 The policies, as you all know, were
14 originally sent to the governors on January 19th to
15 comply with the 15-day waiting rule. This packet
16 reflects those policies with the amendments which
17 were made by the executive committee, as well as the
18 standing committees at your meetings. They require a
19 two-thirds vote of those present and voting.

20 To expedite matters, I will call upon the
21 committee chair. And if the committee chair would
22 quickly explain the policies, the amendments, and

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 then move for the adoption of all of your committee
2 policies en bloc. So you understand -- move all of
3 your committee policies en bloc at one time.

4 The first chairman I'm going to call upon
5 is Governor Zell Miller, who is the fine chairman of
6 the committee on economic development and commerce.

7 Governor Zell Miller.

8 GOVERNOR MILLER: Thank you, Mr. Chairman.

9 The committee on economic development and
10 commerce adopted amendments to three policies: the
11 military base closure and reuse; air transportation;
12 surface transportation.

13 There was one change to the air
14 transportation policy. The committee decided not to
15 extend the sunset date so that we could revisit the
16 issue in Puerto Rico this summer.

17 Mr. Chairman, this amendment and all of
18 the policies were adopted unanimously in committee,
19 and I move their adoption en bloc.

20 GOVERNOR THOMPSON: Thank you very much,
21 Chairman Zell Miller. Thank you for doing a
22 wonderful job.

1 Is there a second?

2 GOVERNOR CAYETANO: Second.

3 GOVERNOR THOMPSON: Please, let's pay
4 attention. We've got a lot to do.

5 Second by the Governor of Hawaii.

6 Any discussion?

7 (No response.)

8 GOVERNOR THOMPSON: All those in favor of
9 the policies of the committee, signify by saying aye.

10 (Chorus of ayes.)

11 GOVERNOR THOMPSON: Opposed, signify by
12 saying nay.

13 (No response.)

14 GOVERNOR THOMPSON: The ayes have it;
15 they're all passed in toto. Thank you very much.

16 We now go to the great Governor of
17 Minnesota, Governor Carlson, the chairman of the
18 committee on human resources.

19 GOVERNOR CARLSON: Mr. Chairman, I move
20 for the suspension of the rules so we can adopt the
21 committee report.

22 GOVERNOR THOMPSON: There was a move to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 suspend the rules, and there was a second.

2 Any further discussion on suspending the
3 rules for Governor Carlson?

4 (No response.)

5 GOVERNOR THOMPSON: All those in favor of
6 suspending the rules, signify by saying aye.

7 (Chorus of ayes.)

8 GOVERNOR THOMPSON: Opposed, signify by
9 saying nay.

10 (No response.)

11 GOVERNOR THOMPSON: The ayes have it; the
12 motion is granted.

13 Governor Carlson.

14 GOVERNOR CARLSON: Mr. Chairman, thank you
15 very much.

16 The committee on human resources had a
17 very lively discussion on education. But I would
18 refer you, if I may, to the green sheet. I'd like to
19 at this time turn the microphone over to Governor
20 Dean of Vermont to make some comments on that part of
21 the report that relates to low income home energy
22 assistance.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Governor Dean.

2 GOVERNOR DEAN: I want to thank Governor
3 Carlson and Governor Carper, the leaders of this
4 committee, for including the Governor's support of
5 the low income heating energy assistance program.

6 Today or a couple of days ago, it was 60
7 degrees below zero in Tower, Minnesota. Chicago,
8 Wisconsin, even Washington, D.C. have set new records
9 in cold. This is a program which has undergone a
10 little surgery. It's probably surgery for the
11 better. But we do need to continue the program, and
12 I'm very appreciative to Governor Carlson and his
13 leadership, and Governor Carper, for including this
14 in the resolution.

15 Thank you.

16 GOVERNOR THOMPSON: Thank you, Governor
17 Dean, except I would make an exception. Wisconsin
18 never gets cold. I would just like to make that as
19 an edition to your report, sir.

20 GOVERNOR CARLSON: Well, Mr. Chairman, I
21 will acknowledge that the orange crop in Minnesota
22 was damaged by the recent frost.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 (Laughter.)

2 GOVERNOR CARLSON: If I may, Mr. Chairman,
3 I'd like to ask Governor Carper to make a few
4 comments on that part that refers to the
5 consolidation of federal employment programs.

6 GOVERNOR THOMPSON: Governor Carper.

7 GOVERNOR CARPER: I'll be
8 uncharacteristically brief.

9 All of us agreed.

10 GOVERNOR THOMPSON: Thanks.

11 GOVERNOR CARPER: That concludes my
12 remarks.

13 I think all of us would agree that the
14 150-plus federal programs that deal with the work
15 force development and preparedness can more easily be
16 consolidated to enable us, with a lot of flexibility
17 -- maybe a few less dollars, but a lot more
18 flexibility -- to better ensure that the employers of
19 our states get the kind of employees they need to
20 help them to be competitive and successful.

21 We're real pleased. I think of all the
22 issues we worked with, the major issue is welfare

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 reform, Medicaid, and work force development. This
2 has probably been the least controversial. I'm
3 confident that we're going to get a responsive,
4 positive response from the White House and from the
5 Congress to move forward with this.

6 GOVERNOR THOMPSON: Thank you very much,
7 Governor Carper.

8 GOVERNOR CARLSON: Mr. Chairman, I move
9 adoption of the committee report.

10 GOVERNOR THOMPSON: Governor Carlson has
11 moved the adoption of the report; seconded by
12 Governor Carper.

13 Any discussion?

14 (No response.)

15 GOVERNOR THOMPSON: Hearing none, all
16 those in favor of the motion to adopt the report of
17 the chairman of the committee on human resources,
18 signify by saying aye.

19 (Chorus of ayes.)

20 GOVERNOR THOMPSON: Opposed, signify by
21 saying nay.

22 (No response.)

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: The ayes have it; the
2 motion is granted. Thank you very much, Governors
3 Carlson, Dean, and Carper.

4 The next report, we go to Governor
5 Symington. Governor Symington is the chairman of the
6 committee on natural resources, and is doing a
7 wonderful job.

8 Governor Symington.

9 GOVERNOR SYMINGTON: Mr. Chairman, we move
10 adoption of NR-6, which is the environmental
11 priorities and unfunded mandates, where we dealt with
12 one new policy position, and an amendment to one
13 existing policy position; and NR-17, management of
14 federal lands, en bloc.

15 If you would like me to describe them to
16 you more fully, I'd be prepared to. But if there's
17 no objection, I would move them en bloc.

18 GOVERNOR THOMPSON: There is a motion to
19 move the policies en bloc by Governor Symington.

20 Is there a second?

21 GOVERNOR NELSON: Second.

22 GOVERNOR THOMPSON: Seconded by Governor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Nelson.

2 Any discussion? Governor Nelson, do you
3 want to make a statement?

4 GOVERNOR NELSON: No. I think that,
5 though, Governor Symington will have an amendment
6 shortly. But there's no comment at this point.

7 GOVERNOR THOMPSON: Any further
8 discussion?

9 (No response.)

10 GOVERNOR THOMPSON: Hearing none, all
11 those in favor of the motion to approve the
12 resolutions of the committee on natural resources by
13 Governor Symington, seconded by Governor Nelson,
14 signify by saying aye.

15 (Chorus of ayes.)

16 GOVERNOR THOMPSON: Opposed, signify by
17 saying nay.

18 (No response.)

19 GOVERNOR THOMPSON: The ayes have it; the
20 motion is granted.

21 Governor Symington.

22 GOVERNOR SYMINGTON: Mr. Chairman, the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 amendment we have to NR-6 relates to state tribal
2 environmental relations. It's a method by which the
3 governors are hopeful that Congress and the
4 Administration will recognize that the management of
5 natural resources, both within the states and on
6 tribal lands, has a joint impact.

7 And that we would like the Congress and
8 the Administration to enact or promulgate specific
9 processes, standards, and criteria that respect state
10 authority, equitably address such impacts, and
11 promote cooperation when decisions affect areas
12 beyond tribal boundaries.

13 It's an amendment, the spirit behind which
14 is to foster better relationships between the state
15 and the sovereign Indian nations, with the help of
16 the United States Government.

17 And we would move that that amendment be
18 added onto NR-6. It would be paragraph 6.3.

19 GOVERNOR THOMPSON: It will be an
20 amendment to NR-6, so it does not require suspension
21 of rules because it is an amendment.

22 The motion was made by Governor Symington.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Is there a second?

2 GOVERNOR NELSON: Second.

3 GOVERNOR THOMPSON: Governor Racicot
4 seconded along with Governor Nelson.

5 Any discussion of this new policy on the
6 state and Indian affairs proposal? Any discussion?

7 (No response.)

8 GOVERNOR THOMPSON: Hearing none, all
9 those in favor of the motion, signify by saying aye.

10 (Chorus of ayes.)

11 GOVERNOR THOMPSON: Opposed, signify by
12 saying nay.

13 (Chorus of nays.)

14 GOVERNOR THOMPSON: One nay; it passes
15 unanimously except for one nay.

16 I'd like to thank Governor Symington and
17 Governor Nelson for your leadership and your hard
18 work. Thank you very much.

19 All right. We go now to the executive
20 committee. I wish people would be quiet. We've got
21 a lot of very important votes that are going to take
22 place, hopefully in the next half an hour. So I'd

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 appreciate it if the audience would be as quiet as
2 possible.

3 I now call upon the vice-chairman,
4 Governor Bob Miller, to make the report on the
5 executive committee.

6 GOVERNOR MILLER: Mr. Chairman, there are
7 three areas of suggested from the executive
8 committee. The first two are proposed changes in
9 policy. The first is principle for state-federal
10 relations, and is reflective of three recent court
11 decisions that are listed in the material that was
12 provided to all the governors.

13 The second is Consumer Price Index, which
14 is an affirmation by the full body of governors of
15 the executive committee action on November 28th,
16 urging the Congress and President to adopt the
17 Consumer Price Index. That's what we discussed in
18 our Governors Only session the day before yesterday.

19 The last is a reaffirmation of existing
20 policy on health care for undocumented immigrants. I
21 move the adoption of all three.

22 GOVERNOR THOMPSON: A motion by Governor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Bob Miller to move that. Governor Voinovich, would
2 you second that?

3 GOVERNOR VOINOVICH: Second.

4 GOVERNOR THOMPSON: Seconded by Governor
5 Voinovich.

6 Any discussion?

7 (No response.)

8 GOVERNOR THOMPSON: Hearing none, all of
9 those in favor of the motion on the policies
10 submitted by the executive committee, signify by
11 saying aye.

12 (Chorus of ayes.)

13 GOVERNOR THOMPSON: Opposed, signify by
14 saying nay.

15 (No response.)

16 GOVERNOR THOMPSON: The ayes have it; the
17 motion is granted.

18 Next we move on to the vote on
19 suspensions. This requires a three-quarters vote. I
20 want to remind the governors that the proposals that
21 are being considered under suspension of the rules
22 are five, dealing with the National Guard, the farm

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 policy, employment and work, Medicaid and welfare.

2 They will require a three-fourths vote for
3 suspension, and then after that a three-fourths vote
4 for passage.

5 Without objection, may I have a motion to
6 suspend the rules for all the suspensions to be
7 considered? We will then vote individually on each
8 one of the policies. But I would like just a motion
9 for suspension of the rules so we can get to all five
10 policies.

11 GOVERNOR BRANSTAD: I so move.

12 GOVERNOR THOMPSON: Motion to suspend by
13 Governor Branstad, seconded by Governor Romer.

14 Any discussion?

15 (No response.)

16 GOVERNOR THOMPSON: Hearing none, all
17 those in favor of suspending the rules, signify by
18 saying aye.

19 (Chorus of ayes.)

20 GOVERNOR THOMPSON: Opposed, signify by
21 saying nay?

22 (No response.)

1 GOVERNOR THOMPSON: The ayes have it. The
2 rules are suspended so that we can take up five
3 policies by this national governors organization
4 meeting.

5 I would like to first call on Terry
6 Branstad to move the resolution of the 1996 Farm
7 Bill, and hopefully Governor Nelson to second it.

8 Governor Branstad.

9 GOVERNOR BRANSTAD: As you've already
10 heard from Senator Dole this morning, we do not have
11 a new farm bill. The 1990 Farm Bill has expired.
12 Farmers are left in the lurch, and have to make
13 important decisions.

14 And this resolution, basically the
15 governors call on the Congress and the Administration
16 to enhance the position of U.S. agricultural
17 producers by passing a farm bill that increases
18 flexibility for farm programs, allows farmers to take
19 advantage of the international market opportunities,
20 and fosters an efficient farm-based agriculture, and
21 contributes to natural resource conservation goals.

22 This is something that I think we can all

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 agree upon. There was an amendment that was also
2 incorporated in committee on this, dealing with the
3 issue of regional arrangements with regard to dairy
4 prices. This is important. It's critical that we
5 have a farm bill soon, and I would ask for your
6 support, and yield to Governor Nelson.

7 GOVERNOR THOMPSON: Thank you very much,
8 Governor Branstad, for your leadership on this issue.
9 Governor Nelson.

10 GOVERNOR NELSON: Thank you, Mr. Chairman.

11 GOVERNOR THOMPSON: Did you move, Governor
12 Branstad?

13 GOVERNOR BRANSTAD: I move the resolution,
14 and offer it under suspension, the 1996 Farm Bill.

15 GOVERNOR THOMPSON: Governor Nelson?

16 GOVERNOR NELSON: I second that motion, to
17 move the resolution.

18 I think it's almost unheard of for
19 agriculture to be in a position where the winter
20 wheat has been planted, and planting is about to
21 occur as soon as the snow melts across the Midwest,
22 and we don't have any idea of where we're going in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 agriculture.

2 I think it's critical that we send the
3 signal to agriculture that's positive that the
4 country cares about our most important commodity,
5 agricultural products, and that we must in fact come
6 to a resolution of this on a bipartisan basis, as
7 soon as possible.

8 So I support, and I hope that we can get
9 the unanimous support of this body for this 1996 Farm
10 Bill resolution.

11 GOVERNOR THOMPSON: Thank you so very
12 much, Governors Nelson and Branstad.

13 Any discussion of that motion under
14 suspension?

15 Yes, Governor Carlson.

16 GOVERNOR CARLSON: Mr. Chairman, I'd just
17 like to raise one question. Let me draw you, if I
18 may, to the last two sentences of the resolution
19 regarding multi-state marketing agreements, and then
20 going on to say, "Such authority should not or would
21 not be intended to permit states to erect trade
22 barriers."

1 Could there be some clarification of that?

2 GOVERNOR BRANSTAD: This was an amendment
3 offered by Governor Dean, and I would yield to
4 Governor Dean to respond to that question.

5 GOVERNOR DEAN: Thank you.

6 That, Governor Carlson, is NGA policy,
7 which I took from existing NGA policy. And the
8 reason is that, in the Farm Bill, there's a lot of
9 discussion about what might and might not be
10 included. The New England states are applying for
11 such a marketing compact. The policy language that I
12 took was adopted by this organization, I believe, in
13 July.

14 And it is a balanced organization,
15 balancing the fears of those who may oppose the
16 compact -- this is why the section about trade
17 restriction is in there -- with the desire of the
18 states of New England to control their own future in
19 terms of dairy pricing.

20 The NGA adopted this because on balance,
21 the NGA felt that in principle, states might be able
22 to handle agricultural pricing on a group basis

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 better than the federal government could.

2 But I asked for both those sentences to be
3 inserted so as not to offend those who were fearful
4 that it might cause a restraint in trade. But that
5 is simply existing NGA policy restated in this
6 resolution.

7 GOVERNOR THOMPSON: Governor Carlson?

8 GOVERNOR CARLSON: Mr. Chairman, Governor
9 Dean, can you tell me the exact impact that you
10 intend relative to milk pricing?

11 GOVERNOR DEAN: The impact that we intend
12 in New England is, the six New England states under
13 the compact, should it be ratified by Congress, would
14 be able to set their own milk price subject to the
15 veto of any one of the states, and thus adjust the
16 balance between what farmers are getting paid, and
17 what consumers are paying for milk. We believe that
18 farmers will get paid more for milk.

19 GOVERNOR CARLSON: Mr. Chairman, how can
20 you do that, and then say you're not creating trade
21 barriers?

22 GOVERNOR THOMPSON: Governor Dean.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR DEAN: It is the assumption of
2 this body that the Congress will not allow trade
3 barriers which would be a violation of the Interstate
4 Commerce Clause in the Constitution to be created.
5 Again, Governor Carlson, when this was adopted six
6 months ago by the NGA as NGA policy, that sentence
7 was put in as a balance for those like yourself who
8 have concerns about what might happen if the New
9 England states were allowed to do this.

10 GOVERNOR CARLSON: Well, Mr. Chairman, I
11 think we should draw attention to it, and I think
12 we'll make our feelings known to Congress. Thank
13 you.

14 GOVERNOR THOMPSON: Any further
15 discussions?

16 GOVERNOR PATAKI: Mr. Chairman, would
17 Governor Dean yield?

18 GOVERNOR THOMPSON: Governor Dean, I'm
19 sure, will yield.

20 GOVERNOR PATAKI: Governor Dean, will that
21 language that Governor Carlson has referred to have
22 any impact on the ability of New York State dairy

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 farmers to market their products in New England?

2 GOVERNOR DEAN: No, Governor Pataki. The
3 New York State dairy farmers will still be able to
4 market their products in any of the New England
5 states.

6 GOVERNOR THOMPSON: But maybe not at the
7 same price.

8 GOVERNOR DEAN: At a higher price, and
9 they'll get more money for them.

10 GOVERNOR THOMPSON: Any further
11 discussion?

12 Yes, Governor Branstad.

13 GOVERNOR BRANSTAD: I think it's critical
14 that action be taken. This is something that farmers
15 have been waiting for for a long time. And I would
16 urge the governors to support this resolution, in
17 hopes that it can assist in getting the cloture vote
18 approved, and a farm bill passed in the next few
19 weeks.

20 GOVERNOR THOMPSON: I would, just for my
21 own position on that -- not as chairman of this
22 organization, talking strictly as the Governor of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Wisconsin.

2 I think the policy by Governor Dean is
3 absolutely horrendous. And a stronger statement will
4 follow in the future. But showing my bipartisanship
5 and my cooperation, we need to get the farm bill
6 policy through.

7 But I want to everybody to know in this
8 room, and whoever's watching, that that portion of
9 the farm policy, I'm going to do everything I can,
10 Governor Dean, on Capitol Hill to defeat it. So just
11 so you know, with a great deal of enthusiasm, we will
12 carry our debate to Capitol Hill.

13 So I approve of everything you've done
14 except for the last two lines, Governor Branstad.
15 Congratulations on the job you've done.

16 GOVERNOR DEAN: Move the policy, Mr.
17 Chairman.

18 GOVERNOR THOMPSON: All those in favor of
19 90 percent good policy, and 10 percent bad policy --

20 (Laughter.)

21 GOVERNOR THOMPSON: -- signify by saying
22 aye.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 (Chorus of ayes.)

2 GOVERNOR THOMPSON: Opposed, signify by
3 saying nay.

4 (No response.)

5 GOVERNOR THOMPSON: Boy, that was a tough
6 one. I want you to know I only voted for this
7 because I'm the chairman, Mr. Dean, and because
8 you're my friend.

9 I now call on Governor Miller. But first,
10 I would like to quickly point out -- I've asked the
11 executive committee to put forth a policy on the
12 National Guard. The Department of Defense is
13 reviewing all of our force structure, and there is a
14 policy that's circulated.

15 It's not the policy of the Pentagon as of
16 yet. But it's being discussed as one of many items.
17 And that is that we're downgrading our National
18 Guards, and that it's some, upward to 20 states,
19 would have their National Guards either consolidated,
20 reduced, or even not have a National Guard.

21 It's not the policy, so don't get alarmed.
22 It's just being discussed. And I thought, just to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 make sure that everybody in the Department of Defense
2 knows that we're watching them, it would be nice to
3 put out a policy, because for me the National Guard
4 plays a very important role in each and every one of
5 our states.

6 So with that, I've asked Governor Bob
7 Miller, the Vice Chairman, to move the policy on the
8 National Guard, which just alerts the Department of
9 Defense and the Pentagon that we truly support our
10 own National Guards, and want to maintain their force
11 structure of 410,000 individuals in the country.

12 Governor Miller.

13 GOVERNOR MILLER: So moved.

14 GOVERNOR NELSON: Second.

15 GOVERNOR THOMPSON: Second by Governor
16 Nelson.

17 Any discussion?

18 (No response.)

19 GOVERNOR THOMPSON: Hearing none, all
20 those in favor of that policy, signify by saying aye.

21 (Chorus of ayes.)

22 GOVERNOR THOMPSON: Opposed, signify by

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 saying nay.

2 (No response.)

3 GOVERNOR THOMPSON: The ayes have it; the
4 motion if granted.

5 Governor Carlson, I'd like to have you
6 move the policy on the consolidation of federal
7 employment and training programs, and hopefully
8 Governor Caperton will second that.

9 GOVERNOR CARLSON: Mr. Chairman, thank you
10 very much.

11 On Sunday, the human resources committee
12 approved a statement that you have before you, and in
13 the Governors Only session yesterday, there was an
14 agreement for some additional changes.

15 If I may, I'd like to call upon Governor
16 Caperton, if he would. Governor?

17 GOVERNOR THOMPSON: Governor Caperton?

18 GOVERNOR CAPERTON: I urge the support of
19 this work force policy as offered by Governor
20 Carlson. The policy calls for the consolidation of
21 these programs into a block grant, in an effort to
22 provide the states with the maximum flexibility to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 leverage state and federal dollars in a comprehensive
2 work force system, and should not be -- let me
3 emphasize -- and should not be a primary means of
4 deficit reduction.

5 I urge the support of the policy.

6 GOVERNOR THOMPSON: Governor Carlson,
7 you've moved?

8 GOVERNOR CARLSON: Mr. Chairman, I move
9 adoption.

10 Governor Engler has some questions that he
11 wants to raise.

12 GOVERNOR THOMPSON: First, before I go to
13 Governor Engler, you made the motion. Governor
14 Caperton, you seconded?

15 GOVERNOR CAPERTON: So moved.

16 GOVERNOR THOMPSON: I call upon Governor
17 Engler.

18 GOVERNOR ENGLER: I strongly support the
19 resolution and its adoption. The amendments were
20 purely technical at the staff level. They're
21 incorporating those, and they're very minor.

22 GOVERNOR THOMPSON: How many amendments

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 are there, John?

2 GOVERNOR ENGLER: There were two.

3 GOVERNOR THOMPSON: Two amendments that
4 were worked out by the staff, technical in nature.

5 Does anybody want John --

6 GOVERNOR ENGLER: Let me explain them real
7 quickly. I don't want anybody to think that they are
8 less than technical.

9 The top of paragraph three, we had
10 discussed yesterday in the session. It just didn't
11 get into the draft here. We'd urged Congress to
12 conclude the conference within the next few months.
13 As we discussed yesterday, there's no reason this
14 can't be done in the next 30 days. And we had
15 governors all over the country waiting for this.
16 This is overdue. So we don't want them to take their
17 sweet old time.

18 Then secondly, there was an amendment
19 added addressing a concern that Governor Tucker
20 raised yesterday. It's the one on the effective date
21 on the bottom.

22 And the way it got transcribed here was

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 that the law should take effect no earlier than July
2 1. That's fine. In other words, we would have an
3 effective date of July 1.

4 But we also have always maintained, in
5 both this policy and the next two, in welfare,
6 Medicaid, that the state's option, you could tag back
7 to the beginning of the federal fiscal year. So this
8 will be a fiscal year reform. But the state in
9 effect would elect to do that.

10 I wanted to clarify those two points, Mr.
11 Chairman, and strongly support the resolution.

12 GOVERNOR THOMPSON: Thank you, Governor
13 Engler.

14 Governor Carlson.

15 GOVERNOR CARLSON: Mr. Chairman, that was
16 agreed upon in yesterday's session.

17 GOVERNOR THOMPSON: Everybody realizes how
18 important this resolution is. It is very important
19 for us to pass it, and then after we pass it, contact
20 everybody on Capitol Hill that we know to start
21 getting the conferees to work.

22 So remember, Governors, this is the first

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 step. The second step is to move up to Capitol Hill
2 and accentuate the need to pass this policy.

3 All those in favor of the motion by
4 Governor Carlson, and seconded by Governor
5 Caperton -- all those in favor of this, signify by
6 saying aye.

7 (Chorus of ayes.)

8 GOVERNOR THOMPSON: Opposed, signify by
9 saying nay.

10 (No response.)

11 GOVERNOR THOMPSON: Ayes have it; motion
12 carries.

13 I would like to go to Medicaid next. And
14 I call upon Governor Leavitt, then Governor Romer.

15 Governor Leavitt.

16 GOVERNOR LEAVITT: Mr. Chairman, caring
17 for the needy in our states is among our most
18 important objectives. Medicaid, the program through
19 which we accomplish that in large measure, is
20 strangling state budgets. It is it's ill-serving
21 those that it was intended to benefit, and it stands
22 as a monument to good intentions gone astray. It

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 badly needs to be fixed.

2 This policy is a result of approaching 100
3 hours of face to face negotiations and discussions by
4 Governors Romer, Chiles and Miller, and Governors
5 Engler, Thompson and Leavitt. It's also a product of
6 literally months of discussion by other governors,
7 and work by their staff.

8 It accomplishes four basic goals. The
9 first is that the basic health care needs of the
10 nation's most vulnerable populations need to be
11 guaranteed. This policy would do that. The growth
12 of health care expenditures need to be brought under
13 control in the states. This moves us forward in that
14 objective.

15 Third, states have to have the maximum
16 flexibility in design and implementation of cost
17 effective systems of care. We believe this policy
18 represents such a program.

19 And fourth, it will protect states from
20 unanticipated program growth resulting from economic
21 fluctuations in the business cycle, or changing
22 demographics, or natural disasters.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Mr. Chairman, this represents a solid and
2 appropriate expression of leadership by this
3 association and our role as leaders of the state. I
4 move its adoption.

5 GOVERNOR THOMPSON: Thank you so very
6 much, Governor Leavitt. Thank you for your
7 tremendous leadership on this issue. Everybody in
8 this organization is in your debt, and in that of
9 Governor Romer.

10 Governor Romer.

11 GOVERNOR ROMER: I'd like to second the
12 motion. I don't think it demands a lot of
13 discussion. We had a very thorough discussion of
14 this in our Governors Only session. But it has the
15 right kind of guarantees to the right kind of
16 population here. It has the right kind of funding
17 base. It has the right kind of flexibility.

18 And I would just urge all of our
19 colleagues to adopt this without amendment other than
20 a technical amendment, and let's get on with
21 business.

22 GOVERNOR THOMPSON: Thank you very much,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Governor Romer.

2 Governor Carlson.

3 GOVERNOR CARLSON: Mr. Chairman, I think
4 this resolution represents the National Governors
5 Association at its very, very best. The origin of
6 trying to come to agreement on Medicaid is about a
7 year old. And obviously it's had both its hills and
8 its valleys. I for one, toward the tail end became
9 very skeptical of our capacity to be able to put
10 together any kind of an agreement, because this is an
11 election year. And frankly, politics is dominating.

12 But this is a clear case where politics
13 finally was pushed aside, and a resolution came
14 about, and prayerfully, it will lead both Congress
15 and the President to adopt it or adopt something
16 extremely close to it.

17 I do want very much to thank first of all
18 Governor Thompson for optimistically driving this
19 process. That's an extraordinary example of
20 leadership. And it's one that I sincerely applaud.

21 I want to thank Governor Romer, who stuck
22 with it all the way, and he had a very difficult role

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 because he's trying to bring together some very
2 diverse interests. He did it. He kept them really
3 in tow, and it worked out extraordinarily well.

4 I want to thank Governor Miller for his
5 leadership, Governor Leavitt again for optimistically
6 sticking with it through thick and thin as far back
7 as I can remember, Governor Engler, and Governor
8 Chiles. Clearly the six did an outstanding job.

9 But I also want to thank some of the early
10 ones who were involved in this process commencing a
11 year ago, driven by Governor Edgar of Illinois,
12 extraordinary leadership, very patient in fleshing
13 out the details which ultimately, I would argue,
14 built the foundation of this agreement.

15 Governor Carper and Governor Dean,
16 tremendous work. It's been a very tedious battle,
17 and I think it worked out extraordinarily well.

18 I do hope all of us will take some time
19 and thank our staffs. The truth of the matter is,
20 when the meetings are over, and when the lights are
21 turned out, it's the staff that has to drive such a
22 large part of this process and be sensitive, if you

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 will, to the needs of all 50 states.

2 I particularly want to pay attention to
3 John Petraborg of my staff, who did an extraordinary
4 job. And I hope that all of you will take some time
5 and thank them.

6 But I think this does represent the very
7 best in terms of the National Governors Association.
8 I trust that it will ultimately be adopted by all,
9 and then allow us all to go back and begin to
10 remember that, when we work together, we can come
11 with agreement, and frankly we can have influence on
12 the national scene.

13 Mr. Chairman, well done. Thank you so
14 much.

15 GOVERNOR THOMPSON: Thank you, Governor
16 Carlson.

17 Let me return the gratitude and
18 congratulations to you because you're the chairman of
19 the committee. You and your staff did a lot of the
20 work and we're indebted to you as well.
21 Congratulations and thank you. Thank you for your
22 kind words.

1 Governor Chiles.

2 GOVERNOR CHILES: Mr. Chairman, this is a
3 clarifying amendment on behalf of myself and Governor
4 Leavitt. Primarily, this would be on page 3 in the
5 section of Private Right of Action. I think
6 everybody has a copy of this.

7 Following the first sentence, we would add
8 this language: "All of these features will be
9 designed to prevent states from having to defend
10 against an individual suit on benefits in federal
11 court."

12 That's what the six of us intended all the
13 way through. We did not impinge on the Secretary's
14 right to bring action. But we did work clearly
15 intending to impinge against the individual's right.

16 It's kind of said by implication, this
17 does -- just a clarifying amendment.

18 GOVERNOR THOMPSON: There's a motion by
19 Governor Chiles for a clarifying amendment, which I
20 think is outstanding.

21 GOVERNOR WILSON: Second.

22 GOVERNOR THOMPSON: The second by Governor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Wilson. Discussion, Governor Wilson?

2 GOVERNOR WILSON: Just a question to
3 Governor Chiles. I take it that this would also
4 express our intent that we not be required to defend
5 against a class action by anyone other than the
6 Secretary?

7 GOVERNOR CHILES: That's right. Only the
8 Secretary would be authorized to bring a class
9 action.

10 GOVERNOR THOMPSON: Governor Gutierrez.

11 GOVERNOR GUTIERREZ: Thank you, Mr.
12 Chairman.

13 I'd like to thank you, Governor Thompson,
14 Governor Miller, and particularly Governor Leavitt,
15 for the provision of Guam in Medicaid and welfare.
16 Guam of course, Mr. Chairman, is receiving
17 approximately 20 percent of the sharing with the
18 federal government, coupled with the very liberal
19 immigration policy imposed on Guam by the federal
20 government.

21 The provision in here asking the Congress
22 to have a more equitable sharing relationship with

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Medicaid and welfare is welcome news, and hopefully
2 the Congress would be able to take a closer look at
3 Guam, not only its welfare and Medicaid policies, but
4 its own immigration policy, unlike other states.

5 GOVERNOR THOMPSON: Thank you very much,
6 Governor Gutierrez.

7 Let's vote on the amendment if we could
8 before we have any further speeches on this.

9 All those in favor of the clarifying
10 amendment by Governor Chiles and Governor Leavitt,
11 all those in favor of that excellent amendment,
12 signify by saying aye.

13 (Chorus of ayes.)

14 GOVERNOR THOMPSON: Opposed, signify by
15 saying nay.

16 (No response.)

17 GOVERNOR THOMPSON: The ayes have it; the
18 motion is granted.

19 Governor Tucker.

20 GOVERNOR TUCKER: I fully support what I
21 hope we're about to do here, Mr. Chairman, and thank
22 everyone for their work on it.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I do want the record to reflect the
2 discussion we had yesterday that states at least with
3 June 30 fiscal year ends will not be forced to
4 retroactively adjust their budgets in this fiscal
5 year. I want to be certain staff understands that as
6 they do their work on the Hill.

7 GOVERNOR THOMPSON: Thank you very much,
8 Governor Tucker. I want you to be assured that, not
9 only Arkansas but Wisconsin, and I would say the vast
10 majority of the states, have a July 1st fiscal year
11 in our states. And we will certainly -- as long as
12 I'm there, we're certainly going to be cognizant of
13 the starting date so that we will not adversely
14 affect it.

15 But thank you for bringing it up, and the
16 staff is aware of that.

17 Any other discussion on the motion?

18 Yes, Governor Miller.

19 GOVERNOR MILLER: I just don't want to
20 miss the opportunity to compliment yourself, Mr.
21 Chairman, for providing a forum of bipartisanship in
22 which this agreement could be reached.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Obviously there is a vast difference in
2 the percentages of Republicans versus Democrats in
3 this association. And yet you've reached out to make
4 sure that this is a motion and a result that
5 encompasses all governors. And I want to express
6 that appreciation to you, Governor Leavitt, Governor
7 Engler, and Governors Chiles and Romer, for working
8 so hard.

9 I think -- one of the reporters asked me
10 earlier to describe the process, I think from the LA
11 Times. And I said, "There was no 80-yard pass play.
12 This was kind of more of a four yards forward on the
13 ground, two yards backwards, four yards forward, two
14 yards backward. Somehow it netted out to the goal
15 line."

16 And that's due to your diligence as team
17 captain. Thank you.

18 GOVERNOR THOMPSON: It's also as yours
19 too, because I want to make everybody aware that, out
20 of the six negotiating members, five of us lost our
21 temper and walked away at one time or another. There
22 is only one steadfast member that did not, and always

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 had a smile on his face. And that's the gentleman
2 that's the Vice Chairman, Bob Miller. And I thank
3 you very much, Bob.

4 Governor Lowry than Governor Allen.

5 GOVERNOR LOWRY: Mr. Chairman, I also want
6 to join in that thank-you to yourself and the other
7 negotiators on this. It was one of the more
8 outstanding jobs I've ever seen. I would like to
9 also make a clarifying comment relative to our
10 discussions yesterday for the staff as they work the
11 Hill.

12 That is, that the optional services are
13 also guaranteed if states are now providing the
14 optional services. That is part of the guarantee.

15 GOVERNOR THOMPSON: Thank you, Governor
16 Lowry.

17 Governor Allen?

18 GOVERNOR ALLEN: Mr. Chairman, fellow
19 governors, I don't mean to say anything to ruin this
20 lovefest that is going on with accolades, and I
21 certainly also want to give my commendations to all
22 the the six negotiating governors on both sides of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the aisle as they struggled with this very difficult
2 issue.

3 As one of the Republicans trying to figure
4 out how we thought as Republicans this ought to be
5 put together, it was quite a task. And it certainly
6 it not a partisan issue. It's an issue that affects
7 all of our states. And certainly the system needs to
8 be reformed.

9 This position paper here is good in many
10 regards, although there are some aspects of it which
11 I have grave reservations about. For example, there
12 isn't any defined formula in this, or what would be
13 the factors in this formula.

14 We wrestled with this yesterday. We
15 wrestled with this issue for months and months. I do
16 think that the formula growth factors, while they're
17 not defined in here, should certainly be based on the
18 disabled and the elderly populations in our states,
19 because that is the population that clearly is
20 costing us the most as far as the Medicaid programs.

21 The umbrella concept, the insurance
22 umbrella concept, is one of interest. I think it has

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 some value. But it should be limited, I think, to \$8
2 billion. Otherwise, that's going to harm the ability
3 of the Congress to get towards the balanced budget,
4 if they make the umbrella so much. And in fact, if
5 they make it much more than that, what they'll have
6 to do is start eating into the base appropriations to
7 each state.

8 Finally, the bill has the Secretary, or
9 this proposal has the Secretary of HHS making a
10 decision as to whether to accept the plans. And then
11 we have within here this concept of guarantees, which
12 I understand that there are certain words that need
13 to be used in the midst of this diplomacy, in
14 figuring this out.

15 I do have concerns about giving all this
16 discretion with guarantees to the Secretary of Health
17 and Human Services. I think there should be a
18 presumptive approval. And if they do not act, the
19 Secretary, whether it's this Secretary or in the
20 future, within 60 days the plan is deemed approved,
21 as opposed to just letting them drag it on and on and
22 on without getting approval.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 So I say that because the concept of
2 guarantees, being at the discretion of a federal
3 secretary, may turn this into a Trojan horse in five
4 years from now. The state's governors will be back
5 with the same old Medicaid program, but this time,
6 with capped entitlements and unfunded mandates on the
7 states.

8 So I think that this issue is clearly a
9 very important issue to the states, as is welfare.
10 It's one that everyone agrees right now is a
11 disaster. It's eating up more and more of our
12 budgets, taking away money from priorities, whether
13 that's in law enforcement, or in education, or other
14 matters. It clearly needs to be reformed.

15 I will be supporting this resolution with
16 reservations. The reason I am supporting it is
17 because I believe it is going to prod Congress into
18 action. I think they need the calcium that this will
19 give them in their backbone as they go forward with
20 this. And I think it also will prod the
21 Administration, the President and his Administration,
22 also to move forward on this issue, where they have

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 just bogged down with vetoes and so forth.

2 So like Governor Thompson, listening to
3 Governor Dean on concerns about interstate milk
4 compacts, voting for things with reservations, that I
5 will certainly work for the principles and ideas for
6 the Commonwealth of Virginia, as this battle goes on
7 to Capitol Hill.

8 I commend you all. There are some
9 reservations in this. But I think what we need to do
10 is all 50 governors, as well as the governors of the
11 territories, go forward united so that the Congress
12 and the President will act in the best interest of
13 the people of all our states.

14 GOVERNOR THOMPSON: Thank you very much,
15 George.

16 We asked God to come into our negotiating
17 committee, but he wouldn't even touch this one. So
18 it's not perfect. But we tried very hard.

19 Governor Miller.

20 GOVERNOR MILLER: I appreciate Governor
21 Allen's sentiment. And as you indicated, a lot of
22 changes and modifications occurred. Certainly we

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 discussed, and I think got an agreement with
2 limitations on times from the Secretary's approval of
3 the plans, that when it comes to putting a financial
4 limitation of \$8 billion or any other figure, that's
5 what moved us from the 20 yard line to the goal line.

6 And if we try and put a limit on there,
7 then we're not going to score the touchdown. In
8 fact, that's a basic principle. That's not tinkering
9 with the hood ornament. That's tinkering with the
10 engine.

11 GOVERNOR THOMPSON: Governor Romer, then
12 Governor Wilson.

13 GOVERNOR ROMER: It's obvious that there
14 is a lot of difference. We're moving from policy to
15 legislative language. And we need to keep this
16 bipartisan approach as we go into the legislative
17 drafting.

18 I would suggest, Mr. Chairman, that the
19 six who crafted this over a period of weeks need to
20 stay in communication as we communicate to Congress
21 in both parties, because there are obviously places
22 that we are going to have to interpret the framework

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 of this policy to specific language.

2 And I tell you, this group of six has a
3 pretty good understanding of how this body feels now
4 through a lot of discussion. And I think if we stay
5 together, in terms of our communication to both
6 parties in Congress, we will avoid this thing getting
7 off-center.

8 It's a fragile kind of compromise, and
9 we've got to understand that. It's kind of like
10 helping a baby learn to walk.

11 GOVERNOR THOMPSON: Governor Romer, you
12 were out of the room yesterday when I volunteered you
13 to continue on with the six. So your message and
14 comments are very well taken. We are going to stay
15 involved. And the NGA is going to put out a working
16 paper that will be distributed to each and every
17 governor very quickly, and we will want your comments
18 back.

19 But we will continue in the process, and
20 hopefully see it to a successful conclusion. I'm
21 very optimistic. Thank you, Roy.

22 Governor Wilson; Governor Glendening.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 We have to vote soon, ladies and
2 gentlemen.

3 GOVERNOR WILSON: Thank you, Mr. Chairman.

4 A clarification, under the section headed
5 Private Right of Action on page 3. As a matter of, I
6 think, proper parlance and proper appellate
7 procedure, I think the word "appeal" there really
8 should be "petition." I would suggest that perhaps
9 through the Chair we seek unanimous consent.

10 GOVERNOR THOMPSON: It's a legal term.
11 You're absolutely correct. It means the same. But
12 Governor Wilson is correct. So substitute the word
13 "petition" for "appeal to the U.S. Supreme Court."
14 Without any objection, we'll unanimously change that.
15 Is that okay?

16 Governor Wilson.

17 GOVERNOR WILSON: On page 2, in the same
18 fashion, under the heading Eligibility, at the point
19 just above the last two bullet points in that
20 section, there is a statement "consistent with the
21 statute adequacy of the state plan will be determined
22 by the Secretary of HHS."

1 I take it that what that means is that
2 adequacy of the state plan in meeting requirements
3 that are explicit in federal law?

4 GOVERNOR THOMPSON: I think it goes
5 without saying.

6 GOVERNOR WILSON: Let's make a little
7 legislative history in case guidance is required
8 because I don't think -- I think we've all had
9 problems with HCFA deciding that state plans were not
10 adequate. And I think they ought to be held to a
11 fairly strict standard.

12 So I take it that the phrase "consistent
13 with statute" means "in meeting the explicit
14 requirements of federal law of the statute"?

15 GOVERNOR THOMPSON: I believe that's our
16 intention. But I will refer to any other member of
17 the six, Governor Leavitt?

18 GOVERNOR LEAVITT: Mr. Chairman, that was
19 the intent. The intent was to assure that the
20 Secretary would be limited to determining if the plan
21 met the requirements of law.

22 GOVERNOR WILSON: Mr. Chairman, I thank

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the governors.

2 GOVERNOR ROMER: Mr. Chairman, there is a
3 very carefully crafted compromise in here which we
4 worked through in terms of who defines the definition
5 of "disabled," "disability." We compromised that by
6 saying that we would allow each individual state to
7 define "disability" subject to the approval of the
8 plan by the Secretary of HHS. That was a clear
9 trade-off.

10 It was one of the deals that we made. I
11 just want to be very explicit on the legislative
12 history. We gave up a position that's strongly held
13 by many on the side that I represent, or we
14 represent, that there ought to be a uniform
15 definition of "disabled" as there is in current law.

16 That's a major move. But that move was
17 made by the fact that each individual state can
18 define it, but that the Secretary of HHS has final
19 approval of the plan.

20 And let me tell you, I think this is more
21 rhetoric than reality, because all of us have lived
22 with this problem in our own states about defining

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 disabled.

2 GOVERNOR THOMPSON: As Chair of the
3 organization, unless you move, Governor Wilson, I'm
4 not going to accept that as an inclusion.

5 GOVERNOR WILSON: Mr. Chairman, if
6 Governor Leavitt's comments represent the legislative
7 history --

8 GOVERNOR THOMPSON: They do.

9 GOVERNOR WILSON: That's fine. I'm
10 satisfied with that.

11 Let me just make this comment. I will in
12 the interest of time associate myself with the
13 general spirit of the reservations expressed by the
14 Governor of Virginia.

15 We join in commending you and the five
16 others who have negotiated this.

17 I think it needs saying, though, I assume
18 everybody understands it very well. As you have
19 negotiated, and as the side that wanted greater
20 flexibility has yielded to those that wanted national
21 uniformity, what we have done by accepting an
22 increase in the federal requirements for eligibility

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 and for program benefits has diminished the
2 flexibility that we sought.

3 And it has therefore reduced the
4 capability of governors, Democrats and Republicans,
5 to not only be more effective and more efficient, but
6 more equitable.

7 The existing system is one that ironically
8 provides for low-income families, but not all of
9 them. It leaves out a great many of the deserving
10 poor, the working poor. And in our state and in many
11 of our states, we have had as a result, to design
12 state-only programs to try to remedy that.

13 In my state, it is for prenatal care, for
14 pediatric care. That's the kind of thing that we
15 have all been hoping to achieve the ability to do
16 without state-only programs, by greater flexibility.
17 And frankly, we have given up a considerable amount
18 of that in this compromise.

19 And I think we need to recognize that.
20 This is in some sense a departure from the spirit of
21 the greatest flexibility possible that we have
22 consistently sought through adopted NGA policies.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Thank you, Governor
2 Wilson.

3 Governor Glendening, and then I hope that
4 we would be able to call the question.

5 Governor Glendening.

6 GOVERNOR GLENDENING: Let me just also add
7 my appreciation, obviously, to everyone who worked on
8 this, and our colleagues who put so much time in. I
9 would emphasize to everyone, however, that this is
10 obviously just a starting point in terms of what
11 happens now with the next step.

12 And the reason I say that, as the
13 President said in the work session we had with him
14 yesterday, the devil is obviously in the details.

15 I was going through some lists with our
16 staff here, as well. And the interesting thing is,
17 we still don't have this, and there's no reason why
18 we would expect that it would have been, but it
19 hasn't been costed out yet. So our range in terms of
20 national is still between \$59 billion to \$85 billion.
21 And what that means to individual states is still
22 very unclear.

1 When I look at the Administration's
2 proposals right now, it would cost us in terms of
3 reduction about \$580 million over the next seven
4 years, whereas the conference committee report would
5 have been \$1.6 billion.

6 But quite candidly, it's difficult still
7 to figure out where this is.

8 The other thing that I would say, there
9 are a couple of key issues. The six individuals and
10 representatives from the NGA continue to work with
11 Congress. I think it's extremely important. One
12 obviously and a couple of governors mentioned this,
13 but this is almost a do-or-die in terms of the
14 current fiscal situation for many states.

15 And that is the effective date, whether
16 this is going to be rolled back at some point, or
17 what that would do to both the '96 and '97 budgets,
18 and then also what the base year would be in a lot of
19 the calculations.

20 We haven't really been able to work that
21 out. I would emphasize lastly, if I might, that
22 while we say on page 5 that the insurance umbrella

1 portion is not subject to annual appropriations,
2 obviously for this to work, and to be a guarantee of
3 the nature that I think just about everyone in this
4 room clearly wants, the process itself is not subject
5 to the annual appropriations.

6 And it does give us a full package there,
7 because otherwise we'd be going through this battle
8 every single year. And I hope those points, as we go
9 into deliberations with Congress, are really carried
10 through, because I thought it was interesting for the
11 majority leader, responding to the last question, and
12 his comment was that obviously we have to do away
13 with entitlements and so on to make this work.

14 We have abandoned that word. But we are
15 still clearly talking about guarantees. And so
16 there's a lot of work yet to go.

17 As a progressive Democrat, I happen to
18 believe that guarantees are important, and am pleased
19 to see that we were able to work out that particular
20 wording. But I think we have a long way yet to go
21 with Congress.

22 GOVERNOR THOMPSON: Governor Glendening,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 just for your own edification, and for the
2 edification of all the members, your six are going to
3 be on Capitol Hill at 3:00 o'clock this afternoon,
4 meeting already with a bipartisan group of leaders.
5 So we'll take that, and we'll take all of the
6 comments. And we will keep in touch. And hopefully,
7 we'll be able to resolve and develop the perfect bill
8 that George Allen will end up saying, "It's perfect."

9 All those in favor of this motion, signify
10 by saying aye.

11 (Chorus of ayes.)

12 GOVERNOR THOMPSON: Opposed, signify by
13 saying nay.

14 (No response.)

15 GOVERNOR THOMPSON: Unanimously.

16 (Applause.)

17 GOVERNOR THOMPSON: I would just like to
18 say that I've never been prouder to be a member of
19 this organization than I am today. It was bipartisan
20 from day one, and Roy Romer, Bob Miller, and Lawton
21 Chiles, who I considered a perfect gentleman, and
22 learned more little quirks about Florida than I hope

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I'll ever have to use.

2 (Laughter.)

3 GOVERNOR THOMPSON: But I learned a lot of
4 stock material for my speeches from you, Lawton. So
5 I thank you.

6 Mike Leavitt, John Engler, and Arnie
7 Carlson, and Jim Edgar -- all of you just did a
8 wonderful job. And on behalf of the association, let
9 me just say thank you to each and every one of you,
10 but especially to those individuals who worked so
11 hard. Thank you very much.

12 (Applause.)

13 GOVERNOR THOMPSON: The remaining policy
14 is welfare, but the President is here. And I'd call
15 upon Governor Branstad to chair the rest of the
16 meeting.

17 Terry.

18 (Pause.)

19 GOVERNOR BRANSTAD: While we're waiting
20 for the President to arrive, I'd ask Governor
21 Rossello from Puerto Rico to come forward to tell us
22 about the plans that you are making for the 1996

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 annual meeting.

2 I want to thank you for the outstanding
3 reception that you held the other night, and for the
4 hospitality that we're all anticipating when we come
5 to Puerto Rico.

6 Governor Rossello.

7 (Applause.)

8 GOVERNOR ROSSELLO: Thank you, Governor
9 Branstad. My thanks and my commendations to the
10 National Governors Association for selecting Puerto
11 Rico for the 1996 annual meeting, which will be going
12 back to Puerto Rico after 25 years.

13 I can tell you that at Fajardo, Puerto
14 Rico, and the magnificently equipped El Conquistador,
15 it will be our privilege to welcome the nation's
16 governors, their staffs, and their families. You
17 will assemble in the United States Inter-American
18 Bridge, the crossroads of the Caribbean, and you will
19 be well-attended.

20 I can anticipate that under Chairman
21 Thompson's leadership, we will tackle a very heavy
22 and very substantive agenda, preamble to the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 subsequent national conventions of both the
2 Democratic and the Republican parties.

3 Two months ago in Puerto Rico, we were the
4 venue for the annual meeting of the Council of State
5 Governments. Several of our governor colleagues were
6 there, and participated very actively. That was the
7 first time that the Council of State Governments met
8 in Puerto Rico. And I must say, it was the largest
9 and most successful meeting that that organization's
10 history has ever had.

11 We expect no less for NGA 1996 in Puerto
12 Rico. And I hope to have the privilege of welcoming
13 each and every one of you there in Fajardo, Puerto
14 Rico, and be able to personally say to each one of
15 you, "Bienvenidos a Puerto Rico" -- the Island of
16 Enchantment of the United States.

17 Thank you very much.

18 (Applause.)

19 ANNOUNCER: Ladies and Gentlemen, the
20 President of the United States, accompanied by the
21 President of the National Governors Association of
22 the United States, Tommy Thompson, and the Vice

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Chairman, Governor Bob Miller.

2 (Applause.)

3 GOVERNOR THOMPSON: Mr. President, it's
4 always good to see you at an NGA meeting. And after
5 so many years together, it just seems natural for you
6 to be here.

7 You have a long record of partnership, as
8 I mentioned the other evening at the White House. I
9 had the privilege to meet you for the first time at
10 Little Rock. It was my first and one of my best NGA
11 meetings, except for this morning.

12 (Laughter.)

13 GOVERNOR THOMPSON: You, Governor Castle
14 and Governor Sununu were there in 1988 to turn our
15 WIN waivers into national welfare reform. We're here
16 again today to move those reforms forward.

17 You led the efforts in NGA for one of the
18 block grants around, the child care block grant. You
19 also joined with me, or I joined with you, in trying
20 to repeal the Boren Amendment. I want you to know we
21 made a giant step forward today to repeal the Boren
22 Amendment, and many others.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 There are six of us still who are here who
2 were there for the education summit in 1989. We are
3 calling another education summit in March of this
4 year, on March 26 and 27th, and we've invited you to
5 be our speaker, Mr. President. We look forward to
6 working with you for what we consider desperately
7 needed education reforms that meet the tests of
8 today's world.

9 We can point proudly to the accomplishment
10 of our strong partnership, ISTEA, the largest block
11 grant for a better transportation system, an
12 expedited waiver process, and the promise even to
13 abolish the waiver process, which every governor
14 around here hopes we will be able to succeed on.

15 Finally, Mr. President, a full agreement
16 on a bipartisan basis, and a strong bipartisan basis,
17 to eliminate the Boren Amendment.

18 Thank you, Mr. President, for mandate
19 relief, regulatory reform, and paperwork reduction.

20 Mr. President, the power of our
21 partnership has proven very effective in support of
22 the people of the United States. We've come far, but

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 we must go further. We are ready to move this
2 partnership forward in welfare, health, education,
3 and the environment.

4 This morning as you were listening to the
5 debate, we moved a great deal towards Medicaid
6 relief.

7 Mr. President, thank you for coming, and
8 welcome back to the governors organization which you
9 once led.

10 (Applause.)

11 PRESIDENT CLINTON: Thank you very much.
12 Thank you, Governor Thompson, Governor Miller, fellow
13 governors, and friends.

14 It is always good to be back here. And I
15 very much appreciate that what you said, Governor
16 Thompson -- I must say, I also enjoyed standing
17 outside in the hall and listening to the last three
18 or four speakers discuss the last resolution. It
19 made me homesick, and proud that I once was a member
20 of this body.

21 Let me begin, Governor, by congratulating
22 you on the work that you have done on Medicaid, on

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 welfare, and on a number of other issues. And let me
2 also thank the lead Republican and Democratic
3 governors who worked on the Medicaid issue.

4 I see you around this table. You were
5 good enough to work with us in the White House, to
6 keep us up with what you were doing, to enter into
7 intense discussions with us. I'll have a little more
8 to say about it in a minute.

9 But this is in any case a very impressive
10 accomplishment, and all of you have voted for a new
11 framework that will preserve the guarantee of health
12 care coverage to the people who need it, and give the
13 states the flexibility they need to operate the
14 program.

15 Let me also say in general, this governors
16 conference has, I think, been in the best tradition
17 of the National Governors Association, as people have
18 worked together in good faith across party lines to
19 find real solutions to real problems.

20 I'd also like to express my appreciation
21 to Senator Dole for what he said earlier here today,
22 and the genuine spirit of cooperation that he

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 evidenced in his remarks. I must say it was also
2 evidenced in the more than 50 hours we have spent
3 together in discussing the budget. Like him, I
4 believe we will get a budget deal.

5 I didn't like everything he said about
6 wanting to spend some more time around the White
7 House next year.

8 (Laughter.)

9 PRESIDENT CLINTON: But then again, I was
10 a little concerned the other night when Gary Morris
11 was singing at the White House, and I discovered that
12 Governor Thompson and Governor Engler and Governor
13 Voinovich were checking out Al Gore's office.

14 (Laughter.)

15 PRESIDENT CLINTON: But it's good for
16 America, this kind of competition.

17 I also want to say, Governor Branstad, I
18 was encouraged to hear Senator Dole say he thought
19 we'd get a farm bill pretty soon. We've got a 15-
20 year high in wheat prices, and about an 18-year high
21 in bean prices, and corn's about 3.60. If we need a
22 farm bill, then we need to strike while the iron's

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 hot so we can keep this going.

2 This has been a good meeting for you, and
3 it's been a good day for me. And yesterday and the
4 day before, when you were at the White House, were
5 good days, because I always enjoy working with the
6 governors.

7 As I said at the dinner, I think the
8 framers would be pleased by this great debate in
9 which we are engaged in Washington, and in which you
10 are also engaged. It goes beyond very important
11 questions of what government should do in our society
12 and what we should not do, to the questions of, which
13 level of government should do certain things, and how
14 they should be done.

15 This movement is part of the sweeping
16 changes now going on in our society. We see that the
17 changes in how we work and live together in a world
18 that is dominated by information technologies and the
19 markets of the global village are changing the way
20 everybody does business.

21 And I'd like for you to take just a
22 minute, before we get back into the substance of the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 issues that you've been working on, to step back and
2 look at the context in which this debate is taking
3 place.

4 We are living in a world that includes
5 dramatic changes in the nature of work, principally
6 defined by work becoming more and more identified by
7 the content of ideas and information, and less with
8 physical labor.

9 We have changes in the nature of work
10 organizations. They're more flexible. They're less
11 bureaucratic, and often they're smaller.

12 It's interesting that in all the new
13 businesses that have been created, the new jobs that
14 have been created in our country, for the last 15
15 years the Fortune 500 companies have reduced their
16 aggregate employment in each of those years. In the
17 last three years, however, small businesses owned by
18 women alone have created more new jobs than the
19 Fortune 500 has laid off. Changes in the nature of
20 work organizations.

21 Finally, there are dramatic changes in the
22 nature of markets, both financial markets and markets

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 for goods and services. They are more instantaneous
2 in their movement, and more worldwide in their scope.

3 Now, these changes have given our country,
4 with a strong and diverse economy, what I called in
5 the state of the union a great new age of
6 possibility. I believe that. I believe that more of
7 our people will be able to live out their own dreams
8 than ever before.

9 But, these changes have also done what
10 fundamental changes always do. They have led to a
11 great uprooting in the patterns of life and work in
12 America. And there are new challenges to us to
13 preserve the American dream for all citizens who are
14 willing to work for it to maintain our cherished
15 values and our leadership for peace and freedom.

16 This is the context in which this debate
17 should be viewed. Look at the economic picture.
18 America in the last three years has almost 8 million
19 new jobs, the lowest combined rates of unemployment
20 and inflation in 27 years, a 15-year high in home
21 ownership, an all-time high in exports, which has in
22 large measure led to those high prices for foreign

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 products that I mentioned.

2 The auto industry leads the world again.
3 We've had 700,000 new jobs in construction. We're
4 number one in the manufacture of telecommunication
5 satellites. And each of the last three years, our
6 people have set successive records for the formation
7 of new businesses and for the creation of new self-
8 made millionaires, not people who are given their
9 money, but people who made it with the opportunities
10 that were there for them in this country.

11 This is a remarkable thing. But it is
12 also remarkable that, for the first time in our
13 history, all this occurred while more than half of
14 the American people didn't get a raise, and felt
15 increasing insecurity about job loss, or the loss of
16 health care or pension benefits, or the ability to
17 educate their children.

18 Yesterday, I had a conversation with an
19 old friend of mine from a western state, who is a
20 marvelously successful person now in his own right.
21 And by pure accident of history, 40 years ago and
22 more, he and his brother and I attended the same

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 little brick grade school in my hometown in Arkansas.

2 He's a terrific success; he's had a great
3 life. His brother made a great success of his life.
4 But at the age of 49, he has already been laid off
5 twice from two different companies, simply because
6 the companies were bought by other companies, not
7 because he was unproductive, not because there was
8 something wrong with him, not because he didn't do
9 what he was supposed to do in life.

10 The other day I got a letter from a friend
11 of mine that I keep in touch with, a man I went to
12 grade school with who came from a very poor family.
13 He was the first person in his family to graduate
14 from college.

15 And he told me that after nine and a half
16 months of looking, he had finally gotten another job.
17 He was an engineer with a Fortune 500 company who, at
18 the age of 49, along with two other 49-year-old
19 engineers, was laid off. They had children to
20 educate, things to do.

21 This is also a factor of this great
22 churning economy. So we have to see this economy in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 terms of all of its possibilities and its continuing
2 challenges, which presents a paradox.

3 You can imagine what the ordinary person
4 feels going home at night after work, and turning on
5 the television, and hearing how great the economy is,
6 and then filtering it through their own personal
7 experience. It just depends upon whether their
8 experience conforms to the statistics whether they
9 really buy it.

10 Our challenge is to figure out how to set
11 and keep in motion all these wonderful changes, and
12 shape them in a way that makes the American dream
13 available to everybody again. It's a great
14 challenge, but we can do it.

15 If you look at the world, you see the same
16 thing. America has been very fortunate, not only in
17 the trade numbers I mentioned, but to play a role in
18 leading the world toward peace, freedom, and greater
19 security, not only in the obvious places like
20 Northern Ireland and the Middle East and Bosnia and
21 in Haiti, where tomorrow, for the first time in the
22 history of the country, they will have a peaceful

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 democratic transfer of power.

2 But in reducing the threat of nuclear
3 weapons, extending the nonproliferation treaty,
4 passing START II, trying to get a comprehensive test
5 ban treaty this year.

6 But at the same time, we know and we have
7 seen in our own country that there are new threats to
8 our security that are a function of the age of
9 possibility, where people can move around in a hurry,
10 where people can get information on the Internet
11 about how to build bombs, where anybody can be a
12 neighborhood terrorist because of the high-tech
13 information you can get, as long as you've got a
14 computer, where someone in Tokyo can break open a
15 little vial of poison gas and kill hundreds of
16 people.

17 So we have new challenges even as we
18 become more secure. And we see it in terms of what's
19 happened to our ability to maintain our basic values.

20 I am profoundly encouraged that the crime
21 rate, the welfare and food stamp rolls, the poverty
22 rate, and the teen pregnancy rate, and even the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 divorce rate are down in the last couple of years. I
2 think that is a very good thing for America.

3 But let's face it. We all know they're
4 still too high. And we all know that we pay a price
5 together because they are.

6 So I say to you that, as we debate this
7 great transformation of government, the question we
8 really ought to keep in our mind is, are the changes
9 we're making going to contribute to making the
10 American dream available to all our people? Are we
11 going to accelerate all the wonderful things that
12 have brought us this age of possibility, and meet the
13 challenge?

14 Are they going to help people to solve
15 their own problems? Are they going to help families
16 to solve their own problems? Are they going to help
17 communities to work together to solve their own
18 problems? That, it seems to me, is the great
19 question of this age.

20 Government should change, just like all
21 other big organizations are changing, because the
22 demands are changing, the objectives are changing.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 We are doing what the framers intended us to do.

2 And in the exercise you have performed
3 here in the last three days, by getting together and
4 working hard and dealing with these tough issues, and
5 always trying to consider what the human impact of
6 the changes was going to be, you have done what the
7 framers knew we would have to do from time to time,
8 if our great country was going to endure.

9 In the state of the union, I tried to
10 outline what I think our major challenges are, and
11 let me just briefly recount them here.

12 I think as a people, not the government's
13 challenges, our people's challenge is to build
14 stronger families and better childhoods for all of
15 our children, to open educational opportunity for
16 every single citizen, for children and for adults,
17 for a lifetime.

18 To develop a new economic security for all
19 families that are willing to work for it in a way
20 that supports the dynamism of this economy and
21 doesn't undermine it. To make our streets safer and
22 take them back from gangs and drugs. To make crime

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the exception rather than the rule in America again.

2 To provide a cleaner and healthier
3 environment for today and tomorrow in a way that
4 grows and doesn't shrink the economy. To maintain
5 our leadership for freedom and peace in the world,
6 and especially for us, to reinvent, to change our
7 government so that it works better and inspires more
8 trust.

9 I believe that a central lesson I have
10 learned here in the last three years is that the
11 genuine debate in America is not between big
12 government and small government. We already have the
13 smallest government we've had since 1965. It's
14 205,000 people smaller than it was the day I took the
15 oath of office. We're getting rid of 16,000 of
16 86,000 pages of federal regulations; we may get rid
17 of more.

18 It's not between government and markets.
19 WE know there has to be a mix. We know the market
20 can't solve all problems. And we know when the
21 government tries to solve them, that only makes it
22 worse.

1 The central lesson I have drawn from the
2 experiences of the last three years, and from
3 observing what is happening in our country and
4 throughout the world is that what works in the world
5 is what works around this table. That while we can't
6 go forward with the idea that the government can
7 solve all our problems, we must not go back to an era
8 where people were left to fend for themselves.

9 We cannot solve the complex problems of
10 the modern world unless we work together in a genuine
11 spirit of community, where everybody does his or her
12 part, and where we sharply define what the role of
13 government is, and what the role of the federal,
14 state, and local governments are, what the role of
15 the private sector is, what the role of people in
16 their family life is, where we all try to work
17 together to enable people to make the most of their
18 own lives, and grass roots communities to rise up.

19 That is the central lesson that I draw
20 from every experience I have had as President. And
21 that is the perspective I bring to the work that you
22 have done. We know that one-size-fits-all government

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 doesn't work. We know that the American people are
2 not about to get rid of all government, and they
3 shouldn't. And we do know, I believe, that we can't
4 go back to a fend-for-yourself, winner-take-all
5 society.

6 Our national government shouldn't try to
7 do everything. There are some things that we should
8 do, that we do directly. National defense is the
9 best and clearest example. And our military does it
10 better than anybody else in the world, and better
11 than they ever have.

12 We do have, it seems to me, when we have
13 national challenges, a responsibility to articulate a
14 clear national vision, set goals, challenge people
15 from every walk of life to meet the goals, and then
16 do what we can to empower them to succeed.

17 In other words, sometimes what we have to
18 do is define the "what" and let others, as much as
19 possible, determine the "how."

20 That's what the Crime Bill does. It was
21 clear to me when I became President that there was
22 something terribly wrong when the violent crime rate

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 had tripled in the last 30 years, and the size of our
2 police force had only gone up by 10 percent.

3 It was obvious if you went to communities
4 all over the country that there were places where the
5 crime rate was going down. And the one thing they
6 all had in common was a clear, disciplined operating
7 community policing strategy.

8 So we passed a Crime Bill that said, we're
9 going to have a goal of putting 100,000 police on the
10 streets. You apply for the money, and you get it.
11 But we're not telling you who to hire, or how to
12 train them, how to deploy them, what kind of
13 community groups they have to work with. You decide.

14 So the Governor of Kentucky and I were in
15 Louisville the other day looking at one of the
16 community policing operations there. It's driving
17 the crime rate down.

18 I was in Manchester, New Hampshire looking
19 at one of the community policing operations. It's
20 driving the crime rate down. Every state here has
21 communities where the crime rate is going down.

22 One of our major newsmagazines had a cover

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 story with the Commissioner of Police in New York
2 City talking about the crime rate going down, and
3 said, "Have we found a way to turn the corner on
4 crime?"

5 That is the kind of partnership we ought
6 to have. I believe Goals 2000 sets that mode.

7 The federal government's education
8 programs are far less proscriptive now than they were
9 in the years when I served as a governor before I
10 came here as President. Goals 2000 is consistent
11 with the work done by Governor Romer. It says that
12 we should have national standards. States should
13 agree to meet them.

14 But the states and school districts should
15 decide the hows, and we should give people resources
16 and help to let them decide how, not the federal
17 government.

18 We have also tried to work with you in
19 particular, as Governor Thompson said, with the
20 unfunded mandates law, with the dozens of waivers and
21 with the common efforts we're now making, not only to
22 get rid of the Boren Amendment, but to get rid of a

1 lot of other federal requirements that cripple your
2 ability to spend your time and your money helping
3 your people to deal with their challenges.

4 We have tried to run this smaller federal
5 government better, stepping up the fight against
6 illegal immigration at the border and in the work
7 place, collecting record amounts of child support,
8 cutting the student loan default rate almost in half,
9 doubling the loan volume at SBA while we cut the
10 budget by 40 percent, adopting customer service
11 standards for every federal agency.

12 And I'm really proud of the fact that one
13 of the major business magazines just last year which
14 gives awards every year to the top corporations in
15 America that serve the public the best, in the
16 category for best service over the telephone,
17 competing with L.L. Bean, Federal Express, and a lot
18 of other things, the winner last year was the Social
19 Security Administration. I'm proud of that.

20 We're trying to give the American people a
21 government that is smaller, that costs less, that
22 works better, and that works with you.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 The first thing we need to do now is to
2 finish the work of balancing the budget. We all know
3 there's plenty of blame to go around for what
4 happened in the years before we started working on
5 this three years ago.

6 I am proud that the deficit has been cut
7 in half in the last three years. It is obvious that
8 we need to finish the job. It is also obvious that
9 this is a job that will never be finished, at least
10 not in our lifetime, because when baby boomers,
11 people my age and younger, begin to move toward their
12 retirement years, the demographic changes in America
13 will impose great new challenges on the budget. And
14 this work of keeping our budget under control will
15 have to be done year in and year out for a long time
16 to come.

17 But, we do know that, based on the work we
18 have already done, there are savings common to both
19 the Republicans' plan and the plan that I have put
20 forward that amount to about \$700 billion, more than
21 enough to balance the budget, and enough to meet my
22 criteria of protecting the Medicare and Medicaid

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 programs, our investments in education and the
2 environment, and providing a modest tax cut.

3 We know there are a lot of policy areas
4 where we do agree, as well as some where we don't. I
5 wish on the whole that the American people could have
6 watched Senator Dole and Speaker Gingrich and Mr.
7 Armev and Senator Daschle and Mr. Gephardt and the
8 Vice President, Mr. Panetta and I over these last 50
9 hours of discussions we've had, because we tried to
10 do things the way you try to do them here.

11 We were able to identify significant areas
12 of agreement. Whichever Medicare program is passed,
13 for example, it will be a program that estimates that
14 we can slow medical inflation in the Medicare program
15 below the projected rate of medical inflation in the
16 private sector by aggressive incentives to seniors to
17 move to managed care. With all the other differences
18 of opinion, that is still there.

19 However the final Medicaid program comes
20 out -- and I think you have gone a long way toward
21 influencing that today in a positive and constructive
22 way -- we are going to slow the inflation rate in

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Medicaid well below the projected rate of health
2 inflation in the private sector, because of giving
3 you greater flexibility to move toward managed care,
4 and to do other things as well.

5 This is encouraging. And so, I believe
6 the first thing we have to do is to finish this job.
7 WE cannot in good conscience, even though this is an
8 election year, have a work stoppage between now and
9 November. We have to go on and finish the work of
10 balancing this budget.

11 (Applause.)

12 PRESIDENT CLINTON: Let me say again, I
13 was very encouraged by what Senator Dole said today.
14 That is exactly my impression of where things are,
15 and I believe we will get an agreement. I look
16 forward to continuing our efforts there.

17 I also believe we can get an agreement on
18 Medicaid. You have done a lot of work which will
19 help us immensely in that regard. You have always
20 said that you could run this program better if you
21 didn't have your hands tied, and you didn't have to
22 ask Washington permission every time you wanted to do

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 something.

2 We have known for a long time that the
3 initial good impulse of supporting the Boren
4 Amendment was a mistake. We have known for a long
5 time that you shouldn't have to ask the federal
6 government every time you want to change your payment
7 schedule to providers, and every time you want to put
8 in a new managed care program, or make some other
9 change.

10 You have come up with a proposal that
11 enables you to have that kind of flexibility, and
12 still preserves the nation's ability to guarantee
13 medical care for poor children, for pregnant women,
14 for people with disabilities, and older Americans.
15 This is a huge step in the right direction.

16 As you know from our discussion yesterday,
17 I still have some concerns. As you have
18 acknowledged, we have to get any proposals scored by
19 the Congressional Budget Office. We have to
20 clarify -- at least I need some clarification on some
21 issues which we discussed yesterday in terms of the
22 definitions of disability, and making sure that there

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 will be someplace where a clearly enforceable right
2 is held for people with regard to the benefits to
3 which they're entitled.

4 And there are some other issues that we
5 just didn't discuss because we didn't have enough
6 time, like how the people who are now getting
7 Medicaid help to pay their Medicare premiums will be
8 able to continue that so they don't lose their
9 Medicare coverage.

10 But I am convinced that we can work these
11 out, and I am very encouraged by the work that you
12 have done. Let me also say that I think there's one
13 other thing that we ought to do health care. And I'd
14 like to ask for your help on that, even though it's
15 something that has to be done here in Washington.

16 If we cannot follow the other advanced
17 economies of the world and ensure that everybody has
18 health insurance, at least we ought to be able to
19 ensure that everybody has access to health insurance.

20 There is a bill in the Senate now,
21 sponsored by Senator Kassebaum of Kansas and Senator
22 Kennedy of Massachusetts, which would simply say that

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 insurance companies cannot deny coverage for people
2 because somebody in their family has a preexisting
3 condition. And people can keep their insurance if
4 they move from job to job. They can't be cut off.

5 The bill would also provide incentives for
6 pooling operations to be set up so that more small
7 businesses can buy insurance. I know that California
8 and Florida in particular have had some very good
9 results with efforts in this area already.

10 It is a good bill. It has 43 co-sponsors,
11 Republican and Democrat. It was voted out of the
12 committee unanimously, and it has not been brought to
13 a vote yet, because of pressures against it.

14 I think it is quite important that that
15 bill be brought to a vote. It is one thing we can
16 do, a simple bipartisan act we could take that would
17 increase the sense of security for millions of people
18 in working families who are doing everything they can
19 to do the right thing in this country.

20 And finally, let me say I applaud the work
21 that you have done, again in a bipartisan fashion on
22 welfare reform. I don't think you voted on that

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 policy yet. But we discussed it some yesterday.
2 I've seen some of the changes you've made. I heard
3 what Senator Dole said about child care, agreeing
4 with you and me on that. That's a very good sign.

5 Let me just be as simple as I can about
6 this. I think the objective of welfare reform should
7 be to break the cycle of dependency in a way that
8 promotes responsibility, work, and parenthood. I
9 believe that our objective for all Americans should
10 be to make sure that every family can succeed at home
11 and at work, not to make people choose.

12 If a family has an adult that succeeds at
13 work by sacrificing on the home front, our country is
14 weaker, because our first and most important job,
15 every one of us that has children, is to be good
16 parents. If a family can only work at home when they
17 failed at work, then our economy will be hurt, and
18 all of our efforts to promote independence will be
19 undermined.

20 So everything I have done in this welfare
21 debate has been designed with that in mind. How can
22 we design a system that will be tough on

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 responsibility, tough on work requirements,
2 disciplined, but that will reward family and child
3 rearing, as well as movement into the work place?

4 I think if we all keep that in mind, that
5 we want a country where people succeed at work and
6 succeed at home, then we'll come to answers in
7 common, like the child care answer that the governors
8 recommended. We will do that.

9 In terms of the details of running the
10 program, and your not having to come to us every time
11 you want a waiver, I could not agree more with that.
12 I think a lot of the good ideas that have come out of
13 this in the last three years -- every one of them as
14 far as I know has come from the states.

15 Let me just mention one that I have
16 promoted relentlessly, since Oregon and a number of
17 other states started trying it.

18 But in the areas where there are not
19 enough jobs today, how are we going to get jobs for
20 people on welfare? In the areas where the markets
21 are tight, how will we give employers an incentive to
22 hire people on welfare?

1 One of the things that you can do now, but
2 every one of you will be able to do it if we pass
3 meaningful welfare reform, is to make your own
4 decision to cash out the welfare and food stamp
5 benefits and give it in the form of a job supplement
6 to an employer to hire someone to go to work, instead
7 of to stay out and draw that same amount of money.

8 There are lots of things like this that
9 can be done. You can do it. And I believe we're
10 going to pass welfare reform legislation. And I
11 think when you take a stand here today, saying that
12 the Senate bill was a good bill, I thought, and I
13 thought far superior on most points to the one that
14 came out of the conference that I vetoed.

15 But it had some problems. And the biggest
16 one for most states was the child care problem. You
17 have addressed that here. And you have said, "Okay,
18 be tough on people. Make them go to work. But don't
19 ask them to hurt their children." That's all any
20 American could ever ask.

21 And I think when you do that, you're going
22 to give us a real chance to pass welfare reform. And

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 I thank you for that.

2 So I would say again, I think you've had a
3 pretty good meeting here. I think you have
4 contributed to the climate that will help us to
5 balance the budget. You have contributed
6 immeasurably to helping us resolve the impasse over
7 Medicaid. You have contributed to the impulse to
8 move to genuine welfare reform.

9 We can do all these things if we do them
10 together.

11 Let me say again, every time this country
12 works together, every time we reach across the lines
13 that divide us, we never fail. We dissipate
14 cynicism, we dissipate mistrust, we dissipate
15 anxiety, we dissipate anger every time we do that.

16 Abraham Lincoln said this a long time ago.
17 We can succeed only by concert. It is not, Can any
18 of us imagine better? -- but, Can we all do better?

19 The governors always attempt to answer
20 that question with a resounding, Yes.

21 Thank you very much.

22 (Applause.)

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 (Pause.)

2 GOVERNOR BRANSTAD: May I have your
3 attention, please? We're going to go back on the
4 welfare reform resolution. I would like to ask the
5 governors please to be seated so we can try to wrap
6 up the meeting here as quickly as possible.

7 The Chair recognizes Governor Carper for
8 the resolution on welfare reform.

9 GOVERNOR CARPER: Thank you very much, Mr.
10 Chairman.

11 Again, if we could ask those who are here
12 with us here today to hold your voices down as you
13 leave.

14 GOVERNOR BRANSTAD: Please pay attention
15 to the speaker. We ought to be able to wrap this up
16 in very short order if everybody cooperates.

17 Governor Carper.

18 GOVERNOR CARPER: Thank you very much,
19 Governor.

20 As the President leaves us today, I am
21 reminded, my fellow governors, that we have arrived
22 at a time in this city where people are looking for a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 way out of a jam, out of a mess, out of some
2 gridlock. I think the high expectations were for us.
3 We certainly had high expectations for us as well.

4 I believe we have risen to the occasion.
5 And as others have said, I am just enormously proud
6 to be a part of this organization.

7 We leave behind us a road map on Medicaid,
8 and I think we now have an opportunity to leave
9 behind us a road map out of this gridlock on welfare
10 reform.

11 The proposal that Governor Engler and I
12 present to you today is one that rewards work, is one
13 that encourages personal responsibility, is one that
14 fosters family self-sufficiency.

15 We agreed to time limit benefits through
16 our cash assistance programs. WE also provide for
17 the ability to enable people to prepare for work, to
18 find work, and maybe most importantly of all, with
19 the extension of child care assistance, for people to
20 continue working.

21 We maintain a federal safety net and
22 safeguards for people that are most vulnerable among

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 our population, particularly the young. And
2 important to this governor, and I know to Governor
3 Engler and every one of us who are around this table,
4 we provide more flexibility for our states than we've
5 ever had before with respect to these family self-
6 sufficiency programs.

7 We truly say that our states are going to
8 be laboratories of democracy, and we can learn from
9 one another what works and what does not work.

10 With that having been said, let me yield
11 to Governor Engler. Then I'm going to ask for a
12 unanimous consent request with him.

13 GOVERNOR THOMPSON: Before we recognize
14 Governor Engler, the governors have got to hear --
15 and I know the press wants to get out, but this is
16 our meeting -- I'd like to have everybody pay
17 attention to the speaker. It's a very important
18 resolution, and I'd like to have everybody pay
19 attention to John Engler on this matter.

20 Governor Engler.

21 GOVERNOR ENGLER: Thank you, Mr. Chairman.

22 I think Governor Carper touched on some of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the highlights. This policy represents a dramatic
2 change in American welfare policy. It is a statement
3 of reform. It's a statement that lays out, as
4 Governor Carper indicated, a blueprint, literally.

5 And as you follow through the documents
6 that we've distributed, both yesterday and today's
7 policy statement, you will be able to see literally
8 the design of a new welfare system that says to the
9 states, "We trust you. And we are going to give you
10 the policy making authority to design systems that do
11 move people off dependency into a lifetime of work."

12 It's a program that has such innovations
13 as performance incentives for states that perform,
14 that exceed some of the employment-related
15 performance targets. It has reforms allowing the
16 states, for example, to have a family cap which today
17 is only possible through waivers. In the future, a
18 state can simply put out a family cap if they wish to
19 do so.

20 It allows for new restrictions on teens
21 who become pregnant without having to get waivers.
22 States are free to adopt policies requiring that teen

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 to live at home, or live in an adult-supervised
2 setting, without having to ask the federal
3 government, "May I do this?"

4 It cleans up literally hundreds of
5 problems that the states have been confronted with in
6 different ways, and it is a policy that we've worked
7 hard on.

8 I strongly support it. I believe that
9 there will be those -- and we'll hear them outside
10 this chamber. There will be some who say it isn't
11 tough enough. It should be tougher. It should be
12 less flexible, because, you know, we think that some
13 of these states ought to be tied down.

14 Then there will be others who say, Well,
15 it ought to be more tied down because some state --
16 somewhere some state legislature might put somebody
17 at risk.

18 I think, given the environment, given the
19 difficulty that we've had on this issue, this is a
20 middle ground that has been found that meets both the
21 needs that the President addressed, the needs that
22 the governors have discussed in the past, the needs

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 of those proponents of change and reform on Capitol
2 Hill.

3 It truly is, as is the Medicaid, a win-
4 win-win situation. And I urge its adoption. And I'm
5 delighted and grateful for the opportunity to work
6 with Governor Carper on this issue as well.

7 Governor Carper's staff, the staff from
8 Michigan, and the many staffs of governors here that
9 have contributed to this debate have been enormously
10 helpful. And the NGA staff also has played a key
11 role. So, Mr. Chairman, I'm delighted to move the
12 adoption of the policy. And then Governor Carper has
13 an amendment by unanimous consent.

14 GOVERNOR THOMPSON: Governor Engler has
15 made the motion.

16 Governor Carper, will you second it?

17 GOVERNOR CARPER: I do.

18 GOVERNOR THOMPSON: Discussion?

19 Governor Carper.

20 GOVERNOR CARPER: Before I ask for
21 unanimous consent, on a friendly change that's been
22 worked on with the governors of several states who

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 have expressed concerns over alien provisions, I
2 would be remiss if I didn't say to Governor Engler
3 and to Jerry Miller, his Secretary of Health and
4 Social Services, our thanks for working with us.

5 To Carmen Desiria, my Secretary of Health
6 and Social Services, and to Susan Galunka,
7 particularly here at NGA for your help and the
8 cooperation of every one of your staffs to enable us
9 to get to this point today.

10 If you'll take a moment and look at the
11 pile of papers that are before you, you'll find that
12 one of the documents is a four-page document that
13 deals -- it says Suspension at the top, and it says
14 Welfare Reform.

15 This represents the policy position
16 offered by the work that Governor Engler and I have
17 led. In the second paragraph of this document on
18 page 1, you'll find the second paragraph, the last
19 two sentences. And we have a unanimous consent
20 request that we worked on with Governor Engler and
21 with Governors Wilson, Chiles and others.

22 The last two sentences, we make a minor

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 change as follows: It reads, "The National Governors
2 Association would support the H.R. conference
3 agreement with the changes listed below." We strike
4 the words, "with the exception of the alien
5 provisions." We strike the words "with the exception
6 of the alien provisions."

7 The document continues to read, "the
8 absence of recommendations on the restriction of
9 benefist for aliens should not be interpreted as
10 support for or opposition to the provisions of H.R. 4
11 conference agreement."

12 You may recall in our Governors Only
13 discussion yesterday on alien provisions, we did not
14 include anything. What we essentially said here,
15 with this unanimous consent request, is that we take
16 a position neither for nor against those
17 recommendations that are part of the H.R. 4
18 conference agreement.

19 I would ask unanimous consent along with
20 Governor Engler that that change be adopted.

21 GOVERNOR THOMPSON: Why don't you move it?

22 GOVERNOR CARPER: I so move.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Governor Carper has
2 moved --

3 GOVERNOR ENGLER: Second.

4 GOVERNOR THOMPSON: And a second by
5 Governor Engler. Governor Engler, will you second
6 it?

7 GOVERNOR ENGLER: Yes.

8 GOVERNOR THOMPSON: Yes, Governor Chiles.

9 GOVERNOR CHILES: Mr. Chairman, I'm
10 certainly going to support this, and I support very
11 strongly the work that Governor Carper and Governor
12 Engler have done in regard to this. This language
13 has the effect of sort of saying that this report is
14 neutral on the question.

15 But I do just want to point out for the
16 record that we in Florida are very concerned, and
17 want to ensure that our Cuban and Haitian entrants
18 are given the same kind of time limited exemptions as
19 other refugees.

20 Congress in the 1980s passed a special
21 status for both Cubans that were fleeing from
22 dictatorships and Haitians that were fleeing from

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 dictatorship. And that status is sort of disturbed,
2 and was changed in the existing H.R. 4.

3 This means we want to make sure they are
4 distinguished from illegal immigrants, because
5 they're not illegal. They were afforded a parole
6 status to come into the country by the government.
7 And so we are concerned, as the report goes forward,
8 as the reform goes forward.

9 GOVERNOR THOMPSON: Thank you, Governor
10 Chiles.

11 Governor Weld.

12 GOVERNOR WELD: Mr. Chairman, I'm strongly
13 in opposition to the alien provisions of H.R. 4, and
14 I'm supporting the unanimous consent only on the
15 understanding, which I have from Governor Carper,
16 that governors are of course free to express their
17 own views on the merits of these provisions, despite
18 this vote.

19 GOVERNOR THOMPSON: Thank you, Governor
20 Weld.

21 Governor Dean.

22 GOVERNOR DEAN: I just want to take a

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 moment to thank Governor Carper and Governor Engler
2 in crafting this. I think it's been a long,
3 difficult process. And I particularly want to thank
4 Governor Engler for helping to accommodate my views
5 on the school lunch program.

6 I appreciate what you've done, John, and I
7 thank you very much.

8 GOVERNOR THOMPSON: Thank you very much,
9 Governor Dean.

10 Governor Lowry.

11 GOVERNOR LOWRY: Certainly put down a
12 ditto for Governor Weld from me. I'm certainly not
13 in opposition to what Governor Chiles said. But I'm
14 in strong opposition to the way H.R. 4 addresses
15 legal immigrants in this country. Our report's not
16 addressing it, but I just agree with Governor Weld.

17 GOVERNOR THOMPSON: Something is really
18 wrong when Governor Lowry and Governor Weld are
19 teamed up together. Maybe we should reconsider this.

20 GOVERNOR LOWRY: It's the Statue of
21 Liberty and the Constitution.

22 GOVERNOR THOMPSON: Thank you.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Governor Wilson.

2 GOVERNOR WILSON: Mr. Chairman, apart from
3 your observation that one of the other of the
4 governors is in trouble, let me just say I was going
5 to offer an amendment. I will withdraw it because of
6 the change that has been made.

7 I think we should be endorsing one of the
8 provisions of the conference report that prohibited
9 any absence of affirmative state action to the
10 contrary those provisions that do in fact provide
11 benefits to illegal immigrants, and serve as what
12 Henry Cisneros, among others, has described as a
13 magnetic lure.

14 But I think that will find its way into
15 the legislation as it did into the conference report.
16 I will be seeking that, but I will not take the time
17 of the body at this point.

18 GOVERNOR THOMPSON: Thank you very much,
19 Governor Wilson.

20 Anybody else want to speak?

21 Yes, Governor Fordice.

22 GOVERNOR FORDICE: Mr. Chairman, as

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 recently as yesterday when we were discussing food
2 stamps, I was under the impression that either the
3 Senate bill or the conference committee report still
4 retained the ability to block grant food stamps if
5 you had statewide EBT.

6 And this first bullet here, I'm just
7 wondering if that still incorporates that option.

8 GOVERNOR THOMPSON: Thank you.

9 Governor Carper, then Governor Engler.

10 GOVERNOR CARPER: The provisions of this
11 agreement enable states to opt for a block grant
12 approach on food stamps. There are a couple of tests
13 that must be met. One of those is statewide
14 electronic benefit transfer, as you mentioned.
15 Secondly, to meet error rate requirements, low
16 error rates. I think six percent is the target.

17 To the extent that states can meet those
18 tests, they may do so. Having said it, while states
19 will be free then to choose either the block grant or
20 the individual entitlement option, for the Congress
21 itself, what we're suggesting as the Senate did, is
22 that the food stamp program, funding for the entire

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 food stamp program by the Congress be reauthorized in
2 its present uncapped form.

3 So that we're not going to run out of
4 money on the block grant approach, that we might take
5 in your state, and the approach we might take in
6 Delaware.

7 GOVERNOR THOMPSON: Governor Engler, then
8 Governor Fordice. Governor Fordice?

9 GOVERNOR FORDICE: I just want to be
10 assured that that option is still in there. Is that
11 what you're saying, Tom?

12 GOVERNOR ENGLER: Yes, it is, Governor.
13 I'll address that. It's there.

14 I think some states will qualify for it.
15 The other thing that this bill does -- if we get rid
16 of regulation E, which has been a big problem in
17 terms of moving to the electronic benefits system, so
18 we overcome that difficulty, that's a significant
19 hassle that's out of the way for all the states.

20 GOVERNOR THOMPSON: Any further
21 discussion?

22 (No response.)

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: Hearing none, I call
2 for the question that has been made.

3 GOVERNOR LOWRY: This is on unanimous
4 consent, or on the bill?

5 GOVERNOR CARPER: The unanimous consent
6 first.

7 GOVERNOR THOMPSON: Is there any objection
8 to unanimous consent? I should have put that first.

9 Any objections to the unanimous consent?

10 (No response.)

11 GOVERNOR THOMPSON: Hearing none, it's so
12 ordered.

13 Now we go on to the regular motion. All
14 those in favor of the resolution which is co-authored
15 by Governors Carper and Engler.

16 Governor Lowry?

17 GOVERNOR LOWRY: Mr. Chairman, I'm
18 troubled about this vote. I'm troubled because of
19 the great job done on Medicaid and also the very hard
20 work put in by our lead governors on this.

21 I myself do not agree with much of what is
22 said to be welfare reform, which I do not believe is

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 welfare reform.

2 Having said that, I would like to ask the
3 question again in the way we work this on the Hill.
4 I would hope that we would be arguing for maximum
5 flexibility for the states in all cases, and that's
6 one thing I see in this. So that if we don't happen
7 to agree with some of the provisions that have been
8 talked about like teenage mothers, things like that,
9 that's a state question.

10 GOVERNOR THOMPSON: That is our position.
11 We're going to be arguing for that on Capitol Hill
12 this afternoon, and for as long as we can.

13 GOVERNOR LOWRY: Thank you.

14 Then if I could ask one follow-up question
15 on that. Referring to time limits, if this is
16 supporting of H.R. 4, except where designated
17 differently, then it is supportive of time limits,
18 and that is not flexibility. And I'm asking that
19 question. That's not flexibility.

20 GOVERNOR THOMPSON: Governor Carper, then
21 Governor Engler.

22 GOVERNOR CARPER: With respect first of

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 all to mandates, we have literally rejected what this
2 document mandates from the right, just as we should
3 have rejected mandates from the left. We don't say
4 in this document that states have to deny benefits to
5 teenage parents. They may choose to do so. They
6 have that flexibility. But we must not mandate that.

7 We don't mandate that states have to have
8 a family cap. If that's something you want to do in
9 Washington or Delaware, then we're free to do that.

10 With respect to time limits, we provide
11 five years, up to five years of federal support in
12 cash assistance, after which time federal support for
13 cash assistance will in most cases -- again, not all
14 cases -- will provide for about a 20-percent
15 exemption for people that are unable to work,
16 physically, psychologically, mentally unable to work.
17 So there's that exception.

18 But after five years, states are free to
19 continue with their own cash assistance with their
20 own money. So you do have that flexibility.

21 GOVERNOR THOMPSON: Governor Engler.

22 GOVERNOR ENGLER: Mr. Chairman, the

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 flexibility, you can continue under this if you wish
2 to run a program that will look very similar to the
3 current program. If you think the system is working,
4 you could run that program. But there's a lot of
5 flexibility to change it.

6 And the time limit that was talked about
7 up on Capitol Hill, I think that had support in both
8 parties. But it's also got the support of the
9 President. He even referred to it again today. So
10 you know the time limit, at least I think, is one
11 that has finally won acceptance.

12 As Governor Carper explained, there is a
13 hardship exclusion for a percentage of people,
14 perhaps, and we'll just have to see.

15 GOVERNOR LOWRY: Mr. Chairman, I won't
16 continue this much longer.

17 GOVERNOR THOMPSON: Please don't, Mr.
18 Lowry.

19 GOVERNOR LOWRY: Well, I'd prefer to be
20 able to vote for this, Mr. Chairman.

21 GOVERNOR THOMPSON: Yes, I know you would.

22 GOVERNOR LOWRY: And this does not have

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 the degree of discussion that Medicaid had. That's
2 nobody's fault. We've only had four days here.
3 There are some very important provisions in what is
4 called welfare reform.

5 And so a question that I was going to ask
6 beyond that, although I will say, with exactly the
7 existing system, we took 10,200 people off of welfare
8 into the job force last year in the State of
9 Washington by applying child care and the things that
10 are real welfare reform, and with no time limits.

11 But I'd just like to ask one last thing.

12 GOVERNOR THOMPSON: Sure, Governor Lowry.

13 GOVERNOR LOWRY: When we have to do things
14 like time limit tracking and other trackings like
15 alien tracking, that is very expensive -- computer
16 setup tracking.

17 And I hope that we as states are also
18 arguing on what the costs are going to be for the
19 requirements on tracking, like on legal aliens and
20 time limits over a person's lifetime, and what those
21 costs are going to be to us, and how we try to work
22 with that with the federal government.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 GOVERNOR THOMPSON: I'm sure we are.

2 But, Governor Carper, did you listen to
3 the last question with Governor Lowry?

4 GOVERNOR CARPER: Could you just very
5 succinctly restate the essence?

6 GOVERNOR THOMPSON: The answer is yes,
7 Governor Lowry.

8 Okay. Any other questions?

9 (No response.)

10 GOVERNOR THOMPSON: Thank you, Governor
11 Lowry.

12 Hearing none, all those in favor of the
13 resolution on welfare, signify by saying aye.

14 (Chorus of ayes.)

15 GOVERNOR THOMPSON: Opposed, signify by
16 saying nay.

17 (No response.)

18 GOVERNOR THOMPSON: The ayes have it
19 unanimously. Thank you, Governor Lowry.

20 (Applause.)

21 GOVERNOR THOMPSON: Once again, I'd like
22 to thank Governors Carper and Engler for an

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 outstanding job. We made a lot of progress.

2 Before the governors leave, there was one
3 item in one of the Governors Only meetings. There
4 was discussion of using more computer technology in
5 the consolidations of CSG and NGA.

6 I've consulted with the Vice Chairman Bob
7 Miller, and we're going to make the co-chairmen
8 Governor Leavitt of Utah, and Governor Knowles of
9 Alaska to take a look at the consolidation in ways
10 that we can streamline the agencies.

11 We have a couple of more items, so if we
12 pay attention, we can get done quickly, in five
13 minutes.

14 Governors, we're not really done yet.

15 Governor Romer.

16 GOVERNOR ROMER: Mr. Chairman, we
17 recognized a lot of governors. But this thing didn't
18 happen without staff. There was some really strong
19 staff input.

20 GOVERNOR THOMPSON: Wonderful staff.

21 GOVERNOR ROMER: I just want to list some
22 names: Coral Volpe of NGA, Allen Wilde of Colorado,

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Joan Newman of Governor Leavitt's staff, Charlie
2 Salem of Florida, Leanne Riddick of Governor Engler's
3 staff, Kip Piper, Mary Sheehy and Mary Kay Mentor
4 from your staff, and from Governor Miller's staff,
5 Nicole Limbole and plus a whole lot of others.

6 We really need to recognize that we didn't
7 get this done without really good staff work.

8 (Applause.)

9 GOVERNOR THOMPSON: Governor Romer, I
10 agree with everyone. But I didn't hear anyone
11 applaud Allen. I'm still holding out judgment on
12 that one. But you're absolutely correct. The NGA
13 staff has been wonderful -- Ray Scheppach, Jim
14 Martin, and Coral, Susan, all of you.

15 And the people who have been working out
16 in the booths and doing the heavy lifting, the heavy
17 work out there, I personally as Chairman want to
18 thank all of them for their hard work -- and our own
19 individual staffs.

20 Now I'd like to turn it over to Governor
21 Bob Miller, the Vice Chairman, to talk about the New
22 Governors Seminar this fall.

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 Bob Miller.

2 GOVERNOR MILLER: The New Governors

3 Seminar, which many of you will be called upon to be

4 faculty for the newly-elected governors, will be on

5 its traditional timeframe in November, the second

6 weekend of November. And it will be in Atlanta,

7 Georgia, through the gracious hospitality of Governor

8 Zell Miller.

9 We will be getting back with all of you on

10 details of it, but essentially it will follow the

11 outline of previous New Governors Conferences.

12 Thank you.

13 What's the actual dates? It's the weekend

14 before your conference, John. It's the 14th to the

15 16th, or something of that nature. So that there's a

16 separation. We'd gone back to your staff to make

17 sure that wasn't a problem. I hope that it isn't.

18 We can always adjust it if it is.

19 Thank you.

20 GOVERNOR THOMPSON: Thank you very much,

21 Bob Miller. Bob Miller has just done an outstanding

22 job to help create this bipartisan atmosphere. And

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 his leadership has been outstanding, and I want to
2 personally and publicly thank Bob.

3 I want to thank all the governors for a
4 wonderful meeting. I think we set out to accomplish
5 certain goals. WE've accomplished them, and the only
6 way we're able to accomplish them is by continuing to
7 reach out to each other on a bipartisan basis. And I
8 would like to just say thank you to all of you, and
9 to the staff of the governors, the staff of NGA, and
10 Ray Scheppach, who worked extremely hard.

11 And I don't say thank you to Ray Scheppach
12 hardly at all, and I'd like to say thank you to Ray
13 Scheppach and the people at NGA, and all the other
14 individuals.

15 Is there anything else to come before the
16 NGA Winter Meeting?

17 (No response.)

18 GOVERNOR THOMPSON: If not, a motion to
19 adjourn is in order.

20 GOVERNOR CAPERTON: So moved.

21 GOVERNOR THOMPSON: Seconded by Governor
22 Schafer, Governor Romer, and everybody wants to

ACE-FEDERAL REPORTERS, INC.

Nationwide Coverage

202-347-3700

800-336-6646

410-684-2550

1 second it.

2 All those in favor of adjourning the
3 plenary session in the February meeting, signify by
4 saying aye.

5 (Chorus of ayes.)

6 GOVERNOR THOMPSON: Opposed, signify by
7 saying nay.

8 (No response.)

9 GOVERNOR THOMPSON: We are adjourned.
10 Thank you all very much.

11 (Whereupon, at 12:20 p.m., the meeting was
12 adjourned.)

13

14

15

16

17

18

19

20

21

22