NATIONAL GOVERNORS' ASSOCIATION

TRANSCRIPT OF PROCEEDINGS

92ND ANNUAL MEETING

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STATE COLLEGE, PENNSYLVANIA

SHERRY BOWES, RMR, CRR
NOTARY PUBLIC
CHAIRMAN LEAVITT: Good morning, Governors, distinguished guests and ladies and gentlemen. It's my privilege to welcome you to the opening plenary session of the 92nd annual meeting of the National Governors' Association. In just a moment we're going to be hearing from our first distinguished guest, General Colin Powell, and a bit later Ivan Seidenberg, who is president and the co-chief executive officer of Verizon Communications, but I'd like to make a couple of points in opening.

During the course of this meeting, we will be discussing a number of critical and important issues to states and to this country and we'll be making a particular focus on the new economy. This morning, our guests will be discussing building communities in the new economy, and a little later in this session we'll be talking about telecommunications in the new economy.

In our closing plenary session, we'll be hearing from Alan Greenspan, the Chairman of the Board of Governors of the Federal Reserve System, and he'll be speaking about structural change in the new economy. And on Monday, two concurrent task forces will be meeting, one on information technology and the other on the new economy.

At our plenary session on Monday afternoon, we'll be joined by President Clinton, and we look forward to hearing him. This will be his last NGA meeting as the
President of this nation. We hope that we'll all leave enlightened and challenged.

Now, as I call this meeting to order, I'd like to receive a motion for the adoption of the rules of procedure so that we may govern. We have a motion and a second. All in favor of adopting the rules of procedure say aye. Opposed. The motion carries.

A part of the rules require that any Governor who wants to submit a new policy or a resolution must submit it and receive three-fourths vote to suspend the rules. If you have such a motion, please submit any proposals to Frank Shafroth, the director of state-federal relations here at NGA, by 5 o'clock tomorrow, Monday.

I'd like to announce the appointment as well of the following Governors to the nominating committee of the 2000-2001 NGA Executive Committee: Governor Schafer, Governor Johanns, Governor Knowles and Governor O'Bannon, and Governor Rossello will serve as the chairman.

At this time I'd like to recognize and to thank on behalf of all of you this year's host Governor, Governor Tom Ridge and First Lady Michelle Ridge. Governor Ridge has been an active member of the National Governors' Association since 1995 and he has worked tirelessly on education reform issues. Michelle is a longtime advocate for issues supporting the safety of children and promoting
children's health.

Before Governor Ridge makes his welcome remarks, I'd like to ask you to join with me in thanking he and Michelle with a warm round of applause for the terrific hospitality we're receiving. Governor Ridge.

(Applause.)

GOVERNOR RIDGE: On behalf of 12 million Pennsylvanians, Republicans and Democrats and Independents, and those who aren't inclined to vote we hope will affiliate themselves with at least one of the three and become more involved in the governing of both the Commonwealth and the country, we consider it a great honor and an enormous privilege to welcome my colleagues and friends, the Governors of this country.

I said yesterday, but it bears repeating, that when William and Hannah Penn received the charter from the king in the 17th century, their goal was to plant the seed of a nation, and they did a very good job. The very idea of America was put on paper through the Declaration of Independence and then the Constitution of the United States enshrined in Philadelphia, Pennsylvania.

But that seed of a nation that William and Hannah Penn planted, now there are 49 other sturdy oaks in the forest and they are states. And one of the most rewarding relationships that I've had as Governor has been
with my colleagues, the Governors of this country. It's amazing to me how much innovation and energy and compassion that they all bring to their job every single day and how willing they are to share with each other ideas that work. I've said this before, I will say it again. Governors, regardless of their political affiliation, have to practice the politics of what works. And you take your philosophy to your office every day and then you have those individuals, those families, those communities and those problems that you have to solve, and you're in the solution business, the problem solving business.

So, again, on behalf of 12 million Pennsylvanians, our great first lady, Michelle Ridge, we welcome you. We thank you for your participation. This is a difficult summer. We have other interests that will take us out of our -- well, you have other interests that will take you out of your state in the next couple of weeks. I don't. But it's a tough time to be visiting when you've got so many other things going on.

We're grateful for your participation and I personally am grateful for your friendship and for your willingness to share what works for you so that we can sometimes take it and see that it works for Pennsylvanians as well. Thank you and welcome.

(Applause.)
CHAIRMAN LEAVITT: Thank you, Governor Ridge.

To introduce the theme of our conference this year, strengthening the American state in the new economy, I'd like to relate to you an experience that occurred to me just a little over seven and a half years ago, actually, on the first night that Jackie and I and our family occupied the Governor's mansion in Utah.

We were still unsettling, trying to unpack boxes. Our children had been put to bed and in the middle of the night our youngest son began to stir in his bed and cried out. I got up and walked across an unfamiliar hall to his bedroom, calmed him and walked out, shut the door behind me and stood in the dark but quiet night, and I heard for the first time the ticking of a large grandfather clock on the first floor of our Governor's mansion, tick, tick, tick.

The next morning I went to the first floor to examine it. It was a large grandfather clock, seven or eight feet tall, large glass front. I opened the door. My daughter, at the time nine, ten years old, standing next to me, we began to examine the clock. It had a large series of gears, starting with a large gear and then moving to progressively smaller gears. My daughter stood on a stool that was there in the hall, took the largest gear in her hand and twisted it to the right. She said, look what happens, when you move the big gear all the little ones spin.
Today, tomorrow and the next day, we will examine the big gear of our society, the new economy. When you move it, everything else begins to spin. Over the course of the last year, NGA has examined those forces that will make the big gear turn in our society, the new economy. At our winter meeting, Thomas Friedman made the comment that once technology enabled change but now it drives it.

Products are beginning to become weightless. Production is increasing. Productivity is improving. The world is becoming smaller and borders are disappearing. Entrepreneurs are powering our economy in a way they never have before. New partnerships are the wave. Markets are becoming dynamic. The old economy used to be about mass production. The new economy is about mass customization.

Before you at each of your tables, Governors, you will find a card. The card lists seven points, seven agendas for states in the new economy. This is the sum total of our work in examining what will turn the big gear in our society, in our new economy. Investing in people, building states with infrastructure, not just the old infrastructure, not just the infrastructure of the past, highways, sewers, airports, but the infrastructure of the future, bandwidth, high-capacity bandwidth, digital states, treating our citizens as customers, streamlining taxes and regulations, eliminating the sense of friction that can slow an economy.
Friction kills prosperity in the future. Nurturing entrepreneurs, creating high-tech magnets, and preserving the sense of life quality.

In addition, you will find seven summaries, brief summaries of seven papers, eight papers, actually, that have been written answering the question what must states do in order to prosper in the new economy. Is this a current question of currency? Indeed, it is. Over the course of the last year, 15,000 copies of these reports have been downloaded over the Internet in their entirety, the highest number in NGA history.

So today as we begin to examine how to strengthen states in the new economy, I ask that you examine those and as we move forward we will prosper and lead.

Now, today we'll be examining the question of the impact of the new economy on our communities. In April of 1997, on the steps in Philadelphia, General Colin Powell led America to make five very important commitments, that every child would have a caring adult in their life, that each would have a safe place, a healthy start, a marketable skill, and understand the benefit of giving back. We have partnered as Governors, nearly every state now with their own edition of America's Promise. In Utah it's Utah's Promise.

On the day that General Powell came to Utah, he had been in Las Vegas at a convention of truckers and
somewhere along the line made the suggestion that he'd really like to drive a big long-haul truck. So when we got to the airport, there was waiting there a shiny 18-wheeler. He said, Governor, get in. And I got in.

Somewhere in Utah there are two or three women who are still questioning and wondering what they saw that day, because we drove down a frontage road and got to the end and we had to turn around. And he swung that big rig all the way around and almost made it but didn't and had to back up. Sitting on the lawn of a factory where we turned around were three women having lunch. I can hear the conversation that night. No, it was, it was Colin Powell and the Governor in that truck, both with baseball caps on in a big 18-wheeler.

General Powell has been recognized all over the world as a great general, 35 years in the army, chairman of the Joint Chiefs of Staff, the first African-American to attain that post, a national hero and the leader of America's Promise. He has a video that we will see as an introduction to his remarks today, but when that video has played I hope you will all join with me in providing a great warm welcome to General Colin Powell.

(Applause.)

(Videotape played.)

(Applause.)

GENERAL POWELL: Well, thank you very much,
ladies and gentlemen, for watching that video. We're very,
very proud of it. We're very, very proud of our partnership
and relationship with the National Governors' Association.
I want to thank the Association for inviting
me to be here with you again this year and, Governor Leavitt,
I thank you for that very, very kind introduction and the
story about the English truck. The name of the company was
the English Truck Company. And he left out a little part of
the story and that has to do with the little old ladies at
the end. What they really said was, who's in the back of
that truck? Well, I ain't sure but Colin Powell is his
driver.

You know, when we had the summit meeting in
Philadelphia three years ago, it was an exciting moment when
we brought all of our living presidents together, with
Mrs. Reagan representing President Reagan, and we had 30
Governors there, thousands of delegates from across America.
And as you saw, we dedicated our video and we dedicated that
summit meeting to Governor Romney, three times Governor of
Michigan, because it was his idea, it was his feeling that
with all of our wealth, with all of the success we've enjoyed
in this society, if only we'd come together at a great summit
meeting and dedicate ourselves to this single problem of
helping our young people, couldn't we get it done, don't we
have the capacity, don't we have the resources, don't we have
the leadership talent and the managerial talent to get it done. And we did that for Governor Romney and we dedicated that to him.

But when that summit meeting was over, everybody went their separate ways and it was our challenge at this new organizational headquarters called America's Promise to make something happen. We began working with corporate CEOs such as you saw on the screen, Larry Ellison of Oracle, who came forward with a 100 million dollar contribution to help wire the nation with networked computers. We began working with faith-based institutions, began working with the federal government, began working with every element of American society.

And it became clear to me early on that one group of leaders that perhaps were more key than any others were going to be the Governors of America, because it is the Governors of America who really in this new world that we're living in are getting things done.

The initiatives that we have seen in recent years that are beginning to transform our society, whether it's welfare reform or education reform or environmental issues, are coming up from our federated system, coming up from Governors, Governors who are close to the people, Governors who are very, very accountable, Governors who are seeing these problems every day and Governors who,
thankfully, in this rather successful economic period that we are enjoying have money, surpluses, resources that you can apply to these problems.

So in America's Promise we knew that we had to work with Governors. We knew that we had to create a partnership with every Governor. We had to show to that Governor how by linking with America's Promise, with the Utah Promise, with the Pennsylvania Promise or the Michigan Promise, whatever you choose to call your part of the promise, by linking with us we could all become part of something greater, part of a crusade.

Not just a simple program here or program there, but all of us working together, we can knit all of America together in this great crusade that has nothing less as its purpose than to save every one of our children. Not most of them, not some of them, all of them. We are living in historic times where we've defeated communism and fascism. It is our system of democracy and the free enterprise system that is fueling the world. It is our strength that gives hope to the rest of the world.

But the rest of the world is looking to us not only just for the manifestation of our strength, but does that wealth, does that success affect all Americans, especially those who have been left out of the American dream so far and especially those who are most vulnerable, our
children. With all of our success, with all of our wealth, most of you have been building jails. The government's been building jails to put two million Americans in.

Children don't start out on their way to jail. They start out in life with a sound body and a healthy mind. All they really need are people in their lives who will point them in the right direction, keep them on the right path. We won't need those jails. We'll raise children of promise, not children at risk.

Unfortunately, in too many of our communities those elements that used to be there to keep those kids moving in the right direction, give them the character and the competence they need to let them know that the community and the family has expectations for them, too many of those elements have been frayed in recent years. We've got to knit them back together. And while we're waiting for that knitting process to take place, once again, for all of our people, we can't stand idly by.

So America's Promise is trying to do what it can as a crusade, as a movement to pull all parts of American society together to put into the lives of youngsters the elements that you saw in the screen and that you heard described to you.

Every child needs to have adults to look up to. Who do you think children get character from,
television? No. Do they get it from reading a book? Might help, but ultimately they get it from watching successful, loving adults. They model themselves to adults. If they don't see the right kinds of adults, if they see the wrong kinds of adults, they'll go in the wrong direction.

This isn't difficult to understand. I don't have to be a psychologist or a child education expert to explain this to you. Children need to see the right kinds of adults in their lives and if the parents and the family are having difficulty or aren't up to the task or don't exist, we owe these children mentors, coaches, people who will get in their lives and begin to turn them around.

That's why you saw so many Governors talk about mentoring and why Jeb Bush you saw on the screen is looking for 200,000 mentors in Florida and why Governor Davis in California is looking for 250,000, following on what Pete Wilson did, and why all of you are working on this one, because you understand it perfectly.

We've got to make sure our children have safe places to grow and learn, to be protected from the pathologies, a healthy start in life, and that gives them the character they need. People and safe places and a healthy start in life lets them know that we think they're valuable and that we are going to be somebody in their lives to point them in the right direction. That gives them character.
Then from character you've got to move to give them the competence they need. So all of our children have to acquire that marketable skill, and you can't wait until they're 17, 18, 19. You've got to start it early. You've got to start it in elementary school, start it in middle school, by impressing on them the need to learn the English language and to read and to write and to speak it well and learn math and science.

Expose them to the workplace early so they understand the demands of this 21st century economy that is the subject of this conference, an economy that is different than anything we've ever seen before, being reshaped in unimaginable ways by the power of the information and technology revolutions, with everything we knew about time, space and geography in the workplace being changed. And it's a world economic system that we are operating in.

Our children are going to be fighting for jobs that require a higher level of education, a higher level of ability. We've got to make sure that they get it. We've got to make sure that no kid is left on the wrong side of that digital divide or in a condition of digital apartheid.

And then finally you will see that we've added service to this whole component, service to others, giving to others. We don't draft our youngsters anymore. We don't ask them to do that very much, to their community. But now it's
time to say, learn early that in the act of giving to someone
else you get so much more back in return.

Those are the simple elements of America's
Promise and the crusade is growing. It's growing with
corporate leaders such as you saw on the screen, whether it's
Lenscrafters that made a commitment to give a million free
eye examinations and eyeglasses to people in need, whether
it's Larry Ellison, who you saw on the screen, whether it's
companies like Sears Roebuck that was, or Sears was a great
partner from the very beginning and now they have said, we
like what we're doing, we want to expand that commitment.

And for those of you who looked in your Sunday
papers last week and saw this supplement, I was not selling
underwear or Craftsman tools. This was Sears' effort to
expand their commitment, putting me on the cover, and on the
inside 53 million Americans showing what they're going to do,
but, more importantly, telling every store in the Sears
system that they're going to be stores of promise and every
one of those stores is expected to do more in the community.

This is what we're trying to do, get partners
like Sears who send out throughout the whole corporate
culture that Sears is now part of this great crusade, every
manager get involved in your community. And it touches down
in every one of your states. Now, you can go poll Sears and
say, you made a commitment, what are your stores going to do
for me? Are you going to give me more mentors, safe places
for kids, after school jobs.

The same thing with the American Bankers
Association, 2,000 banks of promise, all committed to working
in their community in these areas, or the American Hotel and
Motel Association, using that great association and all of
its various hotels and motels to get involved in the
community.

Just walking in here this morning in this
facility that belongs to Penn State, the manager came up and
said, we're going to be a part of this. We're going to use
the people who work in this hotel to be mentors and tutors to
the five schools in this community. We're going to reach
out, help these kids and bring them here so they can see what
the workplace is all about.

So we're now knitting this all together.
We're getting it all to touch down. We're working with
organizations like America On-Line. I'm on the board of
America On-Line. And it has created an organization called
PowerUp, working with the Corporation for National Service,
working with YMCAs and Boys and Girls Clubs of America to put
trained volunteers with computers, Gateway giving us 50,000
computers in YMCAs and Boys and Girls Clubs across America,
with a trained Corporation for National Service AmeriCorps
volunteer to teach kids how to use this information
technology to get them ready for the 21st century.

It's all starting to come together. And the finest leaders, the best leaders, the most necessary leaders in this effort are the Governors, because you understand the challenge. You know what has to be done. You know that the future of our economy and the future of our nation is in the hands of those young people. We have no choice.

We are very, very pleased with the progress that America's Promise has had over the last three years. We now have hundreds of communities of promise. We are now doing something with every state. But we don't need hundreds of communities of promise, we need thousands of communities of promise. And these communities of promise have to be in our urban areas, they have to be in our rural areas, they have to be on our Indian reservations, they have to be everywhere where some child is in need, where some child wonders whether or not his nation, her nation cares about that child. The answer has to be yes. The answer has to be yes, because we cannot waste a single child.

The pitch I give to corporate leaders is, hey, listen, when you sign up for this, it's not an act of charity. It's not just to make you look good or feel good. I don't want you just to come to a black tie dinner and give us a check. I want you to be deeply and personally involved, because it is not charity, it is investment. You're
investing not only in the future of the country, you're investing in the future of your company. You're investing in your future employees, your future workers. You're investing in the society from which you draw a profit. You either invest in these young people now, turn them on to a brighter future, or we'll tax you later to build those jails.

It's time to stop building jails. You've heard me say this before. It's time to stop building jails and get back to building our kids. The solution to our drug problem is not in the jungles of Colombia, although we have to do something about that. The solution to our drug problem is not interdicting it coming into the country, although we have to do something about that.

The solution to our drug problem, the solution to our teenage pregnancy problem, the solution to our youth violence problem is getting into the lives of youngsters early, with their families, with their communities, to give them the character, to give them the competence they need, the character to stay away from these bad influences in their society, the armor of life that will be on them, keep them on the right path. And once we have their character built, once we see that they're proud and with their heads up and they believe in themselves, they believe in America, they believe in the society, then they're prepared to get the education and the competence they need to take advantage of this 21st
century economy that you're talking about.

We have no greater task before us. Now that we are well into the 21st century, now that we are seen as the leader of this world that wants to be free, now that we are touting our system to the rest of the world, we have to make sure that when the rest of the world looks to us, they see that it is a system for all and not just for the privileged, not just for the well-to-do, but that those of us who are privileged, are well-to-do, have been successful, are using our time, our talent and our treasure to reach down and back to make sure that every American youngster is brought up onto that same path to success.

Every one of these kids is a gift from God, not only to their parents but to the community, to the nation and to our future. And so this crusade will continue. I'm sticking with it. I want all of the Governors here to stick with it. I look forward to cementing our partnerships in many, many ways. I look forward to working with your staffs. I look forward to expanding our efforts so that there are thousands of communities of promise a few years from now when I hope I'll be invited back.

And I want to thank Governor Leavitt, Governor Glendening, Governor Ridge for allowing me to be with you this morning and for the support they have given. I'm also pleased to be here with my Governor, Governor Gilmore of...
Virginia, and I just ask that you redouble your commitment, you become an even more active part of this crusade. We have nothing more important in America to do than to build our kids and stop building jails. Thank you very much.

(Applause.)

GENERAL POWELL: Thank you very much.

CHAIRMAN LEAVITT: General Powell has agreed to take some questions from us. General Powell has agreed to take a few questions or a couple of questions, Governors.

GENERAL POWELL: I'd be delighted to take a few questions. I might add that I'm leaving here to go to a board meeting. I'm on the board of America On-Line and we're having a board retreat with our hopefully soon to become permanent partner, Time Warner, as part of this new economy.

And one of the reasons I joined the board of America On-Line is so I could keep up with my grandsons, who are five and eleven. And I'm telling you the world that those kids are entering are so different from the world that you and I know. I defy any of the Governors to try to play the Sony Play Station that your five-year-old kids or your ten-year-old grandsons play. I can't do it. They are already digitally wired in a new way. They are ready for that new world.

We've got to make sure the education system is ready for them and that we're wiring the schools and that
we're training the teachers to take advantage of what those
kids are bringing into the workplace. That's one of the
challenges that I hope you'll be talking about in the course
of this conference. Anyone at all? Governor Carper.

GOVERNOR CARPER: General Powell, I want to
thank you for your personal example to each and every one of
us. I used to think you'd make a good president, I still
think you would. I'm mighty glad you ended up doing what
you're doing and we just continue to be enormously proud of
you.

One thing you said there really struck me.
You talked about the message that you take to corporate
executives. When I meet with business leaders in our state,
and we try to get a lot of businesses to adopt schools and
we've got about 10,000 mentors, you came to Delaware to help
us celebrate those 10,000 mentors, but what I say to our
business leaders is, the kids that are in our schools will
some day be your customer, they will some day be your
employee, or they're going to be a burden to you and to the
rest of us.

When you take that message to employers around
the state, around the country, to business leaders, have you
ever had one of them turn you down?

GENERAL POWELL: No. They all understand it.

And when you pitch it that way, you really get their hearts
and minds into it. And what I also say to them is I just
don't want money. I want you involved. I want corporate
leaders to be deeply involved, to make this part of the
corporate culture. That's what Sears has done, Morgan
Stanley, Dean Witter, and so many hundreds of other
corporations. And no, they don't turn it down. They
understand it perfectly. It's a simple economic pitch to
them. It's in their corporate self-interest. It's also in
the interest of the nation.

GOVERNOR CARPER: Thank you.

GOVERNOR HUNT: General Powell.

GENERAL POWELL: Governor Hunt, yes, sir.

GOVERNOR HUNT: General, what I think we need
now is better follow-up. You have given -- I notice in this
brochure that all of us have in front of us for our own
state, you have given us a list of the commitment makers in
our state, businesses and other organizations, a long list of
banks in my state, and then delivery sites for national
groups. A lot of these people have made commitments directly
to you.

GENERAL POWELL: Yes.

GOVERNOR HUNT: I'm not sure every Governor
knows about those and I'm pretty sure a lot of us haven't
followed up with those companies at home. We know those
people, but I'm not sure we've been working with them on
this. We've been working with them and some of their staff in lots of ways.

I wonder if it would be a good idea for you to ask us kind of formally to be in touch with them within our states and ask them to respond to that so that, in effect, each state can get back to you with exactly where we are, because some of us may have backslid a little bit. We need to sort of check up on where we are and redouble our efforts to meet these goals.

GENERAL POWELL: That's an excellent suggestion, Governor Hunt, and we'll follow up on that. It's wonderful for me to get a national commitment, but unless every Governor and your director of community services or whatever your bureaucratic organization is that handles that, unless you know about it you don't know how to pull it down.

So I'll push it and then give you the knowledge about it so that you can pull it down. Go to your local branches of those commitment makers and just put it to them. Say, we have heard that your national headquarters has committed you to this. Let's talk how you can make it happen within this community. Thank you.

GOVERNOR RACICOT: General.

GENERAL POWELL: Yes, Governor.

GOVERNOR RACICOT: Could you speak to the issue of reauthorization of the Corporation for National
Service.

GENERAL POWELL: Yes, Marc. I'm confident that it will be reauthorized. I have been speaking very strongly in favor of it. I've become a great, great fan of the Corporation for National Service. They are a partner of America's Promise. They were one of our co-sponsors at the time of the summit, and ever since then they have been helping us expand. AmeriCorps Promise Fellows that Harris Wofford has trained, they go out and help Governors and mayors bring down America's Promise into their communities.

And so I'm a great supporter of the Corporation for National Service and have been speaking to selected members of Congress who have needed to be spoken to with respect to their support for the reauthorization of the Corporation. Governor Engler. Hey, John.

GOVERNOR ENGLER: Good morning. General Powell, this is maybe a little bit afield, but it's interesting you mentioned the board, Time Warner and AOL, as that potentially comes together. We were, a couple of us last time were talking about some of the cultural issues that are out there.

And I'm just curious in terms of the, as you've talked to a lot of the CEOs, particularly we get into the world of media, and Time Warner is about as big as it gets, is there any sense there that there's more that can be
done or some changes in approach that help with some of the
reinforcement of message that later on these policies are
going to be talking about character education and that
building of character and the role modeling, and I'm curious
with that other half is there something there that can be
done. I look at Steve Allen and this national crusade that
he's got about media and content, and it's sort of -- it fits
in. It certainly impacts almost all of our goals in one way
or another.

GENERAL POWELL: Yes. Both AOL and Time
Warner separately are partners to America's Promise and both
have been very, very generous in what they have done. And
one of the things that I know that Steve Case, the chairman
of America On-Line, and Gerry Levin, currently the chairman
of Time Warner, are committed to is first to provide,
especially Time Warner side, entertainment that people want
to watch and want to buy and want to read, but at the same
time to try to infuse it with a level of responsibility that
helps us build our society as well as report on our society
and as well as from time to time I'm afraid pander to our
society.

I think that to some extent our entertainment
industry has been spending too much time pandering not just
to the lesser angels of our nature but the worst angels of
our nature. I think we can do a better job with respect to
the kinds of images we show to our children on television, in
the movies and in some of the magazines that are out there.
And to the extent that I can take this message to the
executives I work with, I can assure you that I do it. It
gets me in trouble from time to time. I have bashed some of
the television shows that bring these dysfunctional, broken,
goofy people on and try to tell us that, well, it's just
entertainment. Everybody understands it's only
entertainment. No, it's the exploitation of broken, sick
people for our entertainment, worse than a Roman circus. And
I've gotten in trouble by talking in this vein, with Jerry
Springer, Sally Jessy Raphael and a few others that I could
name, Ricki and the rest of them.

(Appause.)

GENERAL POWELL: Thanks for the softball,
John. Thank you all, very, very much.

(Appause.)

CHAIRMAN LEAVITT: Thank you, General. Our
next order of business this morning is a special one. We're
going to be presenting the National Governors' Association
distinguished service awards. This is a program that was
established in 1976 by the NGA executive committee and it's a
way for us to recognize very effective civil servants and
private citizens. These awards focus on commitment of state
administrators to the importance of contributions that can be
made by public servants and private citizens.

I'd like to thank all of you as Governors who submitted nominations for this year's awards. I'd also like to make a special acknowledgment of the panel that made the selection, also the first lady of Illinois, Laura Lynn Ryan, who chaired the panel. The awards are presented in three categories, as I indicated. The first one is state official and private citizen and then the arts category.

And I would like to ask Governor Engler and Governor Hunt and Governor Taft if they could come forward just for a moment so that we could present awards to citizens of their state.

And I'd first like to begin with the state of Michigan, A. Douglas Rothwell. Mr. Rothwell is the president and chief executive officer of the Economic Development Corporation. He has helped a remarkable economic turnaround in Michigan. Since the early 1990s, the state's unemployment rate has dropped from 7.2 percent to a record 2.7 percent, and he's led a charge to revitalize the state's inner cities. Governor Engler has said of him that under Doug Rothwell's leadership Michigan has experienced record employment and millions of dollars of new investments. He's played a pivotal role in Michigan's economic success.

(Applause.)

CHAIRMAN LEAVITT: Our next winner is in the
state official category.

GOVERNOR CARPER: Mr. Chairman.

CHAIRMAN LEAVITT: Yes.

GOVERNOR CARPER: May I say a quick thing.

Doug and Sharon Rothwell used to live in Delaware and both worked for Governor Castle, and as Delawareans we're just enormously proud of them and to John for having the very, very good judgment to hire them away from the first state. Congratulations.

CHAIRMAN LEAVITT: The next category is the state official category, Marvin K. Dorman, Jr., who is the state budget officer in North Carolina. For three and a half decades, Mr. Dorman has been a central force in guiding New Carolina's fiscal policy. Through innovation and progressive reform and leadership during crises, Mr. Dorman has made an invaluable contribution to North Carolina.

Perhaps his greatest moment may have been Hurricane Floyd. When it hit North Carolina in the fall of 1999, Mr. Dorman was the leader in putting the state's financial situation back together with a state aid package of $36 million dollars that led to their recovery. Governor Hunt has said: "I have always relied heavily on Marvin's advice. He has been an essential force in mapping our responsible budgets and every citizen of the state of North Carolina owes him a debt that can never be fully repaid."
(Applause.)

CHAIRMAN LEAVITT: Our last winner in the state official category is Dr. Reginald A. Wilkinson, who is the director of the Department of Rehabilitation and Corrections in Ohio. Dr. Wilkinson is an internationally acknowledged leader in the field of corrections and under his leadership Ohio has turned its attention to issues such as balanced sentencing and community corrections.

Governor Taft says that Reggie's 28-year service career in corrections has been marked by integrity, by ingenuity, by creativity, and especially inclusiveness. (Applause.)

CHAIRMAN LEAVITT: We next recognize winners in the private citizen category, first from Missouri, Bert Berkley and Landon H. Rowland, the founder and chairman of the Local Investment Commission. Bert Berkley and Landon Rowland are two Kansas City, Missouri businessmen who provided the leadership necessary to create a new form of governance between the state of Missouri and Kansas City's low income neighborhoods.

The Local Investment Commission is a citizen-led effort that has created new opportunities for citizens. For example, citizens in a neighborhood around a school are making decisions about services both to students and residents. They have involved more than 700 volunteers.
working on issues such as welfare-to-work, education reform, Medicaid, et cetera. Governor Carnahan has said that they have become an influential model of how citizens can improve the lives of children and families in communities everywhere.

(Applause.)

CHAIRMAN LEAVITT: If Governor Johanns could come forward as well, now we'd like to talk about JoAnn LeBaron from the state of Nebraska. Quite simply, JoAnn LeBaron has dedicated her entire life to helping children. She and her late husband, Dale, are the foster parents to some 35 foster children, and they've adopted four of those foster children.

That experience sparked her advocacy. She has advocated and assisted in the formation of numerous foster care organizations. In addition, over a 15-year period she's lobbied for the creation of the State Foster Care Review Board, an independent state agency that makes a tracking system that allows the state of Nebraska to see the progress of every child. Governor Johanns says that JoAnn is a tireless advocate for Nebraska children, those children that are most in need of a loving home.

(Applause.)

CHAIRMAN LEAVITT: Our final winner in the private citizen category is Connie Ferris Bailey, and if I could ask Governor Thompson to come forward. She is the
executive director of Operation Fresh Start in Wisconsin. Operation Fresh Start is a nonprofit organization that was formed in 1970 by volunteer business and community leaders who wanted to assist area youth and adult public assistance recipients to become self-sufficient and productive as members of the society.

Governor Thompson has said of Connie that she works tirelessly, that she's been in the forefront of the state's effort to take Operation Fresh Start to all of Wisconsin's people, reaching out to as many young people as possible.

(Applause.)

CHAIRMAN LEAVITT: We next go to the winners in the arts category. The winner in the artistic production category is from Louisiana. Ernest J. Gaines, the author and professor of English and writer-in-residence at the University of Louisiana at Lafayette.

Ernest J. Gaines has devoted his lifetime to literary arts. In the past 30 years he's enriched the body of American literature, and for the past 18 years he's devoted his time and energy to the people of Louisiana, its students in particular. Whether he's reading his fiction for a young class of students at Lafayette Parish School or speaking with Oprah Winfrey on her television show, he engages his audience in the way that he's been able to for
decades now have a lasting effect on people.

Governor Foster says that Ernest Gaines is truly a remarkable writer. His commitment to excellence, to his readers and to his students has made him a local and national and international leader as an artist and as a teacher.

(Appause.)

CHAIRMAN LEAVITT: Unfortunately, our final winner in the category of the arts could not be with us today, but let me just say a few words about Pualani Kanaka'ole Kanahele from Hawaii. She is the president of the Edith Kanaka'ole Foundation and is an instructor of Hawaiian studies at the Hawaiian Community College.

Governor Cayetano says of her that she is a dedicated, committed person to excellence in her many artistic and cultural endeavors. We're sorry that she could not be with us today, but let's give a final round of applause to all of our winners for their outstanding achievements.

(Appause.)

CHAIRMAN LEAVITT: It's now our privilege to acknowledge, while not complete, this will be our last time gathering with a couple of our colleagues. I would like to call upon Governor Carper to acknowledge Governor Carnahan, who will be -- I'm sorry, you will do Governor Hunt.
GOVERNOR CARPER: I will do them both.
CHAIRMAN LEAVITT: All right, do them both.
GOVERNOR CARPER: But in the interest of fair
play, let me just work on Jim Hunt, if I could. Where is he?
    Father Hunt.
CHAIRMAN LEAVITT: Jim, would you come join
us.
GOVERNOR CARPER: If I say all these nice
things about you, do Martha and I still get to stay in the
guest house in Raleigh?
GOVERNOR HUNT: Yes, even more.
GOVERNOR CARPER: Oh, thanks. He's got a
guest house in Raleigh, North Carolina that's bigger than our
Governor's house. My wife is from North Carolina. We've
enjoyed your hospitality and that of Caroline many times
over.

All around the country we as Governors have
put a lot of priority into developing academic standards,
measuring student progress toward those standards and
developing accountability systems and putting those in place.
No one has led the way more in those initiatives than
Governor Jim Hunt.

But just as importantly, he has emphasized I
think more than anyone else that it's not enough just to have
the standards, it's not just enough to have the assessment,
It's not enough just to have the accountability, but what you've got to do is make sure that all kids, all kids have a real chance to meet the standards that we have set.

And from the time that a child is born in North Carolina until the time they go to kindergarten right up through high school and beyond, his state, the state of North Carolina does a terrific job of making sure that all kids have that opportunity.

I read something the other day, a quote that I just love. A little girl is saying, when I look in your eyes, I see me. When you look in my eyes, do you see me, too? When Jim Hunt looks in the eyes of a child, he sees that child, and because of that children in his state and I think his state for generations to come will be better.

It has been an honor to be your colleague. You are a great, great Governor.

(Applause.)

CHAIRMAN LEAVITT: Governor Hunt and Governor Carnahan will be departing before Tuesday and we will be acknowledging and recognizing others who will be finishing their service at that time, but I would now like to call upon the vice-chair, Governor Glendening, to recognize Govern Carnahan.

GOVERNORGLENDENING: First, let me add my congratulations as well to Jim. Before I really even started
getting involved in this in a big way, you were out there
with the leadership and especially in education, we really,
really appreciate it.

I have a great privilege now to ask Mel if he
would come forward, a person who's been a friend to all of us
here in the organization. Mel, by the way, has continued a
family tradition of serving this nation. Mel's father,
A.S.J. Carnahan, was a seven-term member of the United States
House of Representatives and was named by President Kennedy
as the first UN ambassador to Sierra Leone.

Mel began his public service career as a
municipal judge and then served in the Missouri House of
Representatives and then went on successively as state
treasurer and Lieutenant Governor. And then in 1992, Mel's
election to the governorship was followed by a resounding
reelection four years later with a victory margin of 350,000
votes. That's almost as many as I got total was your margin.

Mel's many successes, really Missouri,
included things that we have all followed, including
instituting a very vigorous annual budget review that
redirected over 800 million dollars in state spending to the
high priority areas that he knew to be the future of his
state, including education.

He also developed Missouri's first
comprehensive economic development plan and was a leader in
terms of the welfare reform effort, both in the state and
nationwide. Mel's legacy includes perhaps most importantly,
at least from many of our perspective, the outstanding
Schools Act that answered the constitutional challenge to the
state school funding formula and instituted a number of major
reforms that we have all talked about around this table.

Mel, on behalf of all of us here at NGA, I
especially want to thank you for your contributions to this
organization. From your beginning in 1993 on the human
resources committee and on the task force on state management
and the task force on education, you have given us so much of
your time and of your great leadership.

Let me list just a few of the things, and so
many of us have worked with him and so we recall these. Many
years of services on the Human Resources Committee, including
chairing that committee in 1995, the Lead Governor for
Agriculture in 1996, a longtime member of the Legal Affairs
Committee, chairing it in the past two years, and, of course,
the tireless work and leadership that he gave the Executive
Committee the past two years.

We also could not let this moment go without
again thanking you for your marvelous role as the host of the
1999 annual meeting in St. Louis. We wish you well. We wish
you best in your efforts and remember you have so many
friends here among your fellow Governors. If I might make a
personal observation, to paraphrase another famous general, old Governors do not just fade away, sometimes they return as U.S. Senators. Mel, we wish you well.

(Applause.)

CHAIRMAN LEAVITT: We'll now move to our next speaker. Ivan Seidenberg currently serves as the president and the co-chief executive officer of a newly merged Verizon Communications. As the chief executive of Bell Atlantic, he's been instrumental in reshaping the communications industry through some of the largest mergers in history, including the recently announced merger of Bell Atlantic and GTE.

Ivan has been in every aspect of the communications business. He started as a cable slicer and has worked his way to become chief executive officer. He has an outstanding commitment to education and a strong proponent of connecting students and teachers through technology. He is the champion of diversity, both within and outside the corporate structure. Fortune Magazine's recognized both he and his company on its list of the 50 best companies for Asians, Blacks and Hispanics. And we're looking forward very much to your remarks today and some questions and answers afterward.

(Applause.)

MR. SEIDENBERG: Thank you, Governor, for those
very kind words. It is, indeed, an honor to be here this afternoon. I didn't realize how difficult it would be to follow General Powell and all the proceedings that have gone on before here. Just to clear the record, Governor Ridge leaned over to me and said, Ivan, aren't you or shouldn't you be a member of America's Promise? Just for the record, we were one of the charter companies that supported this activity.

(Applause.)

MR. SEIDENBERG: We agreed to a 50 million dollar grant back in '97. We've also put in place a special employee participation program in which our employees can work in the schools in which we allocate the funds that support this program. I have a feeling if we weren't a member, we would have been drafted here this morning, anyway, so we do that.

But it is, indeed, an honor to have an opportunity to talk to you. The timing for our company, of course, couldn't be better, because just last week we completed the merger of Bell Atlantic and GTE, creating a new household word, Verizon Communications. Just for the record, we are now the eighth biggest employer in the U.S. We're a Fortune Eight company, serving 33 million households in 40 states, two-thirds of the nation's largest markets and 96 of the top 100 wireless markets.
In the nearly two years we worked to put our new company together, we had the opportunity to speak to many of you about how the restructuring of our industry will affect your constituents and supercharge growth in the new economy. I'd like to continue that dialogue today very briefly.

Let's begin where the information revolution begins, with the radical changes that are taking place in technology and customer demand. This year it's estimated that almost 140 million Americans, close to half the U.S. population, will be on-line. Worldwide, the number is 300 million, up a stupefying 80 percent in just the last year alone.

Eleven million households in this country will make their first on-line purchase, helping to fuel almost 40 billion dollars in electronic retail commerce. Average time spent on-line in the U.S. will increase to more than eight hours a week, in part because of the growth of high-capacity or broadband access technologies like DSL and cable modems. But even if you're not on the net, you're part of the Internet economy.

A new report by the Commerce Department says that without a doubt information technology is now the number one driver of the American economy. The same report says that today the information sector accounts for fully
one-third of U.S. economic growth, despite being less than 10 percent of GNP. E-commerce is projected to be a 1.4 trillion dollar business in just three years, 85 percent of which will be business to business.

In the communications business, data traffic has already surpassed voice traffic on our networks. And with capacity doubling every 90 days as a result of new infrastructure investments, the lead is lengthening rapidly. This rapid technological change has driven computer prices down more than 25 percent in each of the last five years, and the cost of transmitting data is coming down at an even faster rate, helping to lower inflation, raise productivity and create millions of high paying new jobs.

This technological revolution is changing the face of all the institutions in American life, from education to medicine to entertainment to government itself. It's also revolutionizing the communications business.

In the old paradigm when our business was predominantly plain old telephone service, it was possible to address the needs of our customers as a local or regional company, the structure mandated by the prevailing regulated utility model you all well know. But in the new paradigm, the Internet world, data is driving growth, across the country, across the globe. It's reshaping industries, redirecting investments. It's rewriting our business plans.
It's forcing us to become more global in our approach to growth.

If you look at the biggest telecom companies in the U.S. in 1995, just five years ago, AT&T was on top, followed by all of the former Bell companies, GTE and MCI. But if you look at that same metric for the year 2000, the biggest company is one we wouldn't even have called a communications company five years ago. It's AOL Time Warner. The next four slots are taken by companies created by mergers, including Verizon. And the rest of the top players are made up of new entrants and cable companies.

So why is this happening? Because every major player in communications, Verizon included, is racing to put together the national and global platforms over which we can provide new applications for integrated voice, data and video services to global data hungry customers. And that's good news for the American consumer, because it means we are creating a new kind of company and a new more vigorous form of competition.

What you're seeing is not the re-creation of some old monopolistic model but, rather, the emergence of several vibrant national competitors, each fighting to offer a full plate of services all across the country. The result, of course, is more investment, more innovation, and faster deployment of the technologies of the future. In other
words, competition in the U.S. is developing on the
consumer's terms, not the government.

Verizon is the result of a decade long push on
the part of Bell Atlantic to be part of the 21st century
information industry. We needed to look beyond functional
and geographic boundaries to assemble the capabilities to
serve the information age customer, that is, national scale,
global reach, a full plate of services and world class
networks.

So over the last few years we have not only
gotten bigger, as you know, we've re-created ourselves as a
totally different kind of company. We merged Bell Atlantic
and Nynex, two of the original regional Bell operating
companies, then in the process we've increased investment and
increased employment in every single jurisdiction in which we
operate.

We formed a new national wireless company that
from its first day was the premier wireless company in the
U.S. and most recently, of course, we merged Bell Atlantic
and GTE to form Verizon, a truly national communications
company.

The other thing we've done is push hard to
open our local markets and get into the long distance
business. In December of last year, Bell Atlantic became the
first regional Bell operating company to get long distance
approval and today New York customers have more choice in local and long distance service than any other state in the country. But it took almost four years to get it done.

We are now working vigorously in the rest of our states to learn from the New York experience, make the process even better, and open the local and long distance market across every single state in which we operate.

We're pleased that the fruits of an open and competitive marketplace are beginning to be evident, because at Verizon we firmly believe we can play a key role in bringing the benefits of communications to everybody. Now, obviously we won't serve every customer, but if we do our job well, everyone benefits.

We hope that we have broken the code on those issues that keep the U.S. communications industry from organizing itself around the mandates of technology and markets rather than regulatory structures more appropriate to another time, because, frankly, from a public policy perspective, there are much bigger fish to fry.

I'd like to quickly mention three of the biggest policy issues surrounding the communications industry today as we see it in our company. The first issue is the issue of American leadership in a globalizing industry.

As you know, in recent weeks there has been intense speculation about the possibility of cross-border
acquisitions, takeovers of American communications companies by telecom providers in Europe and the rest of the world, all fueled by valuations of these foreign telecommunications companies that are much higher than those of American companies.

The reason for this imbalance is pretty simple. It's also rather ironic. Investors rightly view the communications marketplace in America as more competitive than that of Europe or anywhere else in the world, but while you'd think that more competition means less regulation and oversight, the opposite is actually the case. U.S. companies operate under far more regulatory strictures than our foreign counterparts.

The result, from the capital market's point of view, is a lower long-term growth outlook and a much riskier climate for investment, meaning that the market is driving up the values of foreign telecom providers, to the disadvantage of American companies.

Now, just to make the point, at least one European telecom company, which you probably have read about, could afford to buy any one of the top five U.S. players, pay a substantial premium and suffer absolutely no dilution in their stock price.

Now, as Governors, you may not care about stock prices, but I'm sure you do care about attracting the
investment that will fuel economic development and job
creation and, therefore, it's worth considering what public
policies will have a positive impact on the flow of capital.
On that, the evidence is pretty clear, more
competition accompanied by less oversight and regulation.
Anything less puts America in jeopardy of being a runner-up
in the most vibrant sector of the global economy, an
unacceptable outcome for all of us.

A second issue has to do with the Internet
access. More broadly, it's about the mismatch between old
regulations and new technology. Thousands of midsize and
small American towns have no direct affordable access to the
Internet backbone and most won't likely get it any time soon.
I'm talking about places like Wichita, Bakersfield, Sioux
Falls, Shreveport, hardly remote out of the way locales.
The fact is less than one-tenth of the hubs
deployed today are in rural areas, and the problem isn't
confined to rural America. Sixty percent of the country's
metropolitan areas have no access to an Internet hub. The
culprit, in our view, the unintended consequences of old
regulation.

Telecom companies like Verizon, which have
arguably some of the strongest resources and expertise when
it comes to competing in the Internet market, are effectively
prohibited from participating in Internet markets. That's
because the rules that condition our entry into the
traditional long distance voice business also apply to
Internet data traffic. It's ironic that the boundaries drawn
up to break up AT&T in the early '80s, years before the
Internet was commercially viable, are serving today to
determine who can participate.

But a growing number of federal and state
lawmakers are beginning to understand the Internet is too
important to America's economic vitality to be restricted by
regulations left over from another time. And that's
important to any community that wants its businesses and its
citizens to be connected to the technology that's generating
one-third of the growth of the U.S. economy. And that's
important if we want to keep today's high productivity, low
inflation economy running.

We need a fresh approach to regulating new
technologies, one that doesn't try to fit the new wine of the
Internet into the regulatory bottles from the 1930s.

As you know, Congress has given the FCC the
discretion to adopt this kind of open competition policy for
the data world, and the FCC itself has only recently proposed
a restructuring plan that generally points in this direction.
The problem is it's a five-year plan on top of the five we've
already had.

In the Internet world, we need a five-week
plan, which brings me to the third issue, governing on
Internet time. And I have a particular point of view on this
subject, because I've just been through a merger review
process that took almost two years, 23 months, to be
specific, to complete.

This was not because of any unforeseen
objections or roadblocks raised to the deal along the way.
In fact, I would say everybody performed their review in good
faith and with reasonable efficiency. Rather, it's because
the process has far too many layers and is too cumbersome to
keep up with changes in markets and technology.

So, as I said a moment ago, we need to rethink
our approach to regulating new technologies. The Congress
could help by passing one of several bills that would
eliminate unneeded regulations on data investments.

And having said all this, I believe industry
itself has to step up to its responsibilities and address a
whole new category of public interest concerns at the heart
of the digital economy, issues such as privacy, slamming,
cramming, protection of intellectual property and filters to
keep unwanted material from children without violating the
First Amendment.

Obviously, there's no such thing as a perfect
market and policy makers have a key role in making sure the
rules of competition are followed and that markets are
functioning efficiently, but ultimately we need to have faith
in the discipline of competition and market forces to unleash
innovation and create growth and the courage to be bold
enough to try new approaches to governing dynamic markets.

Now, finally, I'd like to conclude by talking
about something that's about something that's even more
compelling than the Internet, something that's key to our
individual freedom and our free enterprise system. I'm
referring to literacy, the gateway to full participation in
the possibilities of the Internet age.

As all of you are painfully aware, there's a
severe literacy gap in America. Forty million Americans have
very low literacy skills, so low that it's a struggle for
them to read to their children. They can't understand
instructions on an appliance warranty or prescription bottle.
Some can't even find an intersection on a street map.
Equally disturbing is the fact that nearly 45 percent of
those with the lowest literacy skills live in poverty.

Under the passionate leadership of its
chairman, Chuck Lee, GTE has been a champion of the cause of
literacy for many years, working with the leading literacy
groups in the country to boost awareness and funding for the
cause.

GTE also pioneered a bill donation system that
is perhaps one of the first in the world, whereby telephone
customers across the country can check off a box on their phone bills and have as much as one dollar each month go to literacy organizations in their region.

Now, as Verizon Communications, we will be able to put our expanded scale and scope to use as a positive force in communities all across the country. We are committed to being America's literacy champion. We are developing something we're calling the Verizon Literacy Network, a web-based network that will link every literacy initiative in the country.

We've earmarked 10 million dollars from the Verizon Foundation to support literacy programs across the country, and we intend to unleash the volunteer power of our quarter of a million employees to make sure every child in America is introduced to the simple act of reading a book.

Now, I mentioned all of these initiatives not to tout our company's efforts but to reach out to you for partnerships. There are terrific literacy programs in all 50 states. We want to participate and support your regional programs where you think it makes sense. I believe we have the same goal, a nation of literate, productive people who make strong employees, great leaders, informed customers and good citizens.

Literacy helps people develop the life skills and economic opportunities that can change their lives, and
when literacy is improved, everybody wins.

We hear much discussion of the digital divide these days, but as the economist Lester Thoreau points out, the digital divide isn't about rich or poor, black or white, urban or rural, it's about, in his words, who plays the global game. And we agree. And that applies not just to companies, but to states, communities, and even individual citizens.

To the extent that either we at Verizon or you as Governors hold onto old paradigms and turn a blind eye to the global game, we delay the benefits of the information age to our citizens and in the process widen the inequalities between the haves and the have-nots.

But to the extent when you embrace the new paradigm and think of ourselves as part of the global communications marketplace, we will create new opportunities for growth, for innovation and for investment.

Technology and markets have already shown us what the communications business will look like. It's global, it's data centered, it's mobile, it's everywhere. It's very competitive and it's very knowledge-based. And the faster we get there the better off we'll be, in terms of growth, innovation and economic opportunity for all our citizens.

I really do thank you for your patience and
the kindness in having me appear before you this afternoon.

Thank you.

(Applause.)

CHAIRMAN LEAVITT: Ivan, thank you for those very insightful remarks. We'll have some time now for questions. Governor Thompson and then Governor Engler. I would like to just ask a question myself and then lead to yours.

But in doing so, I would like to just point back out again these cards that you have been presented at your tables. I heard today, as Ivan spoke, as we look at the seven areas that we're focused on or need to focus on as states in order to prosper in the new economy, investing in people, he talked of literacy; second, building state-of-the-art infrastructure, he spoke of major communities in our country that still don't have access to high-speed, high-capacity bandwidth; three, treating citizens as customers, he spoke of a few-year process to get a merger approved; streamlining taxes and regulations. This is an agenda for prospering in the new economy.

With respect to the second card, which is a copy of our reports that again outline in some detail, under the category of telecommunications, tax policies, reviewing telecommunication tax policy structure and so forth. I'd just commend these again to you as a good working document as
you begin to create policy in your state for the new economy.

I would like, Ivan, if you could respond to an issue that I'm beginning to sense and feel and that is the whole impact of telephony over the Internet and the impact that it could have on our local providers. And when you have responded to that, I'd go to Governor Thompson and then Governor Engler and then Governor Ridge.

MR. SEIDENBERG: Governor, I think the issue of telephony over the Internet is what they call a disruptive technology, which, in effect, it's going to change the entire inside of our company, because in the old engineering days the cost of providing an infrastructure to make a phone call was basically distance-sensitive and it was based on the ability to price according to all the electronics you needed to put. So a call from here in Pennsylvania to Nebraska, for example, was based on distance.

With the Internet, the cost of making that call over the Internet is virtually zero is what it is. It's just the cost of the access. So what happens to companies like us is we have to remake our company. It's the reason why we've been through two or three mergers in the last three or four years, because we're trying to change the way we generate our products and services to our customers.

So our company will become a ubiquitous wireless company and then we will become also a ubiquitous
broadband access company. So people will pay a fixed fee, for example, to gain access to our business and pay virtually very little for the recurring calls that they would make over the network.

That's the reason why in our case bigness works, because we generate the cash to reinvest in the business and change the inside of the company. But it's coming. Voice over IP, as they call it, is coming. It's good. It opens up markets. It makes the rural areas have the same access as the inner cities and it's the right thing to do and companies like us just have to get with the program.

CHAIRMAN LEAVITT: Governor Thompson.

GOVERNOR THOMPSON: Ivan, I have a couple questions I'd like to ask of you. The first one is that all the Bell companies now are starting to consolidate across America and in our area SBC has bought Ameritech out. And SBC is the second, I believe Texas is the second state that just received long distance.

It seems to me that what we need in America is a lot faster approval. You have touched on it. What can we do as Governors to try and get these, Verizon, SBC, the opportunity to get into the long distance market a lot faster? It just seems that the delay is something that is not good for America and it certainly is not competitive and
I don't know what we can do as Governors, but there should be something that we should be able to do to help you get that done.

The second thing is that in your course of expansion, GTE is selling off a lot of its local operations, something I'm not very happy about in Wisconsin, and at the same time the amount of voluntary contributions that GTE is giving to local organizations has decreased immensely.

Your comments about literacy piqued a great deal of curiosity in me. I hope that you are going to continue to expand in that area as well as other areas as well as helping out local charitable organizations, which used to be the case.

MR. SEIDENBERG: I think I have answers to both. We'll see how acceptable they are. The first one, the issue of speeding up the process for long distance, it's great to have an audience without having to listen to my competitors make the same case, but here's what I would say to that.

We took the approach of trying to get approval in New York. It took us four years. Right, wrong or indifferent, we did it. Six months later Southwestern figured it out in Texas. So at least the cycle time seems to be getting better.

The questions that I would ask each of the
Governors to think about when you hear about what's going on in your state is make sure that, however well intentioned, the regulatory processes don't reinvent the wheel. Every state doesn't need to reinvent the entire record that's been established in places like Texas or New York or soon to be Pennsylvania or Massachusetts, and the process can be speeded up simply by not having every state try to reinvent the wheel.

That doesn't mean that we shouldn't be held to strict enforcement. I think you would all agree that we will be held to those enforcements. But I can see already in each state people are now beginning to think about how are we going to make this better and take as much time and so on and so forth. So I think it's the questions you ask that will help people get the message that if they did it there and they did it over there, why is it taking us so long.

On the second question, I don't have the exact numbers, but I'll assure you I'll make sure that we don't change the flow of support anyplace. I think the reason for GTE and we rationalizing our portfolio, as they would say, is to provide better clustering. And I think in most of the places where GTE has sold some of its most rural locations, I think that we feel the new owners are in a better position to cluster and to provide the kinds of services to those customers long term.
It still means that overall we will put investment into the states, we will upgrade the networks, we will interconnect with those companies. We'll bring the benefits to the same customers, and we'll make sure that obviously from a community standpoint that we continue to provide that. And obviously now as a national business, our view is we should be expanding our community outreach as we go forward.

CHAIRMAN LEAVITT: Governor Engler.

GOVERNOR ENGLER: Two questions. The first is a variation of the one that Governor Thompson asked about, the process for the local companies to go into long distance. My understanding is that starts with your application, the 271 process that gets rolling, and that you really do control how quickly you'll come to a state. And in our state we're, from a regulatory perspective, prepared to respond.

My question would be, when you start to look now at these old GTE territories, and Michigan and Wisconsin are two pretty substantial areas, how quickly might we expect you to be coming forward with a 271 process to get that started? I think that's especially relevant as we see SBC we would expect to follow Texas sometime next spring with their approval, and we'd hate to see them coming over into the Verizon territory and we'd hope that you might be willing to start to challenge them a little bit in some of their
territory, because I know that Mr. Whitaker loves competition. So that would be the first.

The second is just a broader question and it dealt with your comments on wireless. And I'm curious in sort of the coming showdown of cable and the phone companies with the lines and, you know, that last mile hookup to all the homes, does wireless just go over top of all of this, and are we, when we think of upgrades and the need to put all the tremendous amount of fiber in the ground, is the Internet over the wireless going to supersede either the phone company and the traditional line or the cable line and, if so, what do we have coming there?

Will there be one or two major wireless companies in the country and sort of how do we factor that into our thinking and this new regulatory approach that you've suggested, because it does strike me that wireless overcomes one limitation that the cable primarily but also phone companies have, and that's the need for local governmental approval of these rights-of-way problems in some of the states are very acute and are solved in different ways in different states. So does wireless just defeat all of that and allow you to move faster?

CHAIRMAN LEAVITT: Just real quick, a couple of points I would make. First of all, with respect to the 271 process for GTE in your states, I would point out that
GTE is already permitted to offer long distance in those states today. It's the legacy states from the old Bell Atlantic that we need to do the 271.

But I think that the broader question you asked there is Verizon will compete with Southwestern Bell in those states. I think that what you should feel comfortable with is now that we've created a company that will serve a third of the households, we don't see any more consolidation of fixed telephone lines companies. So we now have the platform that we think we'll start branching out, and GTE has a clear strategy to move beyond its franchise territories to do that.

With respect to your point about the process, we're the mitigating factor, it's true, mitigating factor, but in every state the state processes can conduct proceedings for one, two, three or four years until they decide that we've met the target. So that it is up to us, but there is a sort of a ponderous process that sometimes goes on to make that work.

Your point on wireless is very interesting. We don't look at this as either or. Wireless is a technology that's continuing to expand. And so that as you go to digital and then Internet, you're finding there are more applications to the technology.

So the way we would look at it for the next
five to seven years, wireless tends to be complementary, that
while it may substitute here and there for the basic service
it will tend to expand uses. And you can see it, you
probably all now are very much linked into some form of
wireless communications, but it hasn't changed much of the
basic communications you probably have back at the office.

Will wireless substitute for the fixed land
line? I don't think so in the short term. It may reduce
some of the need for second and third lines in the home, but
it won't reduce the need for secure fiber-based or
coa-ax-based fixed connection, because those are the things in
which you can offer more innovative products like health care
services, education services, even some governmental
services. So what we see is a shift.

I don't know if some of you may know the
visionary at MIT, Nicholas Negroponte, but he's been saying
for many years this is, they call it the Negroponte switch.
All the broadcasters they broadcast over the air and all the
phone is underground and copper. But over time what he says
is going to happen is all the stuff on copper, plain old
telephone service, is going to shift to the air and all the
stuff that the broadcasters do is going to shift onto the
Internet and to fiber. So we're seeing a shift in that.

So I think what we'll see is both technologies
flourish, Governor. Now, but wireless is also, the last
point, is a great example of where you don't have regulation
in 50 jurisdictions and the federal government, so what you
have is a free flow of capital. And you asked how many
national companies there are. Certainly there's Verizon.
There's AT&T. There's Sprint. There's Nextel. And I
suspect there's Voice Stream. There's a couple.

So what we have is an example where there's
less regulation, there's lots of people who want to invest in
wireless technologies, but you don't have a lot of people
wanting to build new fixed wire line businesses.

GOVERNOR ENGLER: Just as you answered that
question you said something, every state is being asked with
our public television stations that we ought to pony up a lot
of money to help them make the switch to digital, but what
you've just told me and as we've looked at this, I can't
figure out why we'd do that, even though the FCC would like
that to happen, because why not just let them go to the
cable. Why would we pay that money and why not -- in
Michigan's case it's a 40 million dollar bill -- simply
invest in more connections for more schools or try to --

MR. SEIDENBERG: I'm out of my league, but I
have an opinion. I mean the bottom line is we paid for
spectrum to get into these new markets. Everywhere else in
the world people pay to get into these markets and that's
what creates more efficiency in capital markets.
If there's some greater good in allocating the
digital spectrum to the broadcasters, because you know
they're going to do all the right things, then that's your
decision, but I think as a citizen I would say it's up in the
air as to whether or not they'd use all that for the purposes
that you had intended. So my reaction is let the free market
work.

CHAIRMAN LEAVITT: We'll go now to brief
questions from Governor Ridge, Governor Janklow and that will
conclude this session, unfortunately. I think there's many
more. Governor Ridge, brief question.

GOVERNOR RIDGE: First of all, I think you've
really, your comments were very provocative and I want to
thank you for your participation here today.

Pennsylvania has a very unique competitive
model. We deregulated our electric industry a couple years
ago completely. We have more companies and lower prices.
The competitive model works. We'll fast-forward from
deregulating the electric industry in Pennsylvania to the
telecommunications industry. It's obviously a lot more
complicated.

But the battle that's going on between short
and long distance carriers we all, the Governors know isn't
just about telephone service, but it's about e-commerce,
e-business, e-government, e-medicine, it's broadband
application everywhere.

From your view of not just this country but the rest of the world, one of the areas of digital divide that we're concerned about in Pennsylvania is not just economic, but it's geographic. That's rural Pennsylvania, rural America, making sure that all of these assets are available there.

Should government use a carrot approach, a stick approach, or do you see a combination of both to get companies to move where you have less population, less opportunity to maximize your profit, less -- I mean if the marketplace is going to drive you somewhere, you're going to go to Philadelphia and Pittsburgh. You're not going to go to Perry County in Pennsylvania.

So what do we need to do as individuals concerned about making sure that our rural population benefit from the telecommunications explosion and all the potential that it gives to our citizens to make sure that you get there to provide that service?

MR. SEIDENBERG: Okay. Governor, thank you for the question. I have two simple answers. The first is, as I mentioned in my remarks, there are entry barriers that take a company like Verizon, who can't put an Internet hub in Harrisburg and let people collect traffic and make a call to Baltimore. We just can't do it.
Now, and so I think we need to just eliminate the entry barriers. Now, there are a couple of bills pending in Congress that would focus on this piece of it. And remember that would not excuse us from complying with 271, but it would focus on data as being different. So we're clear on that.

The second issue, at the state level, once you remove the entry barriers, we have to make sure, from our perspective, and you might expect me to say this, that the state commission doesn't overregulate the pricing to the point where you take away the incentive to want to put the capital in.

And, you know, our argument has always been that we have, a company like us, we have the infrastructure and the distribution to do it, the trucks, the people, the support systems and everything else. And so if somebody wants to make sure that they keep an eye on us, we're okay with that, but let's not kill the golden goose.

So I mean those are the two things that I think. Entry barriers and make sure the state commissions rethink the form of price regulation that goes with it so that the capital will flow easily.

And it isn't a matter of what we say. The capital markets are the ones that tell you, the capital markets say it's better to invest in the Quests and the
Williams, the companies providing long-haul Internet
backbone, than it is to invest in the local distribution
companies. So I think that we need to just focus on those
two areas and I think we'd start to make some progress.

CHAIRMAN LEAVITT: Governor Janklow.

GOVERNOR JANKLOW: Thank you. Ivan, I
appreciate your comments immensely, coming from a state like
I do where we have about 730,000 people and 28 independent
telephone companies, all separate, all but one of them
rurally protected, which creates a very unique situation.
And my state's not unlike a lot of the more rural states.

I was struck by your statement that it took
you four years to get regulatory approval in New York. World
War II didn't last that long for America. And to think that
something takes longer to get through the regulatory process
in America than the biggest war we ever fought really leaves
one wondering where the hell we've gone in this country or
where we're going to go, more importantly, one.

Two, how do we deal with the fact, I mean
again, discussing just the rural aspect, how do we balance
the recognition that there's going to be cherry-picking,
because your companies are in business to make a profit and
you ought to be. We have a lot of people in America today
that preach free enterprise, but what they're really saying
is they believe in properly regulated government funded free
enterprise.

And what I'm wondering is how do we go that final hurdle and really open up rural America, with an understanding that we will get that kind of communication out in the sticks. Education is too important not to have that kind of stuff available, and it's from education that the rest of the things, especially in the rural communities, it's all communities, but the rural communities really spring from that.

So how do we go that last mile of the regulatory process in terms of opening it up so that we can get the new technology in there. The alternative is it isn't going to come and it's only going to come with access fees and those kinds of things that make it ultimately more expensive to have monopolistic practices out in the sticks.

MR. SEIDENBERG: Governor, there's no easy answer to that, but I would point out in our company, Vermont's a pretty small state, West Virginia's pretty rural, so we serve a lot of states that have the same characteristics and we get this question a lot.

I can give you a simple answer. It's never quite that easy, but what it boils down to at this point, the four years it took to get approval in New York state was really no one's fault. I mean everybody just did their thing, but there are layers and layers and layers of activity
and everybody is dutifully following their job.

I think -- I keep coming back to the wireless model. If you think about the wireless model, you eliminate entry barriers, there's no price regulation, there's competition, the market sets the rates. If somebody misbehaves, the government comes in strong and quickly.

But on the fixed side of the business, people will not take a risk. The regulatory process is not geared to take a risk. And unfortunately, it really boils down to having the conviction of letting the free marketplace operate and lightening regulation, lightening some of the procedures, reducing some of the layers that go into it, and unfortunately, my comment may not be popular, but the ability to earn profit.

You know, Verizon could make more money investing in virtually any foreign country in the telecom business than we can here. And we've been criticized by our state commissions a lot, why are you investing money in the UK or why are you in Venezuela or why are you in the Philippines. And the answer is you can enter those markets with the clear conscience that there won't be a surprise by some regulatory authority that will come in and gut the whole purposes of why you are investing.

I don't think the economics of investing in rural America is any less than it is in any urban market. I
think the issue really boils down to state commissions moving to a new paradigm here and reducing entry barriers and reducing what we would consider to be some of the onerous price and rate reductions.

CHAIRMAN LEAVITT: One final question from Governor Musgrove.

GOVERNOR MUSGROVE: Mr. Seidenberg, do you agree or disagree with the FCC's blockage of the Worldcom-MCI-Sprint merger and why?

MR. SEIDENBERG: Do I agree or disagree? Well, in general, certainly in the direction we've headed, I would not disagree with consolidation. Now, what I never studied was the Justice Department's view of whether or not that merger, because it was with two people who compete with each other, would create too much concentration.

So I'm going to hedge a little bit by saying that I don't find consolidation a problem, because I think both Sprint and Worldcom need additional scale to be great companies globally. Now, whether or not they've created a transition problem because they've merged at a time when there isn't enough other competition, I'll leave that decision to the government.

But I would make this point. If it didn't take us four years to get in that merger probably wouldn't have had the same problems. So I think that -- so I don't
know if this is a missed opportunity or not, I really don't.

Having said that, when you think about it, we're focused more on the global area and here we are, Worldcom, Sprint, Verizon, AT&T, Quest, Bell South, Southwestern Bell, all could be bought by the Germans tomorrow. That doesn't make any sense to us. So somehow we got where we are and we've got to undo it.

CHAIRMAN LEAVITT: Thank you.

(Applause.)

CHAIRMAN LEAVITT: We have today examined in part the new economy. I'll again remind those of you to pick up these cards. This is the sum total of several hundred pages of report. For those watching on C-Span, you can get this at www.nga.com in full form.

It is necessary briefly that we convene a meeting of the Executive Committee. I'd like to call your attention, members of the Executive Committee, to the operational guidelines. This is a document that's proposed to serve as a guide in determining the structure of committees and task forces and on the appointment of lead Governors.

I need to have members of the Executive Committee approve this and I would from a member of the Executive Committee appreciate a motion to that effect. I have a motion. And a second? I have a second. All those in
favor say aye, opposed nay. Ayes have it, the motion carries.

I'd also like to remind members of the Executive Committee that interim policy that we approved on May 16th entitled "Public Pay and Pension Plans" we brought before the full association for a vote on Tuesday.

Having said that, let me just remind the Governors that today we have a Governors only session that will begin at 1:30 in Deans Hall Number 2. Thank you again very much. We'll look forward to seeing you in the sessions for the evening and tomorrow again. Thank you.

(The proceedings were concluded at 1:01 p.m.)
I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this copy is a correct transcript of same.

Sherry Bowes, RMR, CRR
Notary Public
NATIONAL GOVERNORS' ASSOCIATION

TRANSCRIPT OF PROCEEDINGS
92ND ANNUAL MEETING

DATE: JULY 10, 2000, 2:00 P.M.

PLACE: PENN STATER
215 INNOVATION BOULEVARD
STATE COLLEGE, PENNSYLVANIA

SHERRY BOWES, RMR, CRR
NOTARY PUBLIC

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CHAIRMAN LEAVITT: Ladies and gentlemen, the President is just a few moments away. In our previous session, the Governors only session, we had an opportunity to hear today from a number of Governors who will be concluding their service. There was a mix of wisdom and melancholy about it for those of us who heard them speak, but great appreciation unilaterally expressed by them and also by those of us in the room who hope to continue our service.

Tomorrow I will conclude my service as the chairman of the National Governors' Association. It is the tradition of this organization that at the conclusion of this Association's meeting, the Chairman has the pleasure of being able to summarize in some form the take home message of his chairmanship or her chairmanship.

In the interest of efficiency as we wait for the President, I believe I will undertake that now. Rather than try to summarize the events of the year and all the actions that we have undertaken with Congress and the progress that we have made, rather than try to detail all of the lessons that I have personally learned, and rather than try to list my highest aspirations for this organization, I would simply like to communicate what I believe the summary to be in the context of a story.

Shortly, literally minutes before I was to take the podium at our state legislature to deliver my budget
address one legislative season, a member of my security
detail rushed to my office and said, Governor, there is a
fire at the mansion. Well, understandably I left the
legislature and went directly to the mansion.

As I rounded the corner, there were billows of
this black smoke coming from the windows. I found Jackie and
our three-year-old son standing in the parking lot. I was
relieved to find that she was okay. But she began to tell me
about their experience of just moments before.

She was standing in our bedroom. She heard a
pop and suddenly the roar of some flames. She walked out,
looked into a small oval from the second floor to the first
and she could see from a 26-foot Christmas tree that adorned
the mansion at Christmas flames shooting up the tree. She
saw her staff assistant run out with small little red fire
extinguisher and try to put the flames out, to no avail.

Quick, get out, they said. They ran to the back
door. When they got there, they met simultaneously with
three workmen who had been in the basement. Now, the fire
had begun to burn so hot that it had begun to eat the oxygen
from inside the home. They tried to get the door open. It
was sealed shut by the vacuum of that voluminous fire that
was burning. Between the three of them, they were able to
use a ladder to ply the door open and then slip out, only to
have the door slam behind them.
We sat in the parking lot and watched the power of that fire begin to grow. The windows began to vibrate and to pulsate and suddenly there was a huge explosion and a fireball shot through all of the windows and the fire became even more intense and hot.

By this time, the state fire marshal had come and he was standing by my side. I said, explain to me what's happening here. He said, when a fire burns that hot, it begins to seek oxygen. It cannot be denied oxygen. It seeps to every crack in the building. It goes into the screws in the light sockets. It has to have oxygen and when it finds a weak spot it will literally exploit that until it has oxygen.

He said to me, when those natural forces begin to be set off, change is going to happen.

Now, gratefully, the mansion has been restored and it's retained its glory. It's now wired with fiber, too, I might add. It was not before.

We are at a time in history when the Internet, wireless communication, technology is fueling change in a way that is unthinkable in scope and just mind-numbing in speed. It's a time when we as Americans have an enormously exciting opportunity but a terrific challenge.

America became a super power, because we transitioned the agricultural era to the industrial age with great skill. We now find ourselves as a generation
challenged as leaders with a new challenge, a new opportunity, the opportunity to transition into the new economy, the information age.

The theme of this conference, the theme of this year in NGA has been for us to make that transition, to define what it is that we must do to strengthen the American state in the new global economy. Now, it is not just a challenge, it is a remarkable opportunity.

I am reminded of a speech I heard recently by a great technology leader, Jim Barksdale, who talked about his three snake rules. He said the first rule, first snake rule is, if you see a snake, kill it. He said, I tell my staff, if you see a problem, don't call a committee, don't organize some sort of a task force, take care of it. He said, my second snake rule is don't spend too much time handling dead snakes. But the third snake rule that I believe applies best to this problem is he said, every opportunity I have ever seen started out looking like a snake.

This is not without its challenges. It will require us as states to fundamentally rethink, not just to reshape, not just to work at the edges, but at times to start with a white sheet of paper and start again, but it will provide enormous opportunity for us as a nation.

I will end my time as the chairman of this organization with the same words I started. When it comes to
transitioning to the new economy, there are simply three choices. We can fight it and flounder, or we can accept it and survive, or we can lead it and prosper. I say, let America lead and prosper. Thank you.

(Applause.)

CHAIRMAN LEAVITT: The President has arrived and will be here shortly.

(Pause.)

ANNOUNCER: The President of the United States, accompanied by Governor Leavitt and Governor Glendening.

(Applause.)

CHAIRMAN LEAVITT: Mr. President, we are honored that you would make such a special effort to join us this afternoon. As a former colleague and participants in this federal-state partnership we all serve, we welcome you to our annual meeting.

This is our final meeting with you as President and we acknowledge the great effort you have made always to join us. It is a tradition we treasure and appreciate greatly.

When you chaired this organization, you set an agenda. You titled your year "Making America Work." You established task forces to overcome some of the most crippling barriers in our society to making our economy productive and solving many of our human service programs,
school dropouts, teenage pregnancy, literacy, and alcohol and drug abuse. Working together over the course of the last eight years, our nation has made a significant amount of progress on those matters.

As the President, you have shown us great appreciation and value. You have opened the White House to us always. Many of us will look back on our service and those times in the East Room of the White House where we literally talked of the problems of our nation openly and freely and candidly as some of our most important and most memorable times in service. You’ve opened the White House to us in other ways and greeted us with great warmth.

You clearly have understood the fundamental role of states in the fabric of this nation. This is a time when the partnership needs to be strengthened, and for that reason we are most appreciative of your continued willingness to be with us. Mr. President, thank you very much.

Ladies and gentlemen, the President of the United States.

(Applause.)

PRESIDENT CLINTON: Thank you very much, Governor Leavitt, Governor Glendening, and Governor Ridge, thank you for welcoming me back to Pennsylvania and to Penn State. The Governor was kind enough to come to the airport and we were reminiscing about the opportunity I once had to
come to Penn State to give the commencement address and we
talked about the Creamery, and then I learned all the
Governors had been given access to the ice cream at Penn
State. That was the one thing I was going to give you today.

Let me say to all of you the most important
thing I wanted to do today is just come here and say thank
you for the opportunities that we've had to work together
over the last eight years. Some of you, just a few now, were
Governors when I served. Governor Thompson outlasted me.
Governor Janklow made a comeback. Governor Hunt made a
comeback.

But it's been a wonderful experience for me. I
looked forward to your coming to the White House every year.
And even though we're going to start the very important
Middle East peace talks tomorrow I didn't want to miss this
opportunity to come to say thanks.

I really treasure the times that I've spent. I
remember the first time you came to the White House in '93,
I'd only been President a couple of weeks, and they were very
busy times. And my staff was all obsessed with getting our
budget to Congress and all that and they didn't really
understand why I wanted to spend four or five hours with the
Governors. And I told Governor Kempthorne when he left the
Senate that he was going to be one happy camper after the
next election. I was right, wasn't I? So I thank you.
If you go back and look at the transcripts and the agenda of the 1993 NGA meeting and you compare what you discussed then and what we're talking about today, it is obvious that our country has come a long way in the last seven and a half years.

Back then, we were all focused, as we had been in the couple of previous years when I was a Governor, on big and immediate crises, the enormous deficits, the high unemployment, the soaring crime, the rising welfare rolls, the cost of health care, and the growing number of uninsured Americans.

At the time you came to the White House in '93, I pledged to make a new partnership between the state and the federal governments, to put the American people first and to turn our country around. And we have done a lot of things together that you should be very proud of.

Welfare rolls the lowest in over 30 years, cut in half, the crime rate at a 30-year low, the Children's Health Insurance Program the largest expansion of health insurance for children since the enactment of Medicaid. We've slowed the crippling costs of Medicare and Medicaid and extended the life of Medicare by a quarter century. We've expanded trade with over 300 trade agreements, and the Governors have, without exception, always been there in a bipartisan way, and for that I am profoundly grateful.
And let me thank you especially for the work that many of you did on permanent normal trading relations with China. Most of our constituency who call us about that -- in favor, anyway -- do so because they understand the economics of it.

But I have to tell you after the last seven and a half years I have a different perspective. We fought three wars in Asia in the last 50 years, and I believe if we adopt this trade agreement it will dramatically reduce the chances that our children will have to fight any wars in Asia in the 21st century. And so anything you can do to help me get it up to the Senate in the next few days I'd be very grateful for as well.

We've worked together on the empowerment zones and other community development efforts, and I'd like to thank the Delta Governors here, which start with Governor Ryan in Illinois and go south, for the help that you have given me for our Delta initiative.

The size of the government is the smallest it's been in 40 years. We've eliminated over 16,000 pages of regulations. The Department of Education, as Secretary-Governor Riley never tires of telling me, alone has reduced regulations by over 60 percent.

And as all of you know, we have worked to aggressively grant waivers to states to continue to be
laboratories of democracy. And I'll say more about that in a few moments.

But finally -- and I owe the Governors a lot of thanks for your support on this -- across all of our partisan differences, you have never stopped supporting as a body bringing back common sense notions of fiscal discipline to Washington. By cutting the deficit, expanding trade and investing in our people, we've got the longest economic expansion in history.

People ask me all the time -- and I brought the Chairman of the Federal Reserve, Alan Greenspan, who's here today, there was an interesting article in one of the major newspapers referring to us as the "Odd Couple," which I took, Mr. Chairman, as a compliment. And I think it was, you know, what's this sophisticated financial genius doing working this deal with this, as someone used to refer to me, the Governor of a small southern state. I was so naive at the time I thought it was a compliment. And I still do.

But, anyway, we've worked together. And people ask me all the time, well, you know, tell me about Bob Rubin or Lloyd Bentsen or Gene Sperling or your economic advisors, what new stunning insight did you bring to Washington? And I always have a one-word answer, arithmetic. We brought arithmetic back. And I hope that again across party lines in the years ahead, you will keep arithmetic as an element in
our national policy-making.

We have an enviable but unfamiliar task now.

We've got to decide as a people what should we do with the largest surplus in history and a very large projected surplus. And if I could just make one point here today that to me is more important than anything else I'll say down the road in these remarks, I believe dealing with good fortune is just as stern a test of a country's judgment, values and character as dealing with adversity.

I say this over and over again, but I'll repeat it one more time. There's not a person in this room over 30 years of age that cannot remember at least one time in your life when you made a personal or a business mistake not because things were going so badly but because things were going so well. You felt there was no penalty to the failure to concentrate. It is just human nature.

So this is a big, big moment for our country. And you know what I think we ought to do. I think we ought to do what I said in the State of the Union. I think we ought to take on the big challenges and big opportunities in a responsible way, to keep the economy going and spread its benefits, to deal with the aging of America, to deal with the fact that child poverty is twice what it is among elderly people and all of our kids still aren't in the best schools, to prove that we can meet these big environmental challenges
and grow the economy, to make America the safest big country
in the world, to help people balance work and family better,
to meet our national security and foreign policy challenges,
to put a more human face on the global economy, to keep
bringing people into the circle of our national community as
we grow more diverse.

But this election season is very important for
making that decision. And I frankly think that Americans
should be very upbeat about this, because it gives us a
chance to have a very positive political season. And I think
maybe over the last seven years we've finally purged some of
the poison out of national politics.

And I would really like to just see a debate
where people get up and say, okay, this is a big election, we
have honest differences over everything from education and
the environment and crime and Internet privacy rights and how
to build a national community and the future of the courts,
everything, and let's just talk about them and let the voters
decide. And let's just assume everybody running is honorable
and just say what the differences are and let the people
decide.

That's what I hope will happen in this election,
because in our lifetime we may never get another chance like
this. We have never had a chance like this in my lifetime,
not ever, not once. The last time we had an economy this
prosperous was in the 1960s. That was the last longest
economic expansion in history.

And when I graduated from high school in 1964, I
had the feeling that I think a lot of Americans do today. I
thought everything was on automatic, nobody could mess it up.
I thought all the civil rights problems of the country would
be solved in the courts and the Congress. I thought
everything would be hunky-dory.

Two years later, we had riots in the streets.
Four years later, we had Dr. King and Senator Kennedy killed,
and we had a President who couldn’t seek reelection because
the country was so divided, and a few months later, the last
longest economic expansion in American history was history.

So if I could just say anything, I hope when you
go home you will ask the American people in your own states
to be really good citizens this year and concentrate and just
think and decide, because we may never have this chance again
in our lifetime. And it is profoundly important.

I also believe that it’s important what we do in
the next six months. And I know all the press coverage is
always on the fights that we have, but let me tell you, we
actually agree on things every now and then in Washington.
And there's a lot of things we could do in the next six
months that I think are pretty important.

Let me just review. Already this year the
Congress lifted the earnings limit on Social Security. I think that's really important. If you live to be 65 today you've got a life expectancy of 82. And if things keep going the way they are and there's only two people working for every one person drawing Social Security, we ought to want some older people in the work force. I hope to be one of them. And it passed almost unanimously.

I signed a bill the other day, the Electronic Signatures Bill, necessitated by Article I of the United States Constitution, to make sure that there could be a contract using e-commerce. I see where some people think there's some problems with it. If there are, we'll fix them up. But we don't want to slow down e-commerce, we want to speed it up.

We had the China bill passing in the House, and in the House and the Senate a remarkable bill to expand our relations, trade relations with Africa and our neighbors in the Caribbean. So there's a chance we could get a lot done.

And one of the things that I would like to just say today, and, again, because of the season we're in I guess, you know, my opinion can't avoid having some sort of partisan edge, but I'd just like to tell you where things are and where I hope we can go with them in the next few months. I think our single most important obligation now, since most Americans make good things happen in their
own lives apart from government, is to try to keep this
economic expansion going and to try to spread its benefits to
people and places that have been left behind.

Now, let me deal with the latter first. The
spreading its benefits, for me, means passing the New Markets
initiative that I presented to the Congress, which the
Speaker of the House, we've worked together on it and we now
have a unified bill where we took the best ideas of the
Republicans, the best ideas of the Democrats, and we're going
to essentially try to give people the same incentives to
invest in poor areas, in the Mississippi Delta or the Indian
reservations or the inner cities that we now give them to
invest in Latin America, Asia and Africa, along with a little
extra help.

And we've worked very hard on this. There was
an astonishing announcement at the White House the other day
with the broadest ideological spectrum of people I've ever
seen in the Roosevelt Room at the same time. And I hope
you'll help us pass that.

In a larger sense, I think we've got to keep the
economy going by adhering to the same principles of fiscal
discipline that got us where we are, and that means I think
whatever combination of spending and tax cuts any candidate
for any office proposes, there ought to be enough left over
to get us out of debt over the next dozen years, to pay down
the public debt. Why? Because it will keep interest rates lower.

Let me just give you one little tax cut factoid. Keeping interest rates a percent lower than they otherwise would be for a decade reduces mortgage payments alone in the United States by 250 billion dollars. Keeping interest rates lower than they otherwise would be for a decade by just 1 percent amounts to a 250 billion dollar tax cut on mortgage payments alone.

That doesn't count car loans, college loans, business loans, which are obviously very important because you want the cost of capital for borrowing for business expansion to be as low as possible, for obvious economic reasons.

So I think that's very important. So that's one of the reasons that I supported the Vice-President when he said we ought to lock away the Medicare taxes the way we lock away the Social Security taxes. A lot of the surplus has, in effect, been overstated and a lot of our deficits in past years were understated because the taxes from Social Security and Medicare were producing more money than we were spending every year, as all of you know and we used to talk about around here all the time.

So now we said, okay, we're not going to spend the Social Security tax money, we're going to use it when it
comes in to pay the debt down, and that's what I think we ought to do with Medicare.

Now, in addition to that, because I think we have a big aging crisis, I believe that we ought to take the interest savings from debt reduction by doing that, something we didn't do before, and put it into Social Security and Medicare, and if you did that you could take them on out beyond the life of the baby boom generation.

Now, then I think if -- and by the way, let's get to the numbers, that's about 20 percent of the projected surplus. It's about 400 billion dollars of the 1.9 trillion dollar projected on-budget surplus. So it's a great hedge in case the money doesn't show up.

Now, once we agree to do that, I think we've got a great opportunity to decide as a nation how to spend the rest of it, whether it should be on tax cuts or investment or what the mix should be.

The budget I presented for this year has significant new investments in education, health care, research and development and defense and foreign policy and the environment, especially meeting the challenge of climate change, but it also provides targeted tax relief for long-term care, child care, college tuition, retirement savings and easing the marriage penalty.

But the main thing is it leaves 500 billion
dollars in a fund for America's future that would be completely unencumbered for the next President and the next Congress, because I think it would not be responsible for me to propose how to spend all that money. If anybody cares what my opinion is, it will be worth that and a quarter will get you, you know, half a soda pop after next year, but I will be glad to give it, but I don't think it would be responsible to propose it. So I've decided to just leave it there.

But I'm very concerned about the way we're moving in Congress and I just want to point out the Congressional majority, but with some support from members of my party as well, has taken a sort of an incremental approach to this, starting with tax cuts.

Now, none of the tax cuts proposed individually would bust the budget, but if you add them all up and you combine that with the proposals that are out there for next year that are, in effect, going to be commitments since they're part of the election contract, it would exhaust every dime of the projected surplus and then some. And I believe that would lead to a rise in interest rates and a slowdown in the economy and, ultimately, to fewer revenues over the long run and less investment for things like adding a prescription drug benefit to Medicare.

I'll give you an example. This week the
Senate's going to vote on repealing the estate tax, and there is some speculation that it might pass by a veto-proof majority. Now, one reason is the full benefit of the estate tax relief we provided in 1997 has not been -- it was phased in over a period of years, so that hadn't been felt by the taxpayers. We provided some estate tax relief in 1997. I really didn't think it was enough. I think there should be more.

But I don't believe we should completely repeal it. It cost a hundred billion dollars in the first ten years in today's terms and 750 billion in the second ten years; 100 percent of the benefits go to 2 percent of the American families; and only a small fraction of those are those that really need the help, the farmers, the family farmers and the small business people. You could take them out altogether for much less money and do what we say we want to do.

And I think it's important to point out, as one man I know who is a billionaire called me the other day and said, why are you doing this for me? I said, I'm not. One-tenth of 1 percent of the American people would get half of the benefits of the bill.

Now, if you're philosophically opposed to the estate tax, then it's just a matter of principle, but if it's a matter of economics and you're sympathetic with small businesses and family farmers, there's a way to get this done.
for much less money and, by the way, give more relief to others.

I mean you could argue that the rates are too high, because they're higher than the maximum income tax rates now, something that didn't used to be the case. There are lots of options here, but repealing it costs a lot of money.

So what I asked the Congress to do -- and they also want to pass a marriage penalty relief bill. But I think for us to repeal the estate tax before we raise the minimum wage or give a tax relief to low income working families with lots of kids or give a tax deduction for college tuition or increase the child care credit or adopt a long-term care tax credit is a huge mistake.

First of all, I think it reflects the wrong set of priorities, but it puts us on a -- then people will say, well, we did that, now we've got to do all this, and pretty soon before you know it you've spent more money than you meant to and we're back in the soup again.

So what we need to do is get everybody together and figure out who wants what and what we can afford to do and do it in a way that allows us to keep the fiscal discipline, to stay with arithmetic.

Now, I asked Congress to compromise with me. I basically said, let's do a Medicare prescription drug benefit
for 250 billion dollars and a tax reduction package focused
on the marriage penalty relief, which is very important to
the Republican majority, for the same amount of money. Let's
set aside the Medicare trust fund money and let's just save
the rest and adopt a good budget this year.

Now, this week Congress is also going to vote on
the marriage penalty. I hope that they will consider this,
because we really have a lot to gain here by doing this in a
balanced way. The surpluses are there because of fiscal
discipline and let me just say, one big thing that I want to
thank you for, because a lot of you had to bear the burden of
it, was the reduction in the growth of Medicare and Medicaid.

Since we made some changes in that -- and it was
growing at three times the rate of inflation when I took
office -- we've reduced projected federal health expenditures
by over half a trillion dollars and extended Medicare
solvency through 2025.

This is something very few people know about.

About 30 percent of the improved budget outlook included in
the Midsession Review -- that is, about 30 percent of this
extra trillion dollars in surplus that is projected -- comes
from lower spending in Medicare and Medicaid, thanks to your
efforts and ours to reform the programs and reduce fraud and
waste.

So I think spending these dollars more
efficiently is good for the economy. But I also want to say
investing more can be good, too, if it's done wisely. I
recommended that we put 40 billion dollars back into these
programs, because we actually cut them more than we meant to.
Back when we did the Balanced Budget Act in '97, we agreed
that this is what we wanted to save and we got a list of
programs from the Congressional Budget Office necessary to
save it and, actually, they saved a lot more money than we
thought and it wound up putting undue burdens on the
providers. So I think we've got to give a little of this
money back over the next ten years, and I hope that you will
support that.

But we also know that there's some other needs
there. Children without health insurance often don't get
glasses or treatments for ear infections. That limits their
ability to learn. We know that adults without health
insurance are 50 to 70 percent more likely to be hospitalized
for treatable conditions, running the cost of health care up.

We know that seniors who can't afford
prescription drugs are more likely to end up in nursing
homes, running their quality of life down and their health
care costs up. And when that happens, it means the states
pay Medicaid nursing home bills because Medicare doesn't pay
the prescription drug bill in the first place.

Now, that's why I propose that we have
expansions of the health care program. And that's why I set aside over 250 billion dollars over ten years for this voluntary prescription drug benefit. If we were starting a Medicare program today, we'd never set it up, none of you would, without a drug benefit. Thirty-five years ago when we started Medicare, medicine was about doctors and hospitals. Doctors were making house calls still, and hospitals weren't very expensive and the whole thing was different than it is today and the pharmaceutical revolutions that we've seen in our lifetime didn't exist.

And let me say, let me just tie this again to the aging of America. This Medicare prescription drug issue is a big issue today. It will be twice the issue in ten years. The sequencing of the human genome is the beginning of a biomedical revolution, the extent of which we cannot imagine.

I believe that those of you who have children who are, like my child, in college and about to go out and start their lives, I think it is almost certain that their children, the children of people in college today will be born with a life expectancy of 90 years. And keep in mind, and that will include those who die of violence, accidents, and things of that kind.

And we're going to have to just think about getting older in a whole different way. And we'll never be
able to have the kind of society we want unless we can have
shared and equal benefits and access to the biomedical
revolution manifested in the development of these new drugs.

Now, what I recommended was a voluntary program
where the prices would be set by competition, not by
government price controls, but I think it is the only thing
that will work if, like me, you believe everybody that needs
it ought to have access to it.

The Congress passed a bill that would set up a
private insurance plan and basically cover the cost of people
up to 150 percent of the poverty line, but that's only
$12,600 for an individual and $16,500 for a couple, and it
leaves out over half the people who need drugs today who
can't afford them.

And in addition to that, the health insurance
companies -- and all of you know they haven't always been my
biggest advocates, I mean we've fought about everything --
but the health insurance companies say the thing won't fly,
that they cannot put together insurance policies that will
work that will be affordable. And there was an article in
one of the newspapers within the last 48 hours that said that
one of our states has a program like the one that the House
passed and not a single insurance company has offered a
policy under it, because they don't want to participate in
something that's not real.
So I want to make these two points. I hope I can make an agreement, an honorable agreement, an honorable compromise -- like the Balanced Budget Act of '97, like the Welfare Reform Act of '96 -- on tax relief and the Medicare drug program. But I think we ought to leave a huge chunk of this money to the next President and the next Congress, and I think we ought to commit ourselves to saving another big chunk of it no matter what.

For us to commit all the projected income of the country over the next ten years is a mistake. If I asked you, every one of you in this room, what's your projected income over the next ten years and how comfortable are you that you're going to have that money, and you just think about it right now and settle on something you've got 80 percent confidence in, and I asked you to come up here right now and sign a contract committing every penny of your projected income for the next ten years, would you do it?

Now, this ought not to be a partisan issue. We shouldn't do this. And everybody who -- and our people, people in my party, everybody that proposes a spending program, everybody that proposes a tax cut program, whatever they're proposing, it all ought to add up and there ought to be a good chunk of safety net left in there, because that money may or may not be there.

And the number one thing we've got to do is keep
this engine going, because most Americans do most of what
they do without direct contact with the government and we
want them to be able to succeed.

So I've got a lot of hope that we can still get
something good done in this last session of Congress. I have
a lot of hope that we can pass the drug program. I think we
ought to increase the health care coverage under the
Children's Health Insurance Program to cover the parents of
the CHIP kids. I think that we ought to make sure, however,
that we don't see a revival of the idea of shifting the cost
of uncompensated care to the states, and I think that's what
a prescription drug grant would do.

So you all have to weigh in on this. You can do
what you think, but you just think about what we could do for
health care. If we had a Medicare prescription drug program,
if the parents of CHIP kids could buy into CHIP and if people
between the ages of 55 and 65 with a modest tax credit could
buy into Medicare, we could cover the 25 percent of the
uninsured people in America, the ones who need it most, and
we could increase the length and quality of life of our
seniors. So I hope we can do that.

Now, let me just say a few words about a couple
of specific issues of concern to you. I want to thank you
for the work you've done with the CHIP program. We've now
got over 2 million kids enrolled. I am especially proud of
the states that have found innovative ways to overcome the
problems in signing kids up.

And I always hate to mention some, for failure
of not mentioning others, but I would like to acknowledge
just, for example, that Ohio has changed its system to make
it easier for CHIP parents to mail in forms that are simpler.
Indiana has actually gone out to schools and child care
centers and had a remarkable amount of success in signing
people up. Virtually every state has done something
innovative, but the money is there to sign the rest of the
kids up. There's another two or three million kids we could
get signed up.

Some people in Congress think that because it's
been out there and not spent, it should be taken away. This
is another version of what happened when there was a proposal
to take back billions of TANF dollars from welfare reform.

Now, the money is the direct result of the
success we've had in the TANF case of moving people from
welfare to work. I think it ought to be left for the states.
I think states should use it to finish the job of welfare
reform, making sure families don't lose Medicaid when they
leave welfare for work, making sure the dollars help families
still on the rolls move into the work force.

But welfare reform's success, it seems to me,
shouldn't be turned against the states. It should be used to
make sure that people that are still falling through the
cracks have a chance to make it as well.

And I want to thank those of you that are
responding to this. I mention, in particular, Washington
State did something that I read about that impressed me.
They found that they had cut a lot of families off Medicaid
erroneously when they returned to work and they actually
chased them all down and signed them up again individually,
and that's the sort of thing that I think Congress should be
reminded of, people in either party who think that this money
should be taken back.

So I hope we can do more with CHIP and do more
with welfare reform. And I know one of the things you've
been waiting for us to do -- and Secretary Shalala has
already mentioned this I think -- is to send out the guidance
on applying for CHIP waivers. A lot of you have innovative
ideas to use this Children's Health Insurance Program to
cover more people. And that guidance will come out before
the end of the month and I just want to urge you to make the
most of it.

The one area in terms of social indicators where
our country cannot claim to be better off today than it was
eight years ago -- and the only one, as far as I know -- is
that a higher percentage of our people are without health
insurance. And the only way I can figure out to do anything
about it is to make the CHIP program work better, ultimately
cover the parents of the CHIP kids, and do something about
the people who are not old enough for Medicare but have lost
their health insurance at work.

We need more waivers, but we also will have to
provide more resources. The Governors have advocated
building on CHIP, a lot of you have, and I have strongly
supported it. My 2001 budget sets aside 110 billion dollars
over the next ten years for health insurance for those
parents and their kids and others. And, as I said, if we do
this, we can cover another quarter of the uninsured people in
America.

Now, this doesn't have anything to do with
surplus. This is in the regular budget. This is what I
proposed in the beginning, so I'm not double-counting any of
this money I just told you. And, again, it's something that
I hope we can do in a bipartisan way. I hope we can pass a
good education budget for you in a bipartisan way.

But I'd like to end where I began. I thank you
for the last eight years. I thank you for the role you
played in turning this country around. I ask you to help
insure an election season which is positive, open and
vigorous about the real and honest differences, but devoid of
the poison that has too often clouded the judgment of
everybody involved in the public process. I think we can
I have that kind of election, and it would be good for America.

I ask you to help me make the most of this next six months, make the progress we can make, but do nothing, nothing that would undermine the fiscal discipline that got us to this remarkable dance. And if we can do that, I think that we will be unbelievably well positioned. I think the greatest days of this country are still ahead. I think all the stuff that's happened in the last eight years is just a prelude.

I think that what will happen in information technology, what will happen positively in globalization, I think we'll see a digital bridge instead of a digital divide. I think that all these things will happen if we don't forget our fundamental responsibilities.

And I'm looking forward to observing and to being a responsible citizen after the next six months and, meanwhile, I will do everything I can to get everything I can done in the time we have remaining.

The only other thing I would say to all of you is we have some Congressmen in both parties that are afraid if we don't have everything left to fight about we won't have anything left to fight about, and that's not true. Now, we could pass everything I proposed today and still have plenty left to fight about in the election.

So I ask everybody to take a deep breath, be
grateful for the prosperity we have, understand the enormous responsibility it puts on us, and let's do what we can to make the most of it. Thank you very much.

(Applause.)

CHAIRMAN LEAVITT: The meeting is adjourned.

(The proceedings were adjourned at 3:21 p.m.)
I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings and that this copy is a
correct transcript of same.

Sherry Bowes, RMR, CRR
Notary Public
NATIONAL GOVERNORS' ASSOCIATION

TRANSCRIPT OF PROCEEDINGS
92ND ANNUAL MEETING

DATE: JULY 11, 2000, 9:30 A.M.
PLACE: PENN STATER
215 INNOVATION BOULEVARD
STATE COLLEGE, PENNSYLVANIA

SHERRY BOWES, RMR, CRR
NOTARY PUBLIC

GEIGER & LORIA REPORTING SERVICE - 1-800-222-4577
CHAIRMAN LEAVITT: Welcome, ladies and gentlemen, to the closing plenary session of the 2000 NGA annual meeting. This morning we'll be focusing on structural change in the new economy and we'll hear from the utmost authority on this issue, Alan Greenspan, who is the chairman of the Board of the Federal Reserve System.

In addition, we will be undertaking the business of this meeting, considering proposed policy positions and recognizing our departing colleagues. We'll elect a new chairman so that this important Association can continue.

But before we do any of that, it is of importance I think to all of us that we have an opportunity to adequately thank our hosts, Governor Tom Ridge and First Lady Michelle Ridge of the state of Pennsylvania, for the extraordinary hospitality that we have had and received by them, by the University and by the staff and the community.

Governor Ridge, we would like, on behalf of NGA, to make a presentation to you and to Michelle, if we could ask them to come forward. In the state of Utah, one of the things that we treasure is a large set of resources of genealogical histories, and as an expression of our appreciation to you we have had an ancestral family history made up for both you and Michelle, dating back many generations. Now, this is dangerous for a political figure to know all about his background.
GOVERNOR RIDGE: How many copies did you make?

CHAIRMAN LEAVITT: Well, let me say there's only one copy, but it is on disk. We want to express our deep appreciation to you and to Michelle for all that you have done to make our stay so hospitable. Jackie, would you join me. We want to make this on behalf of the First Lady as well.

GOVERNOR RIDGE: Thank you.

(Applause.)

CHAIRMAN LEAVITT: There are two or three, actually, thank yous that I would like to personally render. One is to the vice-chairman of this association, Governor Glendening. We have worked very closely together during the last year.

One of the things I value most about this association is the capacity for Governors, both Democrat and Republican and Independent, to work for the direct benefit of the states. And I would like to say, Governor Glendening, how much I have appreciated the remarkable way in which we've been able to work together for the good of the Association and for the states and how optimistic I am about your coming chairmanship and the good that you will do moving forward.

Thank you very much.

(Applause.)

CHAIRMAN LEAVITT: I would also quite briefly
like to make two other recommendations of two members of the NGA executive team that have been particularly helpful to me during the course of the last year. I've also had family genealogical histories made up for Ray Scheppach and Frank Shafroth, and I'd like to ask Ray to come forward and receive this with an expression of my personal appreciation. I must say that finding family histories in small German communities is tough.

(Applause.)

CHAIRMAN LEAVITT: Frank, Colorado is easier.

(Applause.)

CHAIRMAN LEAVITT: One of the major questions that is debated within the economic discipline is how is the new economy restructuring world economics. What changes are cyclical, which ones of them are temporary. What changes are permanent, which ones are new, which ones are actually long-term trends.

What about productivity. How much is it really increasing. Are diminishing returns and economics of scale obsolete concepts or are they being replaced by the sheer explosion in innovations from open networks. The cost of one additional automobile and manufacturing plant may be several thousand dollars. The cost of one program that's downloaded for service may be zero. How do we balance those out, looking forward.
There's increasing evidence that the new economy is vastly different than the old economy, not only in the terms of growth but also in the very nature of the business model that we follow and the way in which wealth is created and the way goods are priced.

With us today is Alan Greenspan, who, as all of you know, is the Chairman of the Board of Governors of the Federal Reserve System. Two weeks ago he was reappointed to a fourth four-year term. He has now been designated as the Chairman by Presidents Reagan and President Bush and Clinton.

Dr. Greenspan has guided the United States economy over the largest economic expansion in the history of our country with great skill. Having been appointed by both Republicans and Democrats, both parties claim credit for that expansion, but no one doubts the fact that Dr. Greenspan deserves an enormous amount of that credit.

Today we had the pleasure in our Governors only session of having a candid and just remarkably interesting conversation. Bill Janklow said, I haven't taken that many notes since I left college. The conciseness of his answers, the warmth and genuineness of his person we all appreciated very much.

Dr. Greenspan, welcome today and thank you for your remarks.

(Appause.)
DR. GREENSPAN: Thank you very much, Governor.

I was getting somewhat concerned that my reputation for obscurity was going to be ruined. I can resurrect it rather easily, however.

In any event, I am delighted to be here and I wish to join the Governor in thanking the University officials for their hospitality. It's been a delight to be here and it's even more delightful on occasion to get away from Washington and my in-box, but, regrettably, I'll get back there.

I'm especially pleased this morning to have the opportunity to meet with you and address the remarkable changes that have been occurring in our economy. The current economic expansion has not simply set a new record for longevity.

More important, the recent period has been marked by a transformation to an economy that is more productive, as competitive forces become increasingly intense and new technologies raise the efficiencies of our businesses.

With the rapid adoption of information technology, the share of output that is conceptual rather than physical continues to grow. While these tendencies were no doubt in train in the old pre-1990s economy, they accelerated over the past decade as a number of technologies
with their roots in the cumulative innovations of the past half-century began to yield dramatic economic returns. As Governors of our states, you have all been dealing with the practical effects of these shifts, which not only have increased prosperity but also are presenting important new challenges.

The process of innovation, of course, is never ending. Indeed, the substitution of physical capital, in which new technologies are embodied, for manual labor is an ongoing trend that began nearly two centuries ago when work in craft shops shifted to factories and then to assembly lines.

However, the development of the transistor after World War II appears in retrospect to have initiated a special wave of creative synergies. It brought us the microprocessor, the computer, satellites, and the joining of laser and fiberoptic technologies.

By the 1990s, these and a number of lesser but critical innovations had fostered an enormous new capacity to capture, analyze, and disseminate information. Indeed, it is the proliferation of information technology throughout the economy that makes the current period appear so different from preceding decades.

This remarkable coming together of technologies that we label IT has allowed us to move beyond efficiency
gains in routine manual tasks to achieve new levels of productivity in now-routine information-processing tasks that previously depended upon people to compute, sort, and retrieve information for purposes of taking action. As a result, information technologies have begun to alter significantly how we do business and create economic value, often in ways that were not foreseeable even a decade ago.

One result of the more-rapid pace of IT innovation has been a visible acceleration of the process that noted economist Joseph Schumpeter many years ago termed "creative destruction," the continuous shift in which emerging technologies push out the old. Today our capital stock is undergoing an increasing pace of renewal through investment of cash flow from older-technology capital equipment and facilities into cutting-edge, more efficient vintages. This process of capital reallocation across the economy has been assisted by a significant unbundling of risks in capital markets made possible by the development of innovative financial products, many of which themselves owe their viability to advances in technology.

At the microeconomic level, the essential contribution of information technology is the expansion of knowledge and its obverse, the reduction of uncertainty.
Before this recent quantum jump in information availability, businesses had limited and less timely knowledge of customers' needs and of the location of inventories and materials flowing through complex production systems. In that environment, decisions were based on information that was hours, days, or even weeks old. Businesses, to protect production schedules, found it essential, although costly, to carry sizable backup stocks of materials and to keep additional persons on their payrolls for making the necessary adjustments to the inevitable miscalculations and unanticipated shifts in demand for their products and services.

Of course, a great deal of imprecision persists, but the remarkable surge in the availability of realtime information has enabled businesses to reduce unnecessary inventory and dispense with labor and capital redundancies. Intermediate production and distribution processes, so essential when information and quality control were poor, are being bypassed or eliminated.

There are no indications in the marketplace that the process of reengineering business operations is slowing, although it has been difficult analytically to disentangle the part of the rise in output per hour that is permanent and that which is the consequence of transitory business cycle forces.
The part based on information advances, of course, is irreversible. Having learned to employ bar code and satellite technologies, for example, we are not about to lose our capability in applying them. But until we experience an economic slowdown, we will not know for sure how much of the extraordinary rise in output per hour in the past five years is attributable to the irreversible way value is created and how much reflects endeavors on the part of our business community to stretch existing capital and labor resources in ways that are not sustainable over the long run.

I have stressed technology's crucial role on the factory floor and in distribution channels, but technological innovation has spread far beyond that. Biotechnology is revolutionizing medicine and agriculture in ways that were unimaginable just a few years ago, with far-reaching consequences for the quality of life not only in the United States but also around the world.

Even more intriguing are those as yet unrealized opportunities for computers and information technology to expand our scientific knowledge more generally.

As I indicated earlier, the major contribution of advances in information technology and their incorporation into the capital stock has been to reduce the number of worker hours required to produce the nation's output, our proxy for productivity growth.
Echoing a debate that is as old as Adam Smith, some view this so-called labor displacing investment and the introduction of innovative production processes as a threat to our economy's capacity to create new jobs. But because technological change spawns so many opportunities for businesses to expand, the introduction of new efficiencies has today, as in the past, created a vibrant economy in which opportunities for new jobs and enterprises have blossomed.

Another intriguing aspect of the recent wave of productivity acceleration is that U.S. businesses and workers appear to have benefited more from the recent advances in information technology than their counterparts in Europe or Japan.

Those countries, of course, have also participated in this wave of invention and innovation, but they appear to have been slower to exploit it. The relative inflexible and, hence, more costly labor markets of these economies appear to be a significant part of the explanation.

The elevated rates of return offered by the newer technologies in the United States are largely the result of a reduction in labor costs per unit of output. The rates of return on investment in the same new technologies are correspondingly less in Europe and Japan because businesses there face higher costs of displacing workers than we do.
Here, labor displacement is more readily countenanced both in law and culture. Parenthetically, because our costs of dismissing workers are lower, the potential costs of hiring and the risks associated with expanding employment are less. The result of this significantly higher capacity for job dismissal has been, counterintuitively, a dramatic decline in the U.S. unemployment rate in recent years.

But one less welcome byproduct of rapid economic and technological change and the necessary heightened level of potential job dismissal that goes with it is the evident insecurity felt by many workers despite the tightest labor markets in decades. This anxiety stems, I suspect, from a fear of job skill obsolescence, and one very tangible measure of it is the pressure on our education and training systems to prepare and adapt workers to effectively run the new technologies.

These pressures are likely to remain intense, even though they may wax and wane, because I see nothing to suggest that the trend towards a greater conceptual content of our nation's output and, thus, towards increased demand for conceptual skills in our work force, will end.

The rapidity of innovation and the unpredictability of the directions it may take imply a need for considerable investment in human capital. Even the most
significant advances in information and computer technology will produce little additional economic value without human creativity and intellect.

The heyday when a high school or college education would serve a graduate for a lifetime is gone. Basic credentials by themselves are not enough to ensure success in the workplace. Today's recipients of diplomas expect to have many jobs and to use a wide range of skills over their working lives. Their parents and grandparents looked to a more stable future, even if in reality it often turned out otherwise.

Workers must be equipped not simply with technical know-how, but also with the ability to create, analyze and transform information and to interact effectively with others. Moreover, learning will increasingly be a lifelong activity.

Certainly, the notion that human and physical capital are complements is not new. Technological advance has inevitably brought with it improvements not only in the capital inputs used in production, but also new demands on workers who must interact with that increasingly more complex stock of capital. Early in this century, these advances required workers with a higher level of cognitive skills, for instance the ability to read manuals, to interpret blueprints, or to understand formulae.
Our educational system responded. In the 1920s and 1930s, high school enrollment in this country expanded rapidly, pulling youth from rural areas, where opportunities were limited, into more productive occupations in business and broadening the skill of students to meet the needs of an advancing manufacturing sector. It became the job of these institutions to prepare students for work life, not just for a transition to college.

In the context of the demands of the economy at that time, a high school diploma represented the training needed to be successful in most aspects of American enterprise. The economic returns for having a high school diploma rose and, as a result, high school enrollment rates climbed.

At the same time, our system of higher education was also responding to the advances in economic processes. Although many states had established land grant schools earlier, their support accelerated in the late nineteenth century as those whose economy specialized in agriculture and mining sought to take advantage of new scientific methods of production.

Early in the twentieth century, the content of education at an American college had evolved from a classically based curriculum to one combining the sciences, empirical studies, and modern liberal arts.
Universities responded to the need for the application of science, particularly chemistry and physics, to the manufacture of steel, rubber, chemicals, drugs, petroleum, and other goods requiring the newer production technologies. Communities looked to their institutions of higher learning for leadership in scientific knowledge and for training of professionals such as teachers and engineers.

The scale and scope of higher education in America was being shaped by the recognition that research, the creation of knowledge, complemented teaching and training, the diffusion of knowledge.

In a global environment in which prospects for economic growth now depend importantly on a country's capacity to develop and apply new technologies, our universities are envied around the world.

The payoffs -- in terms of the flow of expertise, new products and start-up companies, for example -- have been impressive. Here, perhaps the most frequently cited measures of our success have been the emergence of significant centers of commercial innovation and entrepreneurship where creative ideas flow freely between local academic scholars and those in industry.

Not all that long ago, it was easy to recite a relatively short list of places where these activities were clustered. But we have witnessed in recent years a great
multiplicity of these centers of innovation. State support, both for the university system and for small businesses, has been an important element in the vitality of these centers. Certainly, if we are to remain preeminent in transforming knowledge into economic value, the U.S. system of higher education must remain the world's leader in generating scientific and technological breakthroughs and in preparing workers to meet the evolving demands for skilled labor.

With two-thirds of our high school graduates now enrolling in college and an increasing proportion of adult workers seeking opportunities for retooling, our institutions of higher learning increasingly bear an important responsibility for ensuring that our society is prepared for the demands of rapid economic change.

Equally critical to our investment in human capital is the quality of education in our elementary and secondary schools. As you know, the results of international comparisons of student achievements in mathematics and science, which indicated that performance of U.S. twelfth-grade students fell short of their peers in other countries, heightened the debate about the quality of education below the college level.

To be sure, substantial reforms in math and science education have been underway for some time, and I am
encouraged that policy makers, educators and the business community recognize the significant contribution that a stronger elementary and secondary education system will make in boosting the potential productivity of new generations of workers.

I hope that we will see that the efforts to date have paid off in raising the achievement of U.S. students when the results of the 1998-1999 international comparisons for eighth-graders are published.

Whatever the outcome, the pressures to advance our education system will continue to be intense. As the conceptual share of the value added in our economic processes expands further, the ability to think abstractly will be increasingly important across a broad range of professions.

Critical awareness and the abilities to hypothesize, to interpret, and to communicate are essential elements of successful innovation in a conceptual-based economy. As with many skills, such learning is most effective when it is begun at an early age, and most educators believe that exposure to a wide range of subjects, including literature, music, art and languages, plays a considerable role in fostering the development of these skills.

As you know, school districts are also being challenged to evaluate how new information technologies can...
be best employed in their curricula. Unfortunately, this goal has too often been narrowly interpreted as teaching students how to type on the computer or permitting students to research projects over the Internet.

Incorporating new technologies into the educational process is, indeed, likely to be an important element in improving our schools, but it must involve more than simply wiring the classroom. Human capital in the form of our teachers and technology are complements in producing education output, just as they are in other business activities.

To achieve the most effective outcome from new technologies, we must provide teachers with the necessary training to use them effectively and to provide forums for teachers and education researchers to share ideas and approaches on how best to integrate technology into the curriculum. And we must create partnerships among the states, the school systems, labor and industry to develop appropriate standards and guidelines for the teaching of information technology in the classroom.

A crucial concern today -- and I know that the National Governors' Association is working hard to address this issue -- is that the supply of qualified teachers will be insufficient to meet the demand. Indeed, a substantial number of teachers are scheduled to retire over the next
decade, and how to replace them and meet the additional
demand from rising enrollments is certain to be a significant
challenge in the years ahead.

Finally, the pressure to enlarge the pool of
skilled workers also means that we must strengthen the
significant contributions of other types of training and
educational programs, especially for those with lesser
skills. It is not enough to create a job market that has
enabled those with few skills to finally grasp the first rung
of the ladder to achievement.

More generally, we must ensure that our whole
population receives an education that will allow full and
continuing participation in this dynamic period of American
economic history.

We need to foster a flexible education system,
one that integrates work and training and that serves the
needs both of experienced workers at different stages in
their careers and of students embarking on their initial
course of study.

Community colleges, for example, have become
important providers of job skills training not just for
students who may eventually move on to a four-year college or
university but for individuals with jobs, particularly older
workers seeking to retool or retrain.

The increasing availability of courses that can
be taken "at a distance," so to speak, over the Internet means that learning can more easily occur outside the workplace or the classroom, an innovation that may be particularly valuable for states with large rural populations for whom access to traditional classroom learning is more difficult.

In summary, we are in a period of rapid innovation that is bringing with it enormous opportunities to enhance living standards for a large majority of Americans. Our ability to take advantage of these opportunities is not only influenced by national policies but is also determined importantly at the state level.

States with more flexible labor markets, skilled work forces, and a reputation for supporting innovation and entrepreneurship will be prime locations for firms at the cutting edge of technology.

Not all new enterprises will succeed, of course, but many will, and those that do will provide the impetus for further economic progress and expanding opportunities in their communities.

Your leadership as policymakers will be a key element in promoting an environment in which you join with others in business, labor, and education to realize the potential that technological change has for bringing substantial and lasting benefits to our economy.
Thank you very much. It's been a pleasure being with you this morning.

(Appraise.)

CHAIRMAN LEAVITT: Thank you, Dr. Greenspan.

Your comments were obviously thought provoking and very helpful on a subject of great interest and importance to all of us as Governors. We have enjoyed very much having your presence here today.

The nature of Dr. Greenspan’s work obviously makes it difficult for him to take questions and, therefore, he will not be today, but we want you to know how much we appreciate your presence and thank you again.

We will now move to the committee report and the consideration of our business today.

DR. GREENSPAN: Thank you again, everybody.

(Appraise.)

CHAIRMAN LEAVITT: We'll now begin to adopt the proposed policy positions, alphabetically by committee, with the Executive Committee being last. These policies were originally sent to all of you on the 23rd of June.

The packet reflects the policies as they've been proposed with amendments by the standing committees. They require a two-thirds vote of those present and voting. To expedite the matters, I'd like to ask each chairman of a committee to move all of the committee policies en bloc and
I'd like to begin with Chairman Hodges of the Committee on Economic Development and Commerce. Governor Hodges.

GOVERNOR HODGES: Thank you, Mr. Chairman. We approved four policies dealing with marine and air transportation, telecommunications and employment security, and one resolution supporting efforts to modernize insurance regulation, and we submit them to the full membership for adoption.

CHAIRMAN LEAVITT: You've heard the motion. Is there a second?

GOVERNOR SUNDBERG: Second.

CHAIRMAN LEAVITT: I have a motion and a second. Any discussion on those matters? All in favor say aye. Any opposed? The motion carries. Those are adopted.

We'll now move to Governor Huckabee, the Chairman of the Committee on Human Resources. Governor Huckabee.

GOVERNOR HUCKABEE: Mr. Chairman, the Committee on Human Resources met yesterday and we talked about how states can take care of the least empowered citizens in our communities. One of the key factors that we looked at was a very important discussion with Representative Nancy Johnson, chair of the House Human Resources Committee.

She complimented Governors for their role in helping to bring about perhaps the only significant
successful program in the history of America in terms of a
social program, and that is welfare reform, and she properly
paid tribute to the Governors for having done that.

As most of us all are painfully aware, the TANF
reauthorization is coming before Congress in the coming
months and she has urged us and let me perhaps say challenged
us to do something that it is in our best interest to do, and
let me bring this to the attention of my colleagues.

It is very important that we meet individually
with the members of our Congressional delegations and
encourage them for the reauthorization of TANF, because there
are many issues unresolved about what they might do in the
reauthorization process.

One of the suggestions that came forth from our
meeting was the idea of actually asking our Senators and our
Congressional Representatives to meet with us for press
opportunities in the specific districts where we have
successful programs.

One of the things that we have to acknowledge as
Governors is that we may have taken all the credit for having
accomplished welfare reform, but the truth is we couldn't
have done it without the partnership of our Congressional
delegations in giving us this flexibility and freedom to
begin with.

And it is really in the best interest of our
citizens, not so much ours but of our citizens, that we make sure that our Congressional delegation understand the successes we've had and their role in having made those successes by having given us that authorization and that we urge the continuation of the authorization and the continuation of the level of funding plus inflation. And the best way we can do that is to do this one-on-one rather than just wholesale assuming they're going to hear our message.

So, Mr. Chairman, I would like to encourage my colleagues. We will be sending a letter from the committee as well outlining this proposal. So we'd like to make that in the form of announcement.

The committee would like to recommend the consideration of two new policy positions, two new resolutions and amendments to nine existing policy positions, one which is in the form of a substitute, and, Mr. Chairman, I move the adoption of these new policies and policy changes en bloc.

GOVERNOR CARPER: Second.

CHAIRMAN LEAVITT: You've heard a motion, heard a second. Any discussion? All in favor say aye. Any opposed? Motion carries. The committee report is adopted.

Now go to Governor --

GOVERNOR THOMPSON: Mr. Chairman.

CHAIRMAN LEAVITT: Yes, Governor Thompson.
GOVERNOR THOMPSON: Before you get off the subject, Governor Huckabee was absolutely correct and Congresswoman Nancy Johnson suggested very strongly that we set up a subcommittee or some sort of a committee from NGA to start working in January on the reauthorization.

And all of us that have been through it before know how important that is, and I just would like to reiterate what Mike has indicated and what Nancy has indicated, that we should have a committee ready to go in January when the new Congress for the reauthorization of TANF and make sure that the funding is the same and to look for opportunities, which she strongly encouraged us, for ways in which we might be able to expand the program to help the working poor and at the same time not supplant state programs with federal dollars.

But I think it's one that's vitally important, and I just would like to reiterate and encourage the new Executive Board and the new Chairman and Vice-Chairman coming in to set up that committee.

CHAIRMAN LEAVITT: It seems almost inconceivable that that much time could have gone since we went through that the first time. We've made great progress. Governor Engler.

GOVERNOR ENGLER: I certainly agree with that, that it does seem impossible that the time has come already.
For the newer Governors, the one thing that probably needs to be looked at in your respective states I think is to what extent there are TANF balances period and what's being planned with those, but also we'll be coming up on that five-year lifetime limit, too, and how that's structured is real important.

And these are all things that will get caught up in any reauthorization, it's just inevitable that they will, as well as the Title 20, the children services block, which has been kind of consistently trimmed back each year and we've lost some ground with flexibility and actual aggregate dollar amount over the time of the program. And I think some of those things, and your staff really needs to be looking at this.

And the reauthorization debate will be coming at a time when many of the legislatures and particularly those who've got the legislatures that meet only once every two years, it will be happening during that time. So we need the input in early.

CHAIRMAN LEAVITT: Thank you. In many states, they have actually imposed on themselves limits that are shorter than five years and there are many states now who have been through that, and for those of you who are just moving toward it, it's an experience worth learning from.

Any other comments on this matter? If not,
let's go to Governor Vilsack, who is Vice-Chairman of the Committee on Natural Resources.

GOVERNOR VILSACK: Thank you, Mr. Chair. On behalf of Governor Guinn, I submit the following report on Committee on Natural Resources.

We had the opportunity yesterday to engage in a discussion about two important national issues, the conservation of private agricultural land and abandoned coal and hardrock mines. Two practitioners, a farmer from Iowa and a rancher from Wyoming, who both implement conservation practices every day on their farms and ranches, shared with us their views on the subject.

We also heard an informative presentation on the environmental and public safety dangers from abandoned mines, both coal and hardrock. We appreciate Governor Ridge's willingness to spend time, notwithstanding his busy schedule, where he stressed the need for full distribution of the revenues that are held in the Abandoned Mine Fund.

Sylvia Baca from the Department of the Interior shared her views about the fund and Alan Coyner from Nevada described what their state is doing to rehabilitate abandoned hardrock mines.

Several Governors on the committee also urged their colleagues to lobby their Senators specifically regarding the CARA legislation, to urge that it be reported.
out of the Senate Energy Committee next week.

At the conclusion of our meeting, Mr. Chair, the committee recommended amendments to three existing policy positions, one reaffirmation of an existing policy and one resolution. Those recommendations were forwarded to you and to the body as a whole for your consideration, were unanimously adopted by the committee, and I move their adoption in total and en bloc.

CHAIRMAN LEAVITT: We have a motion.
GOVERNOR FOSTER: Second.
CHAIRMAN LEAVITT: And a second. Any discussion? Hearing none, all in favor say aye, opposed no. The ayes have it. The motion carries. The committee report is adopted.

At this time I'd like to ask for a motion to move the Executive Committee policy on public pay and pension plans which was earlier distributed. The Executive Committee has already adopted this as a statement of interim policy. It now requires the affirmation of the entire body.

Is there a motion to approve the, or to ratify this interim policy?

GOVERNOR KEMPTHORNE: So moved.
CHAIRMAN LEAVITT: We have a motion.
GOVERNOR ENGLER: Second.
CHAIRMAN LEAVITT: And a second. All in favor
of ratifying the previously passed policy say aye. Any
opposed? The motion carries. It is affirmed.

That concludes the resolution portion of our
business. May I just say that there is I suspect no group of
people who know any better than those of us who serve in this
job the demands of this job and also the rewards,
particularly when it's going well.

Today we have four departing Governors that we
choose and would like to recognize and honor today because of
the things that they have done to improve the value of their
states, to enhance the nature of this country. Each of them
leaves behind a record, a legacy of achievements, both in
their states, and they have so honorably served both as state
leaders and as national leaders on a myriad of topics and
issues.

I feel a particular kinship to these as being
one of the rookie nine that joined in 1992, as we gathered in
Colorado Springs to begin this adventure. Those are moments
that I don't suspect any of us will ever forget.

Marc Racicot and Pedro Rossello, Ed Schafer and
Tom Carper, I'd just like to express to you personally, on my
own behalf as well as on Jackie's, the deep respect that we
hold for you and your spouses, the delight with which we have
savored every moment of our service together, and the
anticipation that we have for the future on friendships that
I'd like to ask one at a time if each of you would come forward with your First Lady, and we would like to make a small presentation to you as a remembrance of our affection and the great sense of kinship we feel to you.

Perhaps we could begin with Governor Schafer and Nancy, could you come forward. I'd like to ask Governor Thompson if you would make some parting remarks, recognizing their great service.

GOVERNOR THOMPSON: Thank you so very much, Mr. Chairman, and you certainly summarized it as adequately as anybody can about the greatness of these wonderful Governors who have served their states so well, but served this organization just as ably.

Ed Schafer, it's a privilege for me to say a few words about you and your lovely bride, Nancy, because you are truly a delightful couple and you make us very proud to be associated with you. Ed Schafer is finishing his second term as North Dakota's Governor, being not only the first Republican Governor to win a second four-year term in that state but getting 67 percent of the popular vote in doing so, and that really is remarkable.

I can remember coming to the North Dakota Republican convention when you were a candidate, speaking for you at the convention, and your mother telling me that don't
worry, Ed's going to win. And I thought that was probably a little biased on her part, but she certainly predicted that. And it was a pleasure meeting you then and it's always been a pleasure to meet you ever since.

Ed has promoted a very aggressive program of economic development in North Dakota. It has been able to produce a vibrant economy that sees record low unemployment and, yes, a 10 percent increase in the number of jobs by lowering unemployment insurance tax and workers' compensation rates, and Ed made that a centerpiece of his campaign, he also being a very successful entrepreneur in his own right before he became Governor, and he carried through and continued in that as Governor.

This wonderful economic prosperity in North Dakota has enabled a significant growth in funding for education, a 30 percent increase in funding for K through 12 and a 21 percent increase for higher education, elderly care programs, as well as in infrastructure investments and technology and water development projects, to extend that prosperity to all areas of North Dakota and to all their citizens. And yes, all of this, ladies and gentlemen, without a general tax increase for the last six years.

Ed has also been a true leader on a regional and national scale. He's past chairman of the Western Governors' Association and the Midwestern Governors' Association and
currently very ably chairs the Republican Governors' Association. Here at NGA he has been an involved participant in many different subject areas, held many positions. He co-led the Governor on Agriculture for the past two years, a long-serving member on the Natural Resources Committee, serving as its vice-chair in 1998 as well as in 1999, past vice-chair of the Committee on Economic Development and Commerce and co-chair of our Transportation Task Force, which was probably the most successful in Washington when he did that. And we all are in your debt for that, because we finally were able to get some needed federal dollars for infrastructure.

Ed, on behalf of all of us and me personally, we thank you for all of that service to our nation, to North Dakota, to the NGA and to the Republicans, and we wish you and your lovely wife, Nancy, all of the best. And on top of that, both of them ride Harley Davidson motorcycles. So you've got to realize they're great Americans and great citizens and great friends and we congratulate you and thank you.

(Appause.)

CHAIRMAN LEAVITT: Governor Rossello and Maga, could you come forward. I'd like to call on Governor Patton to recognize the good Governor and First Lady from Puerto Rico.
GOVERNOR PATTON: To Pedro and Maga, on behalf of all of the Governors, thank you so much for all of the things that you have done for your people and for our country and for this Association and for us as individuals.

I remember very well the summer meeting in Puerto Rico in '96 when Judy and I first became actively associated with this group, and, as new to the group, your personal hospitality and professional hospitality certainly helped us make that transition and we certainly personally appreciated it.

We've had the opportunity to visit Puerto Rico three times since then, and your continued hospitality is very, very much appreciated. And, having talked with your people, I recognize how well liked and respected that you are.

Efforts at health care, when I guess something like half of your people had health care insurance available eight years ago when you went into office, now that's virtually 100 percent. That is truly amazing, something that I know that every Governor at this table would hope that they could emulate by the end of their term.

Your emphasis on education again is truly remarkable and your realization that, in fact, jobs are vital to the success of your people, and you've felt the lowest unemployment rate in Puerto Rico in many, many years, and
you've done all of these things while I understand decreasing
the tax burden on the working part of your population by
almost 50 percent. Certainly, you have done an outstanding
job.

Your emphasis on integrating English into the
language of your territory is very helpful in hopefully one
day making it a full partner in this great country, and your
efforts on that task have really been monumental and I pray
that one day that dream will also be realized.

So your active leadership with us has truly been
amazing, not just with NGA and the many task forces and
projects that you've worked with us on, from welfare reform
to the fatherhood issue to other things have been very, very
admirable, but working with us in leadership of the Council
of State Governments, headquartered in my home state, and in
the Southern Governors' Association and in the Democratic
Governors' Association.

Your leadership of those groups and the
opportunity to work with you in those endeavors have been
very, very personally rewarding, and I know the same goes for
all of the members of this Association.

So for Judy and myself and for all the Governors
and their spouses, thank you so much for having had the
opportunity to just know two of the most genteel people that
we've ever had the pleasure. Good luck to both of you.
(Applause.)

CHAIRMAN LEAVITT: Governor Racicot, would you come forward. We'd like to honor you. I'd ask Governor Janklow if he would speak on our behalf. Yesterday we were in a meeting and Governor Janklow walked in, Marc Racicot leaned over to me and said uh-oh.

GOVERNOR JANKLOW: I know Marc as a neighbor, but something more importantly, as a friend. I look across the border over the last several years and I watch you as the chief executive of Montana.

You know, all of us that are in politics would like to think that everybody likes us or should like us. You're a gentleman who when you sought reelection in 1996, 80 percent of the voters in your state returned you to office, by far the highest victory margin in the history of the state of Montana. It probably comes close to setting a national record in contested elections in the modern era.

But 80 percent of the citizens -- Democrats, Independents, Republicans -- that went to the polls reelected you. They reelected you for a reason. They reelected you because they realized that they had to entrust to somebody their lives and their liberty and their property. They had to entrust those things to someone who would exercise executive judgments in such a way that they wouldn't have to worry about those kinds of issues.
You're a gentleman that inherited a state in deficit. As a matter of fact, in a small state, population-wise, like Montana, by 1993, if I recall, it had grown to approximately 200 million dollars in shortfall in your economy. By 1995, you'd turned that into a 22 million dollar surplus, literally a 220 million, almost a quarter of a billion dollar turnaround in your state, and returned that money to the taxpayers of Montana.

Deeply involved in what I'll call traditional issues. All Governors get involved in things like workmen's compensation, where you were a leader in your state. Welfare reform, 50 states and territories all worked together doing welfare reform. You set a national example in the things that you were able to do in Montana. But really, my friend, Marc, you're not going to be remembered for those things. You're going to be remembered because you did, in fact, make a difference. That's why you're going to be remembered.

You're a man who has always understood that none of us as adults have ever grown so tall that we can't kneel down to help a child, that we can't do what we can do to make sure that every child has an equal opportunity in life. You were the first president, the first president or, excuse me, chairman of the board for Jobs for America's Graduates.

Very recently, President Clinton has appointed you to the Board of Directors for the Corporation for
National Service. So, although you didn't have to do those things, you had to do the other things, you took the time to do the extra things to make sure that the young people of America had the kind of chances in life that you feel that you've had.

And if you really want to know the measure of somebody in this era where we live where everybody is kind of self-aggrandizing important or at least thinks they're important, go to someone's neighborhood and ask their neighbors what they think of them. When you were reelected by 80 percent of the vote in Montana, your neighbors in that state, the people of that state told America what they thought of Marc Racicot.

And your achievements, your caring about people, the integrity that you brought to your office, the candor, a man who every meeting he ever holds, and all the Governors, I've got to believe he's the only one, there is no meeting that he conducts that isn't open to the press. Even the private most deliberative discussions that he has as a Governor are open to the press. You've brought such openness to your government. You've brought such candor to your government. You've really brought refreshment in a time in America when so many people criticize aspects that we have of democracy.

And so, my friend, we're going to miss you, but
you've set an example. You've really set an example for all
of us on that ladder of public service that all of us hope to
achieve during our remaining times. As they say, hasta la
vista, sayonara, auf Wiedersehen, or we'll see you later.

(Applause.)

CHAIRMAN LEAVITT: My friend, Tom Carper, would
you come forward. I don't think Martha's -- she had
to depart, I think, early, didn't she?

MR. CARPER: Went back to work running that
Dupont Company.

CHAIRMAN LEAVITT: I'd like you to envision some
years ago a young Air Force officer who returned home to
Delaware, decided he was going to devote himself to public
service.

MR. CARPER: Wait a minute, Navy.

CHAIRMAN LEAVITT: Navy. Excuse me. A young
Navy officer decided he would come back and devote himself to
public service. No one thought he had a chance. He ran for
state treasurer and won and was elected I think five times,
beginning a run of ten times being elected statewide in the
state of Delaware. I don't know how a person could either be
more significant to his state's history than that or, for
that matter, more beloved by the citizens. Elected to five
terms of Congress, twice now as Governor.

Looking back over his time as Governor, it will
be easy to pick out his plentiful accomplishments.

Overhauling, literally overhauling the state's education system, not only overhauling Delaware's welfare system but playing an absolutely essential role as the lead Governor of NGA during a period of welfare reform, leading the fight in Congress for us all to be able to have welfare return to the states and then using that tool to literally streamline and completely change for the better the system in the state of Delaware. Strengthening families against the challenges that they face today, specifically focusing on reducing teen pregnancy, improving every aspect of life in Delaware.

Now, here's an accomplishment that I think is remarkable. When he began working 25 years ago in the state of Delaware as the state treasurer, they had at that time a credit rating that was the worst in the nation to now it is a triple A bond rating, the best possible bond rating. That is a remarkable achievement, Governor, and one that you bear responsibility and some satisfaction I am sure.

He was the chairman of the NGA. His theme was smart kids for our future. We all focused under his tutorship on education accountability, on expanding learning opportunities and harnessing information technology.

The person you see in front of you, while not solely responsible, I believe that Ed-Flex would not have happened were it not for his continual efforts in Congress as
chairman of this organization. He was relentless in the
latter days of that session, being on the floor, being in the
offices, being on the phone, calling all of us, spurring us
on to better and greater things to make this happen.

We owe a great debt of both appreciation and
admiration for what you have done as NGA chairman. During
the time that he was the chairman of this organization, we
were recognized as one of the most effective organizations in
Washington.

Tom, I was the vice-chairman during the time
that you were chairman and, therefore, I have particular
appreciation for your effectiveness, but I also came to
understand in direct ways your kindness. I think if anyone
were to say what is it that personifies Tom Carper, they
would say he is just such a kind, genuine person. My
children have observed that and I'm grateful that they had a
chance to see that directly with you.

We honor as well today your great spouse,
Martha, who served as the head of the spouses organization of
the NGA, a remarkable person, so remarkable that, as I
remember the story, the first night that Tom met her, he
decided she was the one. It took him a while to convince
Martha, but I think he made that decision right off the bat.
And the first time I met her, I could see exactly why.

So, Tom, with our great appreciation, our
admiration and our affection, and looking forward, I understand that you have no intention of stopping here in your public service and we look forward to working with you in future capacities and maintaining long and fruitful friendships.

(Applause.)

CHAIRMAN LEAVITT: Governor Carper, it appears that we're going to call on you for some brief remarks on the Education Clearinghouse at this time. Did you know about that?

GOVERNOR CARPER: I'll take just a moment.

CHAIRMAN LEAVITT: We'll make them brief then.

GOVERNOR CARPER: Very, very brief. First of all, I just want to say to Mike Leavitt, thank you very much for those wonderful, wonderful, kind remarks. I only hope back in Ashland, Kentucky, Paul, I hope my mother was watching.

One of the things that we've worked on as Governors together is trying to raise student achievement. In every one of our states there's a school, maybe a school district which is doing wonderful things and infusing technology into the classroom to bring the rest of the world into the classroom, make learning exciting, interesting. And if we knew how they were doing it, if we knew how they were enabling their teachers to use that technology, we would all
benefit in our states.

Somebody in one of the schools of the Governors sitting around this table, we've got somebody's who done, they have a great way to reduce disruptive behavior in our classrooms. If the rest of us knew how that was happening, we could replicate that in our own states. Somebody's schools or schools around the table, somebody's figured out how to reduce absenteeism, truancy on the part of kids, to increase the learning capability.

Somebody's figured out how to compensate teachers in ways that reward the best and brightest and attract the best and brightest, and if the rest of us knew how that was happening, we could do that in our states.

Later this fall, we will bring on-line and put up on the web a site that we can all visit, not just Governors, not just Governors' staff, not just our Departments of Education, not just our school districts, superintendents or teachers, they can all access it, but, you know, so can average citizens, business leaders, parents, to find out what's working around the country to raise student achievement, whether it's in Puerto Rico or it's in South Dakota, Wisconsin, you name it.

And it's a part of the Center for Best Practices, and I'm just grateful to everybody who's worked hard to make it a part of the Center, the Clearinghouse. One
of the great things that we do as Governors is we steal ideas
from each other, don't we?

In fact, in the first New Governors School that
I attended with Ed and with Marc and others, Pedro and others
around the table, that was the thing that struck me most
about the NGA. Here's an outfit that really wants to help
all of us get the best ideas and use them.

And this Education Clearinghouse which is being
sponsored by a number of our corporate citizens will go
on-line later this year and will really be a legacy for all
of us to enjoy, to benefit from, and to help our kids. To
everybody who's worked on it I just want to say a real
special thank you and for giving me the chance to be the
chairman of not just this organization but for the last year
the chairman of the Center for Best Practices. I really want
to say thanks.

And to Martha, who's back at work running the
Dupont Company, our boys, who are off at boy scout camp today
and can't be here, we thank you all for the privilege of
serving with you. We love you.

(Applause.)

CHAIRMAN LEAVITT: The chair recognizes Governor
Engler for a brief set of remarks on the Entrepreneurship
Academy of States.

GOVERNOR ENGLER: Thank you, Mr. Chairman. Let
me just say that it's been a delight to be in an entrepreneurial state like Pennsylvania under the able leadership of Tom Ridge these past few days. And during these days, of course, this conference and I think the focus, Mr. Chairman, some of the work that you and Governor Glendening have done to bring in front of us a lot about the new economy and the new economic environment in which we're all governing.

And as we've talked about that and thought about it, and certainly Chairman Greenspan's remarks this morning were most appropriate to this whole topic, it's pretty clear the engine of America's new economy is fueled by these entrepreneurs who are developing new wealth, creating new jobs and generating greater economic activity in communities across the land. And I think Governors have a great deal to learn about how we sort of feed these engines of prosperity and what additionally can be done to turn them loose in some of the less prosperous areas with respect to states.

And, Governor Leavitt, you had announced at the winter meeting that the NGA Center for Best Practices would have the support of the Kauffman Center for Entrepreneurial Leadership. The Kauffman Center is based in Kansas City, Missouri, and this center is going to convene a Policy Academy for states to assist them in studying and strengthening their economic development education policies,
all designed to encourage entrepreneurial activity and
growth.

And the goal of the Policy Academy is to provide
Governors in these states and their teams really an
opportunity to build a focused policy initiative around these
strategies of encouraging and supporting entrepreneurs, with
the assumption that is a very key component of economic
development and of growth.

And we had a lot of interest from Governors, a
lot of response, and in part because of the response, because
of the interest, we actually were -- the Kauffman Center was
kind enough to come up with a few extra dollars and expand
the universe. So the following teams have been invited and
they will meet in the first of two academy work sessions this
fall, and these are pretty intensive sessions that everybody
had to commit to participate in.

And the bottom line after that's all done is the
Center then will host a national forum on entrepreneurship.
It will be later, it will be next year. And the purpose of
that is to share the outcomes and the best practices with all
states. And hopefully the national forum then inspires state
and local leaders, engages everybody in a national dialogue,
and that would then assist us in building necessary 21st
century entrepreneurial capacity.

So here are the teams: Idaho, Illinois,
Maryland, Michigan, Minnesota, Mississippi, Nevada, Utah, Washington and Wyoming. And they'll be getting to work. And we again want to just thank the Kauffman Center for Entrepreneurial Leadership for their leadership, and that center was put together in 1992 by the Ewing Marion Kauffman Foundation and we're just delighted that they're now a partner with the NGA Center for Best Practices in all these states and I look forward to seeing this project completed during my tenure as chair of the NGA Center for Best Practices. So the ten states will be right at it.

Thank you, Mr. Chairman.

CHAIRMAN LEAVITT: Thank you, Governor. During the past four days, Penn State University has been standing on its toes in readiness for our visit. Today with us is Chairman Junker and President Spanier. Would you please stand and allow us to thank you.

(Applause.)

CHAIRMAN LEAVITT: I now call on Governor Almond, who will issue an invitation formally for the 2001 NGA annual meeting in Rhode Island.

GOVERNOR ALMOND: Thank you very much, Mr. Chairman. Marilyn and I want to join you in thanking Tom and Michelle Ridge and Penn State for their great hospitality for this meeting. It's really been a wonderful experience. You've given me a tough act to follow.
But let me tell you next summer we're going to be hosting Governor Glendening and his lovely wife, Frances, and all of you in Rhode Island, the ocean state. And there will be a day at the beach. We've been working hard at it. If you like tennis, we have the International Tennis Hall of Fame. We have the jazz festival, which is, of course, famous, the folk festival. We have sailing. You'll be at the sailing capital of the world, Newport, Rhode Island. You can sail on an America's Cup challenger. I've done it. It's spectacular. You can go to Black Island. You can go to our wonderful beaches. It will be truly a great, great conference.

So I would urge all of you to come, bring your families. If you'd like to have an extended stay, please let us know as early as possible. We are a tourist attraction, so things can get busy there. But I know you'll have a great time and we really, really are going to look forward to hosting you next August in the ocean state. So come on and come early. Thank you.

(Appause.)

CHAIRMAN LEAVITT: Yesterday I had the privilege of imparting my final remarks. So today I will simply tell all of you but most specifically the NGA staff how much I have appreciated and valued this experience.

I would say that I have grown personally from
it. My admiration for you has expanded and my impression and
understanding of the importance of this organization as the
best, I believe, and most important spokesorganization for
the institution of the American state. I believe during the
course of the year we have truly outlined an agenda to
strengthen the American state in the new economy.

With that I would now like to call on Governor
Rossello for a report of the nominating committee for the

GOVERNOR ROSSELLO: Thank you, Mr. Chairman. The
nominating committee respectfully recommends that the
following Governors serve on the Executive Committee for
2000-2001: Governor Mike Huckabee of Arkansas, Governor
Thomas Carper of Delaware until the conclusion of his term,
to be succeeded then by Governor Ronnie Musgrove of
Mississippi, Governor Dirk Kempthorne of Idaho, Governor Paul
Patton of Kentucky, Governor Michael Leavitt of Utah,
Governor Howard Dean of Vermont, and Governor Tommy Thompson
of Wisconsin, Governor John Engler of Michigan as
vice-chairman and Governor Parris Glendening of Maryland as
chairman.

Mr. Chairman, this concludes the report of the
nominating committee.

CHAIRMAN LEAVITT: Before I call that to a vote,
I recognize there is one thank you I have neglected. That is

(Appause.)

CHAIRMAN LEAVITT: The extended nature of that applause will make clear indication to you, I believe, Joanne, that you have gained and earned not just our affection but our great respect, and no one will be more glad to see this over than her.

Having made that, may I say you've heard the Governors and the nominating committee's report and motion. Is there a second?

GOVERNOR THOMPSON: Second.

CHAIRMAN LEAVITT: We have a motion and a second. All those in favor say aye. All opposed say no. The committee's report is adopted.

Congratulations, Mr. Glendening. May I point out that the train's arrived ahead of schedule and under budget.

(Appause.)

CHAIRMAN GLENDENING: Mike, thank you very much. First, if I might present my wife, Frances Ann, who most of you know and who many people swear I'm only here because of her, but Frances Ann has been a leader in her own right in children's health and women's health issues as well as the arts. Frances Ann.

(Appause.)
CHAIRMAN GLENDENING: Let me also thank my
departing colleagues for all of their service to this
association. I've enjoyed so much working with you and will
miss you. And special recognition to Tom Carper, who's not
only been a colleague here but my neighboring state all the
time I've been Governor and has just been a great help to me.
Tom, thank you and all of the colleagues here as well.

My very first order of business as new chair of
the NGA is to honor our most recent chair. It is a great
pleasure to do that. I have the privilege of presenting the
traditional commemorative gavel, which I will read, but I'm
asking you to stay seated for a moment, if I might. And this
says: Presented to Michael O. Leavitt, Governor of Utah, for
his outstanding leadership as Chairman of the National
Governors' Association 1999 to 2000 on the occasion of the

Having said that, let me also note if there's an
award for an understatement, I think I've just earned it,
because I do not believe that simply saying this is
outstanding leadership begins to describe what Mike has meant
to the NGA, to us as Governors, to our states, and to the
citizens of the state.

Mike, one year ago I remember clearly you
challenged us to change the way we do business as an
organization and as Governors. You challenged us to
radically rethink our role in this new economy and you
challenged us to join in rethinking federalism and how we
might preempt federal preemption.

You also challenged us to work with the private
sector to create new ways of doing business consistent with
our borderless economy, and you challenged us to an
extraordinary task to save our state and local sales and use
tax systems, and you challenged us also to bring our own
states and practices into the new economy. And lastly, you
challenged us to do this together amid the high tensions of a
political year.

Mike, when I think about what you've been
through, I'm reminded sometimes of the story of El Sid. In
some ways you are the modern El Sid. You know, we all helped
you put on your armor, we helped get you up on the horse, we
raised the gate and we sent you out to do battle on our
behalf, and while we stood behind the battlements we prayed
for you, we cheered you on, we stood with you, way behind you
in many cases.

But when I think of what you have accomplished,
we are very, very pleased. I marvel at the many arrows that
you have taken this year and you've done that in many cases
on our behalf, notwithstanding some of the political
challenge you might have had in your own state as you spoke
for us.
I also know that you've given more than would be expected to this organization and as a result of these accomplishments and your leadership there's really no tribute that we can say other than just thank you very much.

(Applause.)

CHAIRMAN GLENDENING: Before I go into a few details about the agenda for this year, I want to take the opportunity to recognize and thank John Engler for serving. John will be my vice-chair. I will say that Tom Carper and Mike Leavitt have really set an example of how chairs and vice-chairs can work together and I have been the beneficiary of that.

And, John, I just want to thank you. Our first work session at luncheon there I thought went very well, and I look forward not only to working with you but to relying on your long expertise here as well, and I want to thank you for working as well.

(Applause.)

CHAIRMAN GLENDENING: Let me also again thank our host, Tom Ridge, and the University and, Mr. President, thank you all. This has truly been tremendous. If I might, just a matter of personal honor, we're joined here today by U.S. Congressman Steny Hoyer, who, as you know, has worked with the Association so closely as well.

Let me also tell you he was out of the country,
flew in just to be here for this occasion. I told him it
wasn't necessary, but he said he had wanted to do so. I
thought what a wonderful act of friendship, but then he also
reminded me that he's also my home congressman and he hopes I
vote for him, but, Steny Hoyer, thank you so very much.

(Appause.)

CHAIRMAN GLENDENING: And let me lastly in just
recognition thank my tremendous staff, both Elizabeth Pyke,
my Washington office, who has done such a phenomenal job and
who this may be the last time you get a chance to see her
when she's not just stressed out and nervous as anything
because of the responsibilities that go with this position,
as well as Major Riddick, my chief of staff. I'd ask each of
them to stand for just a moment if I could, as well.

(Appause.)

CHAIRMAN GLENDENING: Anything anyone wants from
me as chair of the NGA, anything whatsoever, feel absolutely
free to call upon either one of them and they'll take care of
it.

You know, Mike, we are very fortunate that your
initiative focused on strengthening the states in the new
economy. Your agenda is kind of a natural lead-in to the
main points of emphasis for my year as chair. Sometimes it
seems like this new economy kind of exploded on the scene and
we all, both in the public sector and the private sector, had
to learn the new rules of the game.

One new rule that we have learned is that high-tech companies that are the driving engine of this new economy, that traditionally that businesses have, in fact, chosen a location based primarily on tax structure and availability of work force, but now these new businesses find that they can locate just about anywhere in the world and they make their decision as much on the quality of the work force and the quality of life that is offered.

As Governors, of course, it is our responsibility to provide the tools that our citizens need to be safe, to be well educated, to have good family supporting jobs and to be happy with the place where they live. When we fail to pay attention to how we grow, when our growth patterns destroy the beauty of our communities, when those patterns of growth make our congestion worse, and when growth forces our citizens to pay higher and higher taxes to meet the large cost of sprawl, then it is time for some new thinking about how we use land in this nation.

What I am proposing this coming year is that we give a serious look at the basic question of where do we grow from here. And most of you have the initial little pamphlet that outlines some of this discussion. And the question is, to look beyond economic prosperity to community prosperity and well-being, how do we get there.
It is my intention that we as Governors share our best strategies for growth and quality of life. We can learn from each other and we can share our ideas on how to safeguard and improve the quality of life that our citizens cherish. Americans are struggling to have enough time to spend with their families, from eating dinner with the whole family to attending a child's soccer game instead of sitting in traffic. These are the challenges that we as Governors face, because our citizens want us to help overcome these obstacles.

This is about choosing how we grow, choosing how our communities look and how they function. It is about communities both in the urban centers and in our rural areas in all regions of all of our states. It is about communities that are vibrant and growing. It is about roads that are less congested, and it is about neighborhoods where citizens can walk to stores and restaurants and schools and work, and it is about a more efficient use of taxpayers' dollars to build infrastructure and to provide services.

It is also about preserving the value of farmland, forestland, ranchland and rangeland and protecting the natural resources that make each of our areas unique places where people want to live, and it is the natural beauty that provides a little respite from our hurried lives.

Large or small, urban or rural, east or west,
all communities are facing similar problems associated with land use patterns. And the way we have grown has been a major challenge for the last couple of decades. In Georgia, for example, the federal government recently suspended financial assistance for new highway construction due to air quality concerns, and that is why Governor Barnes and the Georgia legislature established the Georgia Regional Transportation Authority within months of his taking office. That Authority can, in fact, overturn local planning and transportation decisions.

And in the West, in Colorado, for example, communities are taking charge of their own destiny and planning for their future as a result of Governor Owens' Smart Growth Program. And like our program in Maryland, it is a specialized package of incentives, not mandates, that are geared towards saving natural landscapes and promoting stronger neighborhoods and building transportation for the future while providing economic opportunity for the entire state.

And right here in Pennsylvania, where more than 25 percent of the farm acreage has been lost to other uses and more than 24,000 farms have disappeared since 1970, Governor Ridge and his Growing Greener initiative is making a difference. Governor Ridge spent 1999 listening to citizens all over Pennsylvania. He wanted to learn from them how and
where they wanted to grow. And Governor Ridge's listening
tour has been extremely effective. He's already putting some
of the citizens' plans into action.

Additionally, Governor Huckabee's agenda for the
Southern Governors' Association this year is from fiberoptics
to fly fishing, and it's about the need to protect the very
qualities that are also so unique to the South even as we
aggressively strive for economic prosperity.

Governor, I remember when you were in Annapolis
just recently and brought the members of the Southern
Governors' Association up there, the story that you told
about how when meeting with high-tech executives one of the
questions that you posed is, why not come to Arkansas? And
their response was, more than anything else, they were
interested in the quality of education and the quality of
life.

And I thought about that and I'll also tell you
a quick story that I related to you. We had a similar
experience with a company in southern California that was
looking to expand and that met with people, leaders from
North Carolina, from Virginia, from California, and from
Maryland, and they made the decision to relocate their
headquarters in Maryland and to bring about 1,200 jobs with
them.

And I had a conference and I asked the owner of

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that company if he would talk to his colleagues, the other
high-tech individuals, about why. Now, I thought he was
going to say because of the tremendous leadership of the
Governor, but he said he's at the point in his life that he
can afford to enjoy life. He liked the Chesapeake Bay, he
liked to sail, and that was one of the main reasons for
moving to Maryland.

He also, by the way, since he established his
comp Conversely, since he established his
company there, has purchased a small number of sailboats
which he provides free to his employees as an incentive to
have some of these high-tech employees locate in that
company.

What we should recognize in all these cases is
that this is a national phenomenon. In fact, my first speech
outside of the NGA will be at the National Association of
Counties just this Friday, in which they have asked me to
speak about the role of smart growth as well.

We should make this clear. Governors do not
want to stop economic growth. We do not want to slow
economic growth. In fact, much of our effort is about
increasing economic growth. We're simply seeking smarter
ways so that states can, in fact, stop subsidizing haphazard
costly land sprawl that eats up the countryside, destroys the
quality of life, and costs us more.

It is, indeed, a false dichotomy to say either
you're going to be for the environment or you're going to be for the economy. We can and must do both really well and so many of our states' success show that that is, indeed, possible.

Governors uniformly agree that we need sound economic growth as the foundation for a strong state and a strong national economy, but we also are increasingly concerned about the challenges and unintended consequences of this new growth and of the sprawl.

For next year's agenda, Governor Engler and I plan to share states' best practices for achieving better growth. To do that we have invited six Governors to join us on our Growth and Quality of Life Task Force. Governor Barnes of Georgia, Governor Whitman of New Jersey, Governor Kitzhaber of Oregon, Governor Owens of Colorado, Governor Hull of Arizona, Governor Almond of Rhode Island, and Governor Ventura of Minnesota have all agreed to serve.

And during the year we hope to hold as many as three regional policy forums on growth issues, including a land conservation forum to be co-hosted by Governor Vilsack of Iowa this spring. We will also establish a web page that will highlight policy reports and examples of best practices around the country. And finally, we'll be focusing on smart growth issues at our winter meeting in Washington and particularly at our summer meeting in Providence.
Let me also note that next year we will focus as well on the importance of higher education and the challenges that our institutions of higher education, learning, and the importance of that, face in the new economy.

The fact that Governor Ridge has proposed that we meet here at Penn State is an example of the role that higher education plays in this very crucial emerging economy, and also we heard the comments of Chairman Greenspan on this just today. The states will play a very crucial role in this area.

And as we look at higher education, I think we have to ask some fundamental questions of those institutions, what is their vision of excellence, how much will it cost to achieve that vision, and how do we measure results and accountability for that vision.

I'll be looking forward as we kick off a three-year study by the NGA Center for Best Practices to focus on this need for lifelong learning as well as the changes in higher education. We'll be hearing more about this throughout the course of the year.

Again, thank you for the opportunity to serve this wonderful organization in the past and now as its chair. I appreciate it so very much. Thank you.

(Applause.)

CHAIRMAN GLENDENING: Now, as we wrap this up,
we're going to have a concluding press conference in room 109 of this building immediately as I put the gavel down. I'd ask all Governors if they'd like to join us there, John Engler, of course, and Tom Ridge and Mike Leavitt, myself. Also, immediately after that press conference, the new Executive Committee and committee leadership will be meeting in room 204 of this building. And now it is my pleasure, the very first action of this, to adjourn the 92nd Annual Meeting of the NGA. Thank you very much.

(The proceedings were adjourned at 11:06 a.m.)
I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this copy is a correct transcript of same.

Sherry Bowes, RMR, CRR
Notary Public