NATIONAL GOVERNORS' ASSOCIATION

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2001 WINTER MEETING

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PLENARY SESSION/EXECUTIVE COMMITTEE

J.W. Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Grand Ballroom

Washington, D. C.

Sunday, February 25, 2001

9:45 a.m.
GOV. GLENDENING (Chairman) (Presiding):

Ladies and gentlemen, if we can take our seats.

(Pause.)

Good morning and welcome to everyone.

Someone says, "Shucks, it's raining outside."

The rain outside keeps everyone inside here, so that is fine.

By the way, before we start, I just want to recognize Ronnie Musgrove. Where is Governor Musgrove?

As some of you may have seen in the news, there were rather severe tornados in Mississippi last night.

Governor Musgrove is going to be slipping out and going back to give some help.

Unfortunately, there are eight confirmed dead already and severe property damage.

He hopes to go back and try to make sure everything is in order. Perhaps he can join us later in the week for the rest of the meeting.
We just want to tell you, on behalf of our colleagues as well, we wish you well, and our thoughts and prayers are with you and the people of Mississippi. Thank you.

Let me welcome all of our distinguished colleagues here today, and guests.

I would note, Governor Keating, just in case you did not see the score last night, the University of Maryland won over Oklahoma.

(Laughter.)

GOV. KEATING: That's in basketball.

(Laughter.)

GOV. GLENDENING: Also, if everyone wants to know, the Capitols won last night as well, which we still consider a Maryland team.

Isn't there a major sports event we are supposed to do here this morning?

On a serious note, by the way, let me also welcome and ask if you would welcome very enthusiastically our new members.

We have--I don't know if it is a record--but a significant number of new Governors joining us
here this morning.

If I could ask them to stand so that everyone can see them as we introduce them, first, Governor Ruth Ann Minner of Delaware.

(Applause.)

GOV. GLENDENING: Governor Bob Holden from Missouri.

(Applause.)

GOV. GLENDENING: Governor Judy Martz from Montana.

(Applause.)

GOV. GLENDENING: Acting Governor Don Di Francesco from New Jersey.

(Applause.)

GOV. GLENDENING: Governor Mike Easley from North Carolina.

(Applause.)

GOV. GLENDENING: Governor John Hoeven from North Dakota.

(Applause.)

GOV. GLENDENING: Governor Silo Calderon from Puerto Rico.
GOV. GLENDENING: Governor Rick Perry from Texas.

GOV. GLENDENING: Governor Bob Wise from West Virginia, my neighboring state.

GOV. GLENDENING: Governor Scott McCallum from Wisconsin.

GOV. GLENDENING: And, on behalf of all of our associates in the National Governors' Association, I offer congratulations to everyone, and collectively a very warm welcome.

We are so very pleased. We know how trying the first year is for some who have joined as a result of the change in the administration, the first weeks or so. And so for all of you, congratulations and welcome.

GOV. GLENDENING: It is my privilege now to call to order the 2001 winter meeting of the
First, if I may have a motion for the adoption of rules of procedure for this meeting.

GOV. ENGLER: Mr. Chairman, I move that the rules of procedure be adopted as we have used them in the past.

GOV. GLENDENING: Is there a second?

VOICES: Second.

GOV. GLENDENING: All those in favor?

(Chorus of Ayes.)

GOV. GLENDENING: Let me note that the rules have been adopted.

Part of the rules require that any Governor who wants to submit a new policy or resolution for adoption at this meeting will need a three-fourths vote to suspend the rules.

If you have such a proposal, please submit the rules in writing by 5:00 o'clock tomorrow to the NGA staff.

Let me also at this time take a moment to introduce the White House Director of Intergovernmental Affairs, Ruben Virales, who is with
us here. Ruben?

(Applause.)

GOV. GLENDENING: We worked closely, individually and collectively, with your predecessor and look forward to working with you as well.

In fact, Ruben assured us that if there's the slightest problem that any state has with any governmental policy whatsoever, please contact him and he will give you his home number and be ready to go with us.

(Laughter.)

GOV. GLENDENING: I am really pleased with the outstanding turnout this morning.

We have 51 of our 55 Governors here. For those in the audience that think that the Chair does not know how many states we have, we have territories who are very active participants as well in the Association.

A few of our Governors, unfortunately, cannot be with us because of illness or injury.

I would note that Rhode Island Governor Lincoln Almand is recovering from surgery, and we
certainly wish him well.

New Mexico Governor Gary Johnson has cracked vertebrae.

A tough battle is going on with the legislature, but--

(Laughter.)

GOV. KEATING: On a serious note, our prayers and best wishes are with our colleagues and with their families.

In many ways, we began to lay the foundation for this meeting last November when Mike Leavitt hosted the Executive Committee of the new Governors in Utah.

Where is Mike, by the way? Mike, I just want to, as an aside, congratulate you on that tremendous meeting.

A number of us were there to meet our new colleagues for the first time.

The hospitality and professionalism that you and your staff showed and the warmth that the people Utah showed was just tremendous.

I want to thank you and ask if we could
recognize that.

(Applause.)

GOV. GLENDENING: To show the difference in perspective, we had, I guess, over a 36-hour or 48-hour period of time, 16 inches of snow.

My staff immediately started to call the airport to see whether the airport was still going to be open for the next day for the leave-taking.

They just sort of laughed at her. Jesse, you know some of these things, but, anyway, thank you for everything.

At that meeting, though, we began the discussion of our current-year priorities and particularly with working with the new Administration.

In doing so, we did not really know that many of our first stringers on some of these policy issues would be in the new Administration.

But, knowing that the elections made for a dramatic increase in the number of former Governors who are in the U.S. Senate, the ranks of former Governors has now achieved such a pivotal level that
they, in fact, have become a powerful force in the
ability to help shape the Federal agenda, which is
good for all of us.

After each election, it seems like we are
ending up with even more allies, not just
philosophical allies but people who have shared the
experience of being Governor, more allies in
Congress.

To date, there are now 15 members of the
United States Senate and one member of the United
States House of Representatives who are former
Governors.

We also have three Cabinet officials who
are former Governors and, of course, the President,
once, again, a former Governor.

So, our view--our voice, I believe, will
be heard by very sympathetic individuals who
understand what our unique positions demand of us.

As Governors, it is our job to work with
Congress and with the President on major priorities
for the state and for our people.

This year, education and health care have
risen to the top of that agenda as it has been for so
many years in the past.

Governors are encouraged. A bipartisan
consensus seems to be developing in Washington based
on the Governors' principles of flexibility and
accountability.

The President's proposal and many of the
proposals that are being discussed on Capitol Hill
are, for the most part, in keeping with the position
that NGA has adopted and advocated over the last year
and prior years.

At this meeting, we are going to continue
to work on the education policy in more detail, and
especially given some of the proposals that are
advancing from both Branches of government.

A small group of Governors, both
Republicans and Democrats, met with the President and
Vice President a few weeks ago solely on the topic of
education.

We thank the President for that
opportunity to work with him.

We also meet with leaders on Capitol Hill
and will do so again on Tuesday at the conclusion of this meeting.

There is great opportunity in the next few months to pass a Bill that reflects the needs of the states as we try to deliver quality education for every child in our states.

The other major issue we intend to address at this meeting is health care, and specifically Medicaid reform--the Human Resources Committee of the NGA with the strong leadership provided through Governor Dean and Governor Sundquist, both of them working very, very actively on this.

But, that committee has been working for the past several months on crafting a proposal for all of the Governors to review here this week.

It was clear to me at the seminar for new Governors last November that all Governors from the big states and from the small--Democrats, Republicans, Independents--east and west, all Governors share a very common goal in this area.

We want cost-effective health coverage provided to more of our children and their parents.
We need to craft a responsible program under Medicaid that enables the states to do this. One of the issues we have always discussed at the winter meeting as well is the state of the economy.

The economic policies enacted here in Washington have enormous ripple effects on our state budgets and revenues back home.

Many of us are fortunate to continue to experience strong economic growth in our states.

I consider myself and the citizens of Maryland very fortunate that our economy continues to grow and to produce surpluses and to be extraordinary strong.

I am aware, however, that other states are starting to experience a slowdown.

John Engler and I were talking about this just the other day.

From the assessment yesterday of several different states across the country, we know, in that context, that the health-care costs are rising at the same time the tax revenues in some states are
declining.

This will be one of the points of discussion.

Finally, although it will not be a major point of discussion for this meeting, we will also spend some time discussing the issue of smart growth and quality of life.

These are issues of great importance, not only to me, but to so many of you.

I note with interest that 38 Governors, either as part of their state-of-the-state or legislative package now, are pushing the issue of how to deal with growth and sprawl and quality-of-life issues in your respective states.

So, there is much to do, and I look forward to working along with the Vice Chair here, John Engler, who is doing such a tremendous job. Really a team in terms of working together.

I look forward to working with the Vice Chair of the Executive Committee and with all my colleagues in the next few days on these important issues.
We all know the personal and professional responsibilities that this job entails.

We also know the tremendous excitement and rewards that go with the position of being Governor.

We do have two departing Governors whom I want to recognize and honor today, and note that they have had some very satisfying moments and leave behind records of achievement.

They have been both leaders in their own states as well as national leaders on many of the topics and issues.

Many of us feel a special attachment to these two Governors, in part because of their respective contributions to the National Governors' Association.

Each of them were very active in the Association in addition to ruling themselves from our ranks.

The President exercised what I guess we can call first-round draft choices for two other members of the starting team who are now members of the President's Cabinet, Christy Todd Whitman of New
Jersey and Tommy Thompson of Wisconsin. Fortunately, this is a case where our loss is more than compensated by our gain. While our organization loses friends and colleagues, Governors gain extraordinary advocates in Washington, DC and in the Administration.

Let me begin, if I might, with now Administrator Whitman and ask Christy if she will join us here at the podium.

(Applause.)

GOV. GLENDENING: Christy Todd Whitman has brought a special type of leadership to New Jersey and to the Association. She has a style and level of commitment that we all respect. She has not just been a colleague, but for Maryland, in many ways, a good neighbor. We have worked on projects together, including rail, for example, up and down our corridor. She was elected Governor in 1993, becoming the first woman to hold that office in New Jersey. During her time in office, Governor
Whitman signed into law 36 tax cuts, including a 30-percent income-tax cut.

Governor Whitman also enacted new state funding for public schools that was tied to higher academic standards.

She signed several tough anti-crime measures, including one of the earliest Meagan laws to protect our children.

I must say to you, personally in terms of areas of my interest, I was really impressed with her proposal to permanently preserve one million acres of open space and farmland in New Jersey by 2010.

In fact, several other states have picked up that same approach now.

I know Governor Taft in Ohio just got a significant approval as well. In many cases, they were able to point to New Jersey as a leader in this area.

I am proud that she was willing to serve here in the Governors' Association on my Smart Growth and Quality of Life Task Force. Her contribution to that task force has been very, very valuable.
Christy, we are going to miss you in terms of the Association.

But, we also know that we will have a very special friend at the Environmental Protection Agency.

Her commitment to me was that the laws were going to be aggressively enforced and not a single environmental problem in the entire country, and, at the same time, no state would be bogged by either regulatory or financial problems.

(Laughter.)

GOV. GLENDENING: With that, we are so proud to wish Christy well.

(Applause.)

ADM. WHITMAN: Thank you very much for that.

I am not a miracle worker, Parris, but I promise I am going to try to make sure that we can move forward with our commitment and this Administration's commitment to preserve and protect the environment, while making that same commitment to ensuring that we work closely with the states.
understanding the leadership and initiative that the 
states have already provided and understanding that 
you know how to solve your problems better than many 
bureaucrats in Washington do.

So, I look forward to striking that 
balance.

I did want to just say a word, though, of 
personal thanks.

I haven't had the opportunity to do that.

This is an extraordinary organization.

For all those new members who find 
themselves at this table for the first time trying to 
feel your way through what exactly your participation 
is going to be and what you are expected to do, let 
me just tell you that you have colleagues.

Every single one of the others sitting 
here are your colleagues, irrespective of party, here 
to help, here to give you ideas, here to work with 
you as you try to solve problems that every Governor 
faces.

What makes this such an extraordinary and 
special organization is precisely that.
You really don't know who is a Republican, who is a Democrat.

It doesn't make any difference when you are solving welfare problems, when you are trying to educate your children, when you are preserving open space.

You are not doing that for one particular partisan group. You are doing it for everyone.

The Governors here understand that. They want to see other Governors succeed.

This is an extraordinary place to learn to get new ideas, to meet people who can help you as you come to critical decisionmaking points.

Having said that, I want to say thank you, because the ability that I have had to do good things in New Jersey, a lot of it has come from ideas that I have stolen from other Governors--happily stolen--things that I picked up here listening to the speakers and participating in the National Governors' Association.

It is an extraordinary, worthwhile body.

It is worth your time.
It is worth that little extra money that you spend.

Your states benefit enormously from your participation.

So, I encourage you all to be sure to take the time to support this organization--support it with your presence, support it with your staff, support it with your ideas, because it really will benefit you many times over when you do that.

Thank you all very much for the extraordinary pleasure and opportunity and privilege that I had to serve with all of you and for being such very good friends to me.

I look forward to continuing that relationship, because we are going to work together to solve these problems.

There's enough brain-power in this room and in all of our states to get it done right. Thank you very, very much.

(Applause.)

GOV. GLENDENING: Christy, thank you very much and good luck. We look forward to working with
you.

I am also now very pleased to ask Secretary Tommy Thompson if he would come forward and join me at the podium here.

(Applause.)

GOV. GLENDENING: In bidding farewell, I welcome at the same time, to Tommy Thompson, we recognize his achievements for the citizens of Wisconsin who elected him to statewide office a record number of times, as well as his contribution to all of us in his past service as NGA Chair.

Tommy is a former Army Captain, but, to those of us who have been honored to serve with him, I am not sure that there should be much emphasis on the former.

He is still very much a Captain. I think there are a lot of troops in the Department of Health and Human Services that are going to find that to be true.

As we listened to him yesterday, we were very much aware of some of the changes that will be made there.
Tommy served in state government for over 30 years, during which time he received many national awards and recognition.

We all know the very dynamic role that he took on behalf of the states and the NGA on welfare reform and health-care issues.

I know this is true for so many, but, with your leadership, not only were we able to get the national law changed, but most of the states were able then to make significant changes.

In the case of Maryland, we are down 67 percent just in the last four years.

It is because of your leadership in changing the rules that we were able to do that and similar success stories from my colleagues all around the table here.

Mr. Secretary, we were honored by your presence yesterday.

We were enriched by the services you have given us for Governor.

You have, in fact, made this organization better.
The fact that so early in your administration as Secretary you would take time out to come and talk with us at lunch and be very candid in your comments reflects the fact that we do, indeed, have a partner, and perhaps a department that has given many of us more headaches and heartaches than any single department in the entire National Governors'.

Knowing that will no longer have these difficulties at all, I would ask you to give a welcome to Tommy.

(Applause.)

SECRETARY THOMPSON: Thank you so very much, Governor Glendening.

It is an honor for me to receive that wonderful picture.

I want you to know that meeting from Madison and Elroy, Wisconsin to Washington, DC and the fact that what you paid for an apartment or condominium out here you could buy the whole city of Elroy--

(Laughter.)
SECRETARY THOMPSON: But, after paying my first month's rent, I have no furniture. (Laughter.)

SECRETARY THOMPSON: And that picture is going to be very appreciated. It will be the only thing on my wall, and I will always remember the great times that we had together as an organization, as a wonderful group of individuals who are dedicated to the public.

As far as being a Captain in the Army, that is true. As a Captain, they teach you how to lead.

Coming to Washington, DC, I found out that the General, you would think, would be the President of the United States, which is doing an outstanding job, as we all know, so far.

But, the General that I am referring to is OMB-- (Laughter.)

SECRETARY THOMPSON: --where all power comes from and where all authority lies.

But, I wanted to thank you for your fine
introduction, the love gift.

I wanted to thank all of you, my colleagues, for giving me and Christy this opportunity to come back to the National Governors' Association one more time.

It feels, after 14 years and two months, that I never left. In my heart, I never will.

I look around this room here and see so many friends, so many memories from my 14 years as Governor of Wisconsin and a member of this great organization.

We traveled this nation together attending these conferences and, as Christy says, stealing from one another and taking credit for it in our own states.

But, that is what makes us great, because we are able to take the best ideas, develop them in our states for the benefit of our people.

Many of your predecessors, personally, we have built lifelong friends that I personally will always cherish.

I had the privilege to welcome you to my
state in 1998 for an annual NGA conference.

Today, I am pleased to welcome you along with my colleagues, Secretary Paige, Administrator Christy Whitman, and Andy Card, who, of course, is going to do an outstanding job. We are just delighted that you are here.

I am here to tell you today that President Bush and the rest of his Administration are here to change the way Washington works with you and for you.

In 1995, when I became Chairman of this great organization, I said Governors right now are facing a once-in-a-lifetime opportunity to completely refocus the relationship between the states and the federal government.

My goal, as Chairman, was to make sure that it happens.

My friends, thanks to your leadership and innovative thinking of our nation's Governors, we have made significant strides toward that goal.

There's been a shift in the way Washington works with Sacramento, Lansing, and, of course, Madison and Baltimore.
Throughout the '90's, states led the way in setting the national agenda, all of you finding creative solutions to society's most vexing problems from welfare to education reform.

Yes, welfare reform was a state invention, though some at the federal level have been eager to claim credit for it.

But, the ground-breaking reforms were born in states across this country.

Every one of you had something to do with that, pushing the federal government to join our cause.

Once it did, look what we were able to accomplish. Together we have created a work culture breaking the cycle of dependency.

Welfare rolls have been cut by more than half across this nation.

That is quite a record, probably the biggest change in social policy in over 60 years in our country.

But, the building of the partnership between the federal, state, and local governments is
We must continue to build bridges from Washington to our states' capitols and to the biggest cities and smallest communities throughout our nation.

We in Washington must learn from you at the state level, work with you on a daily basis, and we must strive to give you the flexibility you need to solve problems in your states, cities, towns, and villages.

The federal government must be more responsive to individual needs.

As you know, what works in New York is not necessarily the answer in California, Texas, Florida, Maryland, or Michigan.

As William Safire wrote when the nation was trying to select a national flower, no one flower can symbolize this great nation.

America is a bouquet. America truly is a bouquet of opportunity, creativity, and, yes, complex problems that must not be addressed in a top-down, one-size-fits-all manner.
When I pledged six years ago to change the relationship between the states and Washington, President Bush and I were just mere Governors. Actually, we were until just a few weeks ago. Today, we suddenly find ourselves on the other side of the state/federal fence in a position to help tear down that fence and make the pledge finally come true.

I know so many of you in this room so well, and you all know how much I loved being Governor of Wisconsin.

Let me tell you one thing. I would never have left the best job in this country if I did not think that President Bush and his Administration could not come to Washington and truly make a difference.

President Bush has brought a new tone--a vibrant new feeling to our Nation's Capitol.

So much of what he has vowed to accomplish will be funneled through the Department of Health and Human Services.
President Bush has brought the lessons that we learned as Governors to Washington, and he recognizes that the federal government must hold up its end of the bargain on our state/federal partnership.

I believe we will be able to do that. We will strengthen the health-care safety net by increasing funding for community health centers.

We are going to make available more money for block grants and other programs to increase the availability of substance-abuse treatment services.

We will increase the funding to help states keep children with their biological families if it is safe and appropriate.

We will also work to place children with adopted families.

President Bush and his Administration will work with Congress and with you to ensure that we do not miss the opportunity for fundamental Medicare reform.

We will modernize Medicare so it is responsive, effective, and financially sound for
today and tomorrow's seniors.

As part of the effort, we will find a way to provide the neediest seniors and the disabled affordable access to prescription drugs.

We are working to develop a Patients' Bill of Rights that recognizes that many states already have these protections already on the books, and not to punish you for being out in front of the federal government.

You see, we recognize that our partnership with you, the Governors, is absolutely crucial.

Today I am making some announcements to begin the process of changing the way the Department of Health and Human Services interacts with the states, changes that I am sure you will find create a better working environment between your offices and the Department.

First of all, many of you have had some concerns and have already contacted me about a number of regulations that were issued in the final days of the previous Administration, most notably those on Medicaid managed care and the states' Children's
Health Insurance Program, commonly referred to as SCHIP. We have heard your concerns, and today I am announcing here that we are delaying the effective dates for both regulations for 60 days. During that time, we will consult with you, advocacy groups, and health plans. If changes need to be made, we will make them.

Also today I would like to announce that the Health Care Finance Administration is in the process of issuing grant opportunities to support our seniors and people with disabilities to live and participate in the community.

The largest grant opportunity is a $50-million program to support people of any age who have a disability or long-term illness to live in the community, a goal that is part of the President's new freedom initiative.

This is another excellent example of the President using a state model, Wisconsin's Pathways to Independence and other ones, and developing it into a national program.
Public and private participation is important in this effort. Congress has required that each state grant applications be developed in collaboration with the task force. To help launch the task force and to work and help in your initial planning efforts, we will immediately make available $50,000 per state. No state match is required. All you have to do is fill out a one-page form.

That is the new simple Health and Human Services. One page. (Applause.)

SECRETARY THOMPSON: Finally, I promise you this. You will no longer have to wait months, a year, or even longer to get action on a waiver request. No more frustrating delays waiting to implement your innovative ideas. (Applause.)

SECRETARY THOMPSON: No need to badger the Department. It simply won't happen.
Well, I can't promise that all of your requests will be approved, because we still have to meet budget requirements in OMB, the general. I can guarantee you that you will receive timely responses. We will streamline the waiver process, and, if I determine that the process is taking too long, I will take it upon myself to review the waiver. Don't be surprised if you hear from me personally when we approve your waiver or we are having a problem with it. You can see we are working to make changes to the system, most notably to all of the attitudes and operations of the Department. I thank you so very much. We will work with each of you to ensure that we meet these challenges and others that face us at the federal and state level. I have learned many things in 14 years as Governor. One of them was always, always listen to
those closest to the situation.

Please call me anytime you have a question or concern.

If you have any idea on how to make the Department better and more efficient, please let me know about it.

This is the new HHS, and I promise you this, it will be a more responsive one.

When I see you next at the summer meeting, the changes that I have mentioned will have been made.

These changes are just the first steps in making the Department of Health and Human Services more accountable to you and the millions of Americans that we serve.

I thank you so very much for being part of the organization. I wish you well.

(Appause.)

GOV. GLENDENING: Mr. Secretary, Madam Administrator, thank you very much for your service here and for your pledge of continuing to work together with us.
All of us around this room are very excited about the prospect of streamlining the waiver process, for example. So, we wish both of our colleagues well. Many of us have had the pleasure of working closely with our first guest here this morning.

I count myself among this group. We have worked closely with Andy Card in Maryland in terms of bringing General Motors' Allison transmission plant to Maryland.

Andy, if you keep in touch with your friends at General Motors, we do have a great workforce ready for the new General Motors plant that could be built at Bruning Highway in Baltimore.

That was, ladies and gentlemen, an absolutely shameless promotion of Maryland, as, I think, some of you have recognized. I know Andy has as well.

On a serious note, though, it is an honor to welcome Andy Card back here today. Andy has an impressive record of public service, currently serving as Chief of Staff to
President Bush.

He previously served as U.S. Secretary of Transportation, as Deputy Chief of Staff under the first President Bush.

Prior to those appointments, he worked for President Reagan as Director of Intergovernmental Relations.

He is quite familiar with the Governors and working with the Governors.

I am so very pleased that he has been able to join us today. Andy.

(Applause.)

MR. CARD: Thank you very much, Governor Glendening.

It is a tremendous privilege for me to be here.

I have been coming to National Governors' Association meetings for a very long time.

Ray Scheppach and I go back longer than we'll both admit.

Looking around the room, I see one Governor who was here when I entered the
Intergovernmental Affairs Office and dealing with the Governors way back in 1983.

That is Governor Tenorio from the Northern Mariana Islands.

I don't see Governor Janklow here, but he was around then, too, and you can't forget Governor Janklow.

(Laughter.)

MR. CARD: America is very, very fortunate to have an occupant of the Oval Office who understands America and is working hard to bring meaningful reform.

But, the Governors are blessed to have a President in the Oval Office who understands your concerns.

He has real empathy for the challenges that you have to face, and he is bringing that empathy to work every single day as President of the United States.

There isn't a day that goes by where I don't hear him commenting about some challenge that a Governor has to face and how he wants to make sure
that the federal government assists you meeting those challenges rather than gets in the way of you meeting those challenges.

The process has started already. He has assembled a staff in the White House that will be sensitive to the challenges that Governors have.

You know two of the members of his Cabinet, whom you just heard from, who are Governors.

But, he also has a White House staff that is very sensitive to it.

We are going to have great support from the Domestic Policy Advisor to the President, Margaret Lamontaine, because she worked with Governor Bush and now helps put together the domestic policy for the President.

Reuben Virales will head the Office of Intergovernmental Affairs.

He has a grassroots understanding of intergovernmental affairs challenges, having been an elected official in California in the Silicon Valley.

You'll find that the Intergovernmental Affairs staff will be very, very sensitive to the
concerns that you have.

But, more than talking about what the
President will do and his empathy, I want to talk
about what he is going to do for America.

You have to put together a budget every
single year and meet the challenges of a legislature
and trying to get your budget passed.

President Bush brought the discipline of a
Governor to the White House as he put together a
budget for America.

On Tuesday night, President Bush will
address the nation, and he will lay out a blueprint
for America with his budget strategy.

It is a strategy that I hope you will pay
attention to, because he brings to the federal
government a discipline that it sorely needs.

The budget for America grew over eight
percent last year.

If you average out over the last several
years, it grew at a rate of about six percent,
considerably larger than the rate of inflation.

That allowed us to have an expanding
government, but it didn't always address America's

needs.

At the same time, we have been blessed to

have had economic prosperity.

That economic prosperity has resulted in a

surplus--a very large surplus.

It is projected that the surplus will be

some $5.6 trillion over the next ten years, and that

is a very conservative estimate.

Now, you know, when there are surpluses,

appropriators in Congress or in legislatures are

tempted to spend.

They are tempted to spend whether they are

Republicans or Democrats. Appropriators like to

appropriate.

The President will put forward a budget

that reduces the rate of growth in our federal budget

from an average of six percent to something around

four percent.

There will still be a larger budget for

the Fiscal Year 2002, but that budget will grow at a

slower rate than the budget of 2001 or 2000.
That discipline is very, very important.

A little-known fact is that we are now finding in America that the highest percentage of our Gross Domestic Product is going to federal taxes.

Since World War II, over 20 percent of the GDP in America is going to federal taxes.

In order for us to be able to reduce the burden on the American taxpayer, we have to bring budget discipline to the federal government.

We also have to address America's needs, and America does have needs.

You'll hear how the President is going to address his top-priority need for America, education, from Secretary Paige.

But, the budget will reflect that education is the President's top priority for America.

That budget increase in the Department of Education will be the largest of any of the Departments.

But, it will not just be putting money into the Department of Education just to put money
into the Department of Education.

It will be putting money into the Department of Education to meet the challenges of educating children, specifically improved reading.

You are going to find that the reading budget for America will grow dramatically as America establishes its top priority, which is leaving no child behind.

Secretary Paige will have a lot to say about the Department of Education and the President's priorities.

The next great priority for America is really paying down its debt.

Governors in almost every state are forced to have balanced budgets.

The federal government has not been forced to have a balanced budget, and they struggled with deficit spending for a long time.

Because of the strong economy and Americans contributing to their government through taxes, sometimes excessively, we now have a surplus.

With that surplus, we think it is
important that we also pay down America's debt, so
that the budget the President puts forward will also
pay down America's debt in a very, very fast way.

In fact, we'll pay down America's debt
about as much as you can possibly pay down that debt.

You'll also find that this budget is
responsible and that it doesn't just throw money
after political promises.

The President made a commitment to
revitalize our military.

He is going to take care of meeting the
housing and salary needs of our military, but he is
not throwing a pile of money at the Defense
Department without first having a strategic review of
the Defense Department.

We are meeting the priority of every other
campaign commitment that the President made.

We have money left over. In fact, out of
that $5.6 trillion surplus, $2.6 trillion will be set
aside for Social Security.

We won't touch it. Set aside for Social
Security.
Social Security debt really needs about two trillion of that $2.6 trillion. Then, there is some $1.4 trillion that is set aside to meet America's contingencies and the priorities that might be there in our domestic or discretionary budgets. Then, there is $1.6 trillion that is available for tax relief. That $1.6 trillion in tax relief represents an important commitment by the President to return part of the surplus to the people who helped build the surplus, the taxpayers. That $1.6 trillion tax relief package is designed to bring tax relief to everyone who pays taxes. So we called for marginal rate reductions in our income-tax code. We called for those rate reductions to the point that the government will actually get out of the way of people trying to move into the middle class. You probably know that people who get the
earned income-tax credit and struggle to get into the
middle class bump into a wall with the marginal rate
of 15 percent.

So, they actually lose money when they
give up that earned income-tax credit and trying to
get into the middle class because of the 15 percent
lowest rate.

The President is going to lower the lowest
rate to ten percent.

That means that more people will be able
to get into the middle class and grow.

But, this budget is a very, very important
budget for you, because it also recognizes the
responsibilities that you have as Governors.

We are going to make sure the flexibility
is there in the federal budget so that Secretary
Thompson can address your needs in HCFA, so that
Secretary Paige can provide more flexibility when you
are trying to meet the challenges of IDEA.

So, we are also taking, I am going to say,
the straps that hold the federal government together
but prevent you from working together off.
We are going to need partnerships. The partnerships aren't going to be with just the states. They are going to be with the communities and with faith-based institutions.

In the White House, there is a brand-new office of faith-based and community initiatives. This is a very, very important office.

You know more than a lot of people in Washington do, that some of the best solutions to societal problems are coming in the community from faith-based institutions.

But, the government has been sometimes an impediment to faith-based institutions meeting the societal needs in their community.

We are going to work to make sure the barriers that prevent faith-based institutions from addressing problems in the community are going down. But, we are not going to do that in a way that picks one religion over another.

We are going to make sure that there are secular alternatives to the needs of communities. But, where secular alternatives are not
meeting needs, parents should be able to say this is
where we can go to get help.

So, our Office of Faith-Based and
Community Initiatives will also be a partner with you
as you try to solve problems.

Finally, I want to talk about the
challenges of governing.

President Bush has called for a new
civility in Washington, DC, a civility that requires
us to listen.

No one has been better at listening over
the last month than President Bush.

He has called on people of all different
philosophical and political persuasions to come to
the White House and to offer suggestions.

The President has reached out to members
of Congress--both sides of the aisle--both Branches,
leadership, and not leadership, to understand their
commitments to America.

At the same time, he talks about his
commitments to America.

This civility of governance is very
important, and you as Governors can help set the tone
so that Congress responds with civility as well.

We do have challenges in America that go
beyond the solutions that government can offer--
challenges that I call challenges of civility.

Partisan politics is something that I have
practiced all my life.

Paul Cellucci was the Chairman of my
forgettable campaign for Governor in 1982.

But, I know that there are times when
partisan politics has to step back so America's
interests can be met.

When the President addresses the country
on Tuesday night, he will be addressing the country
not just to talk about the budget and those thousands
of line items that exist in that federal budget
document that will end up being about the size of a
large city's telephone book.

And, yes, there will be people that will
be able to find programs that they think are
underfunded or overfunded.

But, the budget does reflect the
priorities of America.

When you find that line item that you
don't like, step back and take a look at the budget
that you do like.

When you find that line item that you
like, step back and take a look at the whole budget
that you do like as well.

This is a budget that will reflect the
need for America rather than the partisan needs of a
party or a campaign.

This is a budget that brings discipline
and invites civility, and I would invite you to be
part of that process in a civil way.

Be objective as you analyze that budget.

Don't be parochial.

Don't look at what it does just for you or
your state, but look at what it does for America.

We have asked all of the members of the
Cabinet to take a look at the budget in the same
context.

One of the most impressive meetings that
we have had at the White House since President Bush
arrived was the first Cabinet meeting.

The first Cabinet meeting, the President opened with a prayer, but he also counseled all of us to recognize the responsibilities that we have go far beyond those of the opportunity to be working at the White House or in the Cabinet.

They go to the American people, and he challenged the Cabinet members at that very first meeting to work together on a budget that was not parochial, that was not bound in the old bureaucracies, that wasn't just a situation where you took the budget of the past and changed the numbers.

But, you took a look at America's needs and planted a budget number in the budget that addressed America's needs rather than government's wants.

This budget does that. It brings discipline.

It brings responsibility, and the tax cut brings relief.

We would ask you to join with us to make sure that that burden of federal taxes is reduced, so
that you have more flexibility to address the burdens
that you find important in your states.

With that, I would be glad to answer any
questions.

Remember, you have a friend in the White
House. You have a friend in the White House who
shares your concerns.

He also shares your love. He respects
you, and he wants America to be respected in the
process of governing.

That is what he will invite Congress to
do, exactly what you do every single day as
Governors.

If you have any questions, I would be glad
to answer them.

(No response.)

MR. CARD: Thank you very much.

(Applause.)

GOV. GLENDENING: Thanks very much for
your time to be here and also for helping to
facilitate the events this evening, and tomorrow the
meeting with the President.
We appreciate your leadership as well. I might note, by the way, Governor Calderon has joined us.

We recognized and welcomed you before.

You had stepped out for a moment.

So, if we could give one of our newest Governors a hand as well.

(Applause.)

GOV. GLENDENING: Our next guest is Secretary of Education, Rob Paige.

The ex-Secretary has earned his spurs, so to speak, in education as the Superintendent of Schools for the Houston Independent School District starting in 1994.

In Houston, Secretary Paige created a program that he called Peer Examination, Evaluation, and Redesign, which it was his recommendations from businesses and community professionals for strengthening schools and school-support services and programs.

He also launched a system of charter schools that have brought authority into the system
regarding staffing, textbooks, and materials.

He made his the first public-school district in the state to institute performance contracts following on those in the private sector.

He also introduced teacher incentive pay which rewards teachers for outstanding performance and created solutions to educational problems.

Mr. Secretary, we appreciate very much your time in joining us here today, and I ask you to give a warm welcome.

(Applause.)

SECRETARY PAIGE: Thank you, Governor.

Thank you and good morning to everyone.

I expect that many of you expect me to talk about the latest strategies in school reform.

I need to disappoint you a little bit, but I have grown a little weary with the term school reform.

School reform as it is presently practiced nibbles away at the corners of our problems without addressing the larger systemwide issues.

School reform fails, in my mind, to take
into consideration coherent organization-wide impact
needed to change the culture in our public education
enterprise.

Our current educational awakening, you
see, began about 20 years ago when our predecessor,
Secretary Bell, formed a commission to examine the
state of our schools.

This final report, A Nation At Risk, told
us the shocking news that our schools were failing to
meet our needs tolerating failure, tolerating
mediocrity.

Twenty (20) years later, where are we?
Nearly 70 percent of our inner-city fourth-graders
are unable to read even a basic sentence at basic
level.

Our high-school seniors trail nearly every
industrial nation in international math tests.

Now, a third of our college freshmen take
remedial courses before they are able to enter our
universities and deal with the courses there.

This is after 20 years in education
reform.
Now, we know there are pockets of excellence in our system. We applaud those, but it is unarguable that we are still leaving too many children behind.

We are still asking the same questions. We are still tolerating the same failure, and we are still a nation at risk.

So, you can understand why I don't want to talk about education reform.

What I want to talk about is change. The time for reform is over. The time for bold change has arrived.

We must change the culture of the enterprise. We must create a performance culture that leaves no child behind.

With this no-child-left-behind plan the President has put before us, the notice that education is a national priority, and that the federal government can no longer tolerate failing schools--schools that fail children--he has made it clear that we owe each and every child in this country a quality education.
Although the President's plan is a national plan in scope, it is local in implementation as it relies on state and local governments to bring about meaningful change.

We know that the federal government's role in public education is a limited one. But, I am here today to ask for your help in making it a more effective one.

We can only do that by making a change, a change from our heavy reliance on categorical strategies that target limited aspects of our system, change to the example of sound, fundamental holistic systemwide strategies that impact the organizations' culture, back to the fundamentals of effective systems, back to the fundamentals of system effectiveness, fundamentals like high expectations for all, fundamentals like annual assessment of results, fundamentals like accountability for results, fundamentals like flexibility and local control and expanded parental choice.

You see, we have not even won yet the argument about who is accountable.
In too many cases, we, as educators, have not accepted the fact that we are accountable.

Class size is an important factor, but how important is it, really, if the educator in the class does not accept responsibility?

The President's plan is built upon these sound pillars of system effectiveness.

Notice the shift from categorical strategies. The President's plan is ultimately a simple one, because it seeks to build this cultural change through the strengths of your states' initiatives already in place and being built upon now.

This is an approach that works. We know that from the history of other organizations how other organizations change.

We don't have to leave this room to find people who know that first-hand.

The programs that many of you have instituted in your home states are already resulting in improved student performance and improved public confidence in our public education system.
We in the federal government have no interest in federalizing the system. But, we want to provide resources and assistance, and, in return, we want to ask for results.

The President has proposed a staggering 44.5 billion for the Education Department in his new budget. He has also proposed consolidating programs and expanding flexibility so that your states can make better use of the money that we have and make it closer to the classroom.

But, accountability is impotent without standards. When we expect more from our children, we get more.

Our children know when they're being sold short. The President has rightly called low expectations the soft bigotry of low expectations.

We can't help our children by asking less of them, but we can help them by asking more.

For example, in Colorado, you ask more, because you set standards for making every child in
the state a proficient reader by the end of third grade.

In Kentucky, you have asked more. You required school districts to develop plans to improve their schools by effectively using assessment data to determine where there are potential problems and effective remedies.

Others of you have done the same. Setting high standards is important.

But, it does no good to set high standards if we don't know if our young people are meeting those standards.

So, to ensure that the students are meeting standards, we must measure every child every year with good tests, tests that are aligned with standards and with teaching objectives, and with curriculum, and at their very best also with the teacher training programs.

These are our best tools for identifying where students and schools are succeeding and where they are flailing.

They are also our best tools for
understanding where we are failing and why, so we can
intervene.

Many of you have already undertaken this
process.

Massachusetts, for example, has made great
strides. Likewise in North Carolina and other states
across our nation.

Good tests help states identify the
districts and schools that are failing to meet the
minimum standards.

Good tests can also be used as empowering
tools for students and teaching strategies.

When we build tests that measure learning,
we can then disaggregate that data and we can take it
all the way down, not only to the district and not
only to the schools, not only to the classroom, but
to the individual teacher.

We can arrive at a situation where we are
teaching children in our classes, because we've got
the individual data so that each child has an
individual education plan.

We have to do this in order to fulfill our
promise that no child is left behind.

In order to do that, we must know where each child is, so we have to measure each child.

The power to help each child succeed is in our hands, no matter what his or her background is.

Testing is an aspect of the President's plan that evokes fear in some quarters, but we should not fear, for those who fear that NAPES to become a national test do not fear.

NAPES is simply the sample of fourth-and eighth-grade students in reading and math to bring back a yardstick to bring balance across states.

For those who fear that starting over in their states is a problem, do not fear.

We want to reinforce what you are doing. We know the good work that you are doing, and we want to help build on that at the very least.

I know that we all can see how tests are critical to identifying failing schools and failing students.

The federal government has done an outstanding job in supporting education with
resources across the last decade and across the last three decades, in fact.

But, we must confess we have done less well in demanding results from that investment.

Setting high standards, measuring results, holding schools accountable will bring about meaningful change in school culture.

I have cited examples of states that we know are doing good work, but we know that all states are.

So, we want you to know that we want to build on what is happening in your own state.

The states and the federal government can share responsibility for our children, and we can achieve results together.

Our education system, though it has pockets of excellence, we don't seek pockets of excellence.

We seek systemic change, broad change across the entire spectrum such that no child is left behind.

This is the meaning of leave no child
behind. It is a worthy goal and worthy of our best
efforts.

Our children deserve no less, so, in
closing, I return to the simple requests that you, as
leaders of your great, diverse states:

Partner with us to leave no child behind
and that you be assertive in doing this;

That you talk about the President's plan
with your members of Congress;

That you talk about the President's plan
with your home-state legislators; and

That you talk about this plan with your
superintendents and with your parents and with the
children.

We will be partners together in this
effort.

In this effort, we can achieve the results
we seek. Thank you very much.

(Applause.)

GOV. GLENDENING: Thank you very much. I
know we are running a few moments behind.

The Secretary has agreed, if there is a
question or two, to entertain those questions of
those-- Yes, Governor Ventura.

GOV. VENTURA: Mr. Secretary, Governor Ventura of Minnesota.

Just a reminder, if I may, that the federal government mandated special education, and at one point agreed to pay 40 percent of it. They haven't come close to doing that, and I would like to remind the federal government that we really, all of our states, could benefit greatly if the federal government could see fit to help pick up the mandated tab that they have given to all of us states.

Thank you, sir.

(Applause.)

SECRETARY PAIGE: We share your concern. The facts are leave no child behind means also special-education children.

We are fully aware of the fact that this idea has not been fully funded.

There has been some progress but not nearly enough, and we look forward to doing what we
can to move forward towards the full funding that you seek.

GOV. RIDGE: Just a quick observation if I might, Mr. Secretary.

I think we all believe that embracing change so that the culture of education is performance-based requires testing.

I just want to speak on behalf of colleagues, I think, on both sides of the aisle and the sensitivity that the Administration has shown to date.

Some of the states have very centralized departments of education and centralized delivery systems.

Others of us have very decentralized systems.

Pennsylvania has 500 school districts, obviously not county-wide.

Some states have county-wide school districts. We all want to work with you to get the testing done and a way that gives us the opportunity to evaluate each child each year.
We appreciate the sensitivity that the Administration and your Department has shown early on in this process.

It is a complex task, but I believe we are all committed to getting it done because we all share the same goal.

I just want to thank you for the access, the sensitivity to the difference in delivery systems among the states. We appreciate it.

SECRETARY PAIGE: Thank you, Governor.

GOV. GLENDENING: Is there a last question?

GOV. KEMPTHORNE: Mr. Secretary, would you address the aspect--

The Administration is requiring each year there will be tests.

Would you address the aspect that this is not an unfunded federal mandate?

SECRETARY PAIGE: The testing the plan calls for would be grades three through eight each year.

We understand that quite a bit of
development has to take place in order to reach that
goal.

The federal government is going to share
in that expense, and we are going to be partners with
the states in accomplishing that goal.

We won't leave that burden on the states
completely.

GOV. GUTIERREZ: Secretary Paige, Governor
Gutierrez from Guam.

In listening to you today and looking at
the proposed education policies by President Bush, it
seems like the whole concept of leave no child
behind, take a closer look at it, because I believe
that the many thousands of our U.S. citizens in the
territories may have been left behind.

Look at those policies very closely and
make sure you include the territories when you make
those policies.

SECRETARY PAIGE: Thank you, Governor. We
will.

GOV. GLENDENING: Thank you very much, Mr.
Secretary.
GOV. GLENDENING: Let me at this time call upon Governor Engler for an announcement about a grant awarded to the NGA Center for Best Practices. John?

GOV. ENGLER: Good morning. I think we can do this quite quickly.

You have at your seats and RFP--Request For Proposal--the State Action for Education for Leadership Project.

This is something I am pleased as the Chair for the Center for Best Practices to be able to announce.

It is made possible by a grant from the Wallace Readers' Digest Funds Foundation.

What this is going to do is offer the states an opportunity to do a little capacity-building, to sort of picking up on what Secretary Paige has been discussing, education and leadership targeted at principals and superintendents.

It sort of rewards and follows a little bit what many states have done with their teaching
faculties already.

The Wallace Readers' Digest Fund has launched an overall initiative.

It is known overall as Leaders Count. The whole idea is how do we strengthen the leadership and education.

There is a lot of collaboration which is explained right in this RFP.

This is an opportunity for 15 states. It is open to all 50 to apply.

I guess we are handing out $50,000 amounts this morning.

Fifteen (15) states will be selected to get a $50,000 planning grant.

Then, there's another quarter of a million dollars available.

As you work through this, you've got until late August to get this in.

Then, the selected states will be allowed to go forward. I think what you are going to find with this is an opportunity to maybe bring some people together.
In fact, it is required if you apply. I would just urge you to take a look at it.

It is of interest. I think some of you may well have ongoing efforts that you could boot-strap onto this and just build.

But, I know in our state, in looking at principals, we can't find anybody who is frankly more important in the functioning of a school building than a quality principal.

This is the way to sort of relook at that, and hopefully some of the state ideas will change the landscape in America.

Maybe we can attract a whole lot of people to become principals after they leave their current positions and we could have non-traditional principals right alongside some of those who come through the educational models.

So, it says break the mold. That is what we want, so your opportunity. Thank you.

(Applause.)

GOV. GLENDENING: John, thank you very much, and we also thank you for your leadership in
working with the Center for Best Practices, which is having a significant positive influence across this country.

We will now convene as the NGA Executive Committee.

All Governors are welcome to participate, but, as our rules indicate, only members of the Executive Committee may vote.

First, I would like to ask if we could have a motion and a second to approve the minutes of the November 13th, 2000 Executive Committee meeting.

GOV. ENGLER: I would so move.

VOICES: Second.

GOV. GLENDENING: Discussion? All in favor?

(Chorus of Ayes.)

GOV. GLENDENING: We now move approval of the Executive Committee policy positions.

Unless someone has a particular issue to discuss, we will move four policy issues forward as a block.

The issues are:
Amendments to the proposed Tobacco Settlement Funds;
Political status for Guam;
Streamlining state tax sales systems; and
Equal rights.
These are all simply the reaffirmation of existing policies.

Do I hear a motion and second for all four?

GOV. ENGLER: So moved.

VOICES: Second.

GOV. GLENDENING: It has been moved and seconded. Discussion?

(No response.)

GOV. GLENDENING: Hearing no nays, the ayes have it. Let me also call upon Governor Engler to give a quick year-to-date financial statement.

GOV. ENGLER: I'll just do it right from here.

Through December, 2000-- This is important. I heard Christy Whitman talking about the support that we needed to show--


GOV. GLENDENING: May I ask those who are leaving if you could do so as quietly as possible so that we can hear the financial report. John?

GOV. ENGLER: One of the other ways that we support the organization was with a little bit of cash.

The operating fund revenue through December, 2000 is on target.

Actually, expenses are under budget, which is good news.

We are showing some of that fiscal restraint, and we have also had some fortuitous staff vacancies, and sort of end-of-the-year timing differences.

Now, like everybody else, the NGA and our endowments have experienced some declines.

The market value of our endowments is down a little bit over the past six months, but they are still doing pretty well against the benchmark indexes that we looked at.

We think we will be at break-even, by the way, at the end of the fiscal year in June.
There looks to be a pretty good situation about the dues being paid.

There are a couple of states that we'll counsel with, but, other than that, everybody is in good shape.

I congratulate you on your attentiveness to this.

This is a small, modest investment for substantial return. Thank you.

GOV. GLENDENING: Thank you very much, John, for the work that you have put into this financial report.

The report will be accepted. Let me just make a couple of very quick announcements, or reminders really.

The Governors-only luncheon/work session will be held immediately after this session, if you could proceed almost immediately to Salon 1 at this level.

The committee sessions will then follow at 2:30 in other rooms, as you are all aware from your schedule.
I would also note that, for this evening,
Governors must provide their own transportation to
the White House.

Tomorrow at the White House meeting, buses
for the White House will leave on Monday at 9:00 a.m.
sharp at the Pennsylvania Avenue entrance.

Lastly, a reminder that the deadline for
submission in writing of new policies under the
suspension of the rules procedure is Monday at 5:00
o'clock.

We will adjourn this session and reconvene
at the Governors-only luncheon. Thank you very much,
ladies and gentlemen.

(Whereupon, at 11:00 a.m., Sunday,
February 25, 2001, the meeting was adjourned.)
NATIONAL GOVERNORS ASSOCIATION

2001 WINTER MEETING

CLOSING PLENARY SESSION

- - -

Tuesday, February 27, 2001

- - -

J.W. Marriott Hotel
National Place
1331 Pennsylvania Ave., N.W.
Washington, D.C.
Grand Ballroom
9:55 a.m.
CHAIRMAN GLENDENING: I'd ask everyone to take their seats.

(Pause.)

I haven't heard everyone get that quiet since I was teaching my class there. Great. Great.

(Laughter.)

CHAIRMAN GLENDENING: Ladies and gentlemen, we can go ahead and start.

First of all, this is the Closing Plenary session for the 2001 National Governors Association Winter Meeting.

It has been a very productive conference and I just want to thank all of my colleagues and our staff for the tremendous work that has been done. We've had an opportunity to meet with the President, both socially at his dinner, and I thank him for his hospitality and his graciousness, as well as working with the President in a business session the very next day.

We have also been joined by a number of
Cabinet members in our work sessions as well as our plenary sessions and in fact, a record nine Cabinet members, several of which are our former colleagues. We have also reached agreement on a couple of very important broad issues.

Our education policy recognizes the Federal Government's obligation to fund new education mandates. It recognizes our support, our continuing support, as we have always done as governors, for establishing quality standards and for testing and holding accountability on those standards. As well as a renewed emphasis on our commitment to special education and the Federal Government's obligation to fund its fair share of that special education formula.

Our proposed Medicaid policy calls for a new federal/state relationship in terms of administering the program so that bold changes can be made to make it more flexible and dynamic. And I want to thank Gov. Sundquist and Gov. Dean for their leadership in that as well.

And it provides an opportunity to make sure
that we are protecting the needs of citizens who are most in need for continued health coverage under Medicaid.

And one that I enjoyed particularly was our work session on growth and quality of life task force. We'll be commenting more on that later when we turn to our guest speaker on this.

To accommodate some governors with time constraints, and particularly Gov. Hodges, who is lead governor on a couple of very important issues here, I must leave a little bit early for a plane, but we're going to move directly to the business portion of our meeting first and then go into the speaker.

If we could move first to the consideration of the proposed policy positions.

Policies were originally sent to the governors on February the 9th. The packet in front of you reflects those policies with amendments that were made by the Executive Committee and the standing committees at this meeting.

They require a two-thirds vote of those
present and voting.

To expedite matters, if we could, as we've done in the past, as appropriate, the committee chair can move the adoption of their committee policies en bloc all at once.

Let me begin with Gov. Geringer from the Committee of Economic Development and Commerce.

Where is Jim?

GOVERNOR GERINGER: Mr. Chairman, I'm right here.

I know it's brilliant over here in this corner.

(Laughter.)

The Committee on Economic Development and Commerce met on Sunday afternoon. We had remarks from our chairman, Gov. Johanns, and vice-chair, Gov. Siegelman.

We heard from three individuals on rural economic development, particularly on how the rural economy is two rural economies -- those who have benefited from economic recovery and those who have not, some strategies that the states can take to
bring that gap closer together and some alternatives for rural housing investment and community economic development were discussed.

The committee unanimously approved amendments to six policy statements on highways, railroads, clean air, housing, economic development, and international trade.

Mr. Chairman, we also approved a reaffirmation to renew the policy statement on bankruptcy.

So I move that this session approve the six policy statements and the reaffirmation of the seventh policy statement en bloc.

CHAIRMAN GLENDENING: Do I hear a second for that motion?

GOVERNOR VILSACK: Second, Mr. Chairman.

CHAIRMAN GLENDENING: It's been moved and seconded.

All those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING: Opposed?

(No response.)
CHAIRMAN GLENDENING: The ayes have it.

Thank you, Jim. Great job.

Now Gov. Vilsack with the Committee On Natural Resources.

GOVERNOR VILSACK: Thank you, Mr. Chair.

The Natural Resources Committee met on Sunday and heard a set of interesting and informative presentations, including one from the new Secretary of Agriculture, Ann Veneman. We also heard from a panel of agricultural organizations and representatives who are engaged in discussion about agricultural policy and the farm bill which will be coming up for discussion next year.

Mr. Chair, the Committee is recommending amendments to five existing policy positions, two reaffirmations of existing policies, and two new policy positions.

Specifically, one of the new policy initiatives, NR-26, on natural gas, received a small, friendly amendment that was unanimously adopted.

That policy, along with the other recommendations, are being forwarded for
consideration today.

These were accepted unanimously by the Committee and I move their adoption en bloc.

CHAIRMAN GLENDENING: Second?

GOVERNOR HODGES: Second.

CHAIRMAN GLENDENING: Discussion?

(No response.)

CHAIRMAN GLENDENING: All those in favor --

(A chorus of ayes.)

CHAIRMAN GLENDENING: All those opposed?

(No response.)

CHAIRMAN GLENDENING: The ayes have it. I know my colleagues join in this as well. My legislative session is in and we were just coordinating some votes on the Senate floor this morning.

I just with things were this easy back home.

Next, Gov. Hodges and the Committee on Human Resources.

GOVERNOR HODGES: Thank you, Mr. Chairman.
The Committee on Human Resources met on Sunday afternoon and had an excellent discussion about turning around low-performing schools.

Gov. Taft brought two speakers from the Cincinnati school system. Also, Gov. Davis from California brought in an excellent speaker and I brought two from South Carolina.

In addition to that, we had the group from VH-1 and the Save The Music Foundation come in and make a presentation regarding music education in our schools.

We found it very exciting and I think a number of the governors have taken from that an opportunity to focus on music education.

Gov. Huckabee made a presentation regarding a music education program that he has in place in Arkansas.

The committee also passed a number of policies that you have before you, including two new policies, one new resolution, amendments to nonexisting policy positions, and the reaffirmation of one existing policy position.
And I would move that the policy proposals, the resolution, and the amendments be approved en bloc.

CHAIRMAN GLENDENING: Do I hear a second?

GOVERNOR VILSACK: Second.

CHAIRMAN GLENDENING: It's been moved and seconded.

Discussion on the motion.

(No response.)

CHAIRMAN GLENDENING: All those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING: Opposed?

(No response.)

CHAIRMAN GLENDENING: The ayes have it.

The Committee report is adopted.

We have a motion from Gov. Engler with regard to the Executive Committee policies.

VICE CHAIRMAN ENGLER: Mr. Chairman, the Executive Committee policies are, one with some changes, a tobacco settlement funds policy which I think is pretty straightforward.

The amendments -- first of all, the policy
reaffirms -- what is the policy? -- reaffirms the
governors' commitment to devoting portions of the
tobacco settlement funds to health care programs.
But more importantly, emphasizing the decisions are
made at the state and local level.

And so, we think that these are just
clarifying amendments to this policy that are very
important for us to have when we're talking up on the
Hill.

Michigan is, interesting, one of these
states where there's been some suggestion that our
use of tobacco funds for education somehow undermines
the purpose that some people had in mind that we have
to fund all health care programs with these dollars.
We believe we have a lot of flexibility.
But this sort of gets us on record, I think, in the
right way on the issue.

The other policies that are up deal with
political status for Guam, streamlining the state
sales tax systems, and an equal rights policy.
So those are long-standing policies, and we
just renewed those.
The streamlining for state sales tax systems, I do know that that has been an issue of some debate in the past and I have been requested -- Governors Owens and Cellucci -- Paul has another commitment and Gov. Gilmore wished to be recorded as no votes on that particular policy, and that certainly would be consistent with the debate that we've had.

But I would remind all of the governors that the policy itself allows for the states to opt in. This is not a mandatory policy, but allows those of us who -- it does not provide for Internet taxation, which I think it's pretty clear that we're against. It's clearly dealing only with the limited issue of sales tax collection of the use tax of goods sold over the Net.

But it reaffirms our opposition to taxation of the Internet, but does deal with the collection process, which has been complicated and it's been an issue subject to our policy going all the way back to the catalogue debates that we've had here, where, after the Quill decision by the United States Supreme
Court, collection difficulties abounded. And so, I'm very strongly in support of maintaining the policy and of the individual states' efforts to come together collaboratively. It does not preclude any state from dropping its use tax collection or it doesn't impose a burden on the five states that have no sales or use taxes at all.

So I would move the adoption of the report.

GOVERNOR VILSACK: Second.

CHAIRMAN GLENDENING: It has been moved and seconded for adoption of the Executive Committee policies.

Discussion? Governor?

GOVERNOR OWENS: Mr. Chairman, Gov. Engler, thank you very much for that outline. I don't see where it does reiterate our opposition to Internet taxation. I actually had believed that NGA was on record fairly consistently supporting the concept of moving ahead with taxation of the Internet.

I've briefly reviewed it and just didn't
see the language that reaffirms our opposition to Internet taxation.

CHAIRMAN GLENDENING: Gov. Engler, of course, is the lead on the discussion here. But let me also just emphasize in terms of clarification of existing policy, NGA is opposed to tax on the Internet, the process, the Internet, anything of this type.

The only thing that the policy tries to do is to say that when there is a tax on a sales product in an existing state, that a mechanism would be in place to permit that state to continue to collect that tax if it wishes to do so.

GOVERNOR OWENS: Mr. Chairman, do we have a resolution that puts us on record against Internet taxation?

Is that part of our current policy?

CHAIRMAN GLENDENING: It has always been part of the debate and discussion. We don't normally have policies in the negative, if you will.

VICE CHAIRMAN ENGLER: Well, excuse me.

I've been signing lots of letters talking about the
opposition to taxing the Internet.

It doesn't say that in the policy. The policy does only deal with the sales tax collection portion.

But that has been our consistent policy on the Hill.

We did deviate only in this sense. There were, I think, four or five or six states maybe that had some type of pre-existing taxation. And even the moratorium that was passed -- and I thought there was something in the moratorium policy that we had.

We had a specific policy in the moratorium on taxing the Internet that was up, and at that time, we had quite a vigorous debate. And we came out with a position which eventually prevailed in Congress that Congress wouldn't pass a law to try to pre-empt existing taxes that were in place, but they would preclude the levying of further taxes.

And that is the law today. That is the moratorium.

This issue that is before us deals with tax collection of use taxes. Use taxes in 45 states --
and I think in Colorado -- are required by state law. The question is how do you collect use tax on remote sales?

We've had problems going back to catalogue sales. We anticipate that those can multiply when the Internet becomes the device and they could multiply in unforeseen ways if retailers begin to divide their companies and, in effect, have one company and then a second Internet company that handles the sale of products.

It actually could erode not only the use tax, but it could erode the basic sales tax in some states. And where states have no income taxes, obviously, that would be a big revenue impact.


Gov. Ridge, you had a comment?

GOVERNOR RIDGE: Thank you. Gov. Engler covered it for us.

I think, historically, we've been universally opposed to taxes on access to the Internet. But there is some division among the
governors who, particularly of those states who rely
so heavily on the sales and use tax, that we ought to
look for a government/private sector-led, consistent
uniform tax identifying goods and services across the
board, so we don't put a disadvantage to the folks
who are paying taxes on Main Street, supporting the
fire department and supporting the schools.

So I think there is a difference of opinion
within the NGA on that.

Access to the Internet, I think we're
universally opposed to taxing access. And I think
John mentioned that.

CHAIRMAN GLENDENING: Gov. Geringer, and
then Gov. Gilmore.

GOVERNOR GERINGER: What I hope we don't
lose track of is the purpose for this resolution or
this policy statement.

This is a reaffirmation of an existing
policy statement that deals with simplifying and
streamlining state sales tax systems.

Even more fundamental than that is whether
or not we are asking to have Congress not pre-empt
the states' alternatives.

If you consider, for instance, that Virginia and Maryland is close in proximity as they are and have different approaches to this resolution, as well as their own state sales taxes, Colorado and Wyoming the same way, we should each be given our own prerogative and not have it precluded or pre-empted.

If you vote against this resolution, you're in essence saying that you favor pre-emption by Congress. And I would urge you not to do that.

Favoring this resolution is a way to say that, for those states who would opt in to working with the Congress and opt into an interstate compact that would standardize definitions, provide for standardizes audits, the mechanism whereby we could collect sales taxes, if that were our choice, that enables us who would do that, to do that, to say to Congress -- we don't want any kind of policy. We do not want to encourage compacts, then pre-empts us from doing that.

I would hope that as governors, you would not pre-empt those of us who wish to go one
direction, while protecting your right to choose your
own direction would still be maintained.

As Gov. Engler pointed out, and others have
talked, we are going to see a dramatic shift in how
retailers conduct business, even with those who have
brick and mortar stores.

Today, you can collect sales and use tax
from anyone who has a nexus or a presence in your
state.

If the moratorium were to be extended, or a
prohibition on taxing any goods sold on the Internet
were extended, any store who sells any product, any
goods, can exempt itself from taxes simply by
allowing you to order that electronically through a
subsidiary set up on-line in the same store,
physically making your purchase after you try it on
or look at it in that same store.

There will be a loophole so big that you
will not collect a single sales tax.

Let's not guarantee that. Let's guarantee
us some options. Supporting this resolution and
supporting an approach with the Congress that would
give us the choice of whether or not we would opt in,

is far better than to say, let's pre-empt those
states who, if you calculate nationwide, 40 percent
of all state revenues come from sales and use taxes.

Let's not automatically set that aside and
say, no state will have a choice. Let's encourage us
to have our own choices.

CHAIRMAN GLENDENING: Thank you, Governor.

Gov. Gilmore?

GOV. GILMORE: Mr. Chairman, I think that
everybody here is aware that I chaired the Advisory
Commission on Electronic Commerce for one year. Gov.
Locke was also on that commission, as well as Gov.
Levitt. And we had one full year of very heated
debate on this issue, and I think we probably don't
want to reawaken all that this morning here at NGA.

However, there are several points that I
feel like that I would like to make this morning to
certainly state clearly that I want my vote recorded
no on this policy.

It is true that NGA has not been in favor
of taxation of the access to the Internet and those kinds of specialized taxes. But the NGA has been following a consistent policy to support taxation on commerce over the Internet.

Certainly, my position individually and the position of the majority of the commission that studied this for a year was that we should not be supporting taxation of commerce over the Internet.

There was also certainly a factual discussion at the time in which people were talking about the fact that e-commerce was going to take over everything in retail everywhere all the time.

I think history has now demonstrated that that so far is not the case, that the concern about retail being destroyed was a panicky response, maybe even deliberately generated.

The current status that we have is that we have a moratorium that continues to grandfather. As a matter of fact, even access taxes, even the access taxes are grandfathered in under the current moratorium.

Let me be very clear about this.
The purpose of this resolution is an effort to streamline sales tax in the states for the purpose of overcoming the Quill decision, so that commerce can be taxed on the Internet.

That's what this proposal and resolution is here this morning.

It's an ongoing issue. We're very well aware of that. Gov. Geringer raised a very legitimate issue about how technically you could put terminals in stores and thereby avoid taxes over the Internet.

But my proposal has always been that we simply do not tax remote sales over the Internet.

And that of course would eliminate that concern and that was thoroughly discussed in the year's debate.

I certainly want to be recorded as no on this and would suggest, Mr. Chairman, that we may wish to leave the vote open for a limited period of time so that other governors not present can have an opportunity to record their votes.

I know that in the past, anyway, one or more of the governors who are not here, the governor
of California being one, has voted no in this type of
position. He's not able to be here this morning, but
others may want an opportunity to record at a later
time.

I would vote no and would ask that the roll
be kept open for at least several days.

(A chorus of ayes.)

VICE CHAIRMAN ENGLER: My sense would be
that we just go ahead and take the voice vote. We
don't normally record noes, but I think in this case,
given the deference of some of the members that have
such strong feelings, rather than get into a recorded
vote with the attendance that we have, renew the
policy.

But if there are some -- as I said, there
are some members who wish to be recorded no -- let's
do that.

So, again, I think we've already moved the
policy.

CHAIRMAN GLENDENING: The motion on the
floor is actually for all of the policies for the
Executive Committee.
Mr. Vice Chair, if it's okay with you, I'll interpret that motion as being all the policies except for this one. We'll have a separate voice vote on this policy.

Is that all right?

VICE CHAIRMAN ENGLER: That's fine.

CHAIRMAN GLENDENING: All those in favor of the other Executive Committee policy recommendations, with the exception of the e-commerce one, all those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING: If we have then a separate motion on the e-commerce -- is there a second for it?

VICE CHAIRMAN ENGLER: Second.

CHAIRMAN GLENDENING: Moved and seconded. All those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING: Those wishing to be recorded as a no?

Gov. Gilmore?

VICE CHAIRMAN ENGLER: And just checking on
the Chair, Vice Chair on that -- and Gov. Cellucci
left a vote with me on that.

CHAIRMAN GLENDENING: Yes, Gov. Cellucci


If we could turn at this time to suspension

of the rules.

Gov. O'Bannon?

GOVERNOR O'BANNON: Mr. Chairman, I move to

suspend the rules on the education policy.

CHAIRMAN GLENDENING: Second? This is for

purpose of consideration of the Committee on Human

Resources amendments to H.R.-4, the education reform

package.

Do I hear a second for that?

GOVERNOR SUNIA: Second.

CHAIRMAN GLENDENING: All those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING: Three-fourths having

said aye, the rules are suspended.

The proposal is outlined in the pink packet

before you and the committee is recommending

amendments to this policy.
GOVERNOR O'BANNON: Mr. Chairman?

CHAIRMAN GLENDENING: Yes?

GOVERNOR O'BANNON: I move the policy, H.R.-4, as amended.

CHAIRMAN GLENDENING: We've had discussion of this in the governors-only luncheon as well, as the committee discussions and all.

I would remind you that it requires a three-fourths vote.

All those in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN GLENDENING: Opposed?

GOVERNOR KING: Mr. Chairman, I'd like to just comment for a moment.

I'm in support of this amendment. I have talked to my commissioner of education. Again, the only little caveat that I want to put up is that we are supporting annual assessments of students in reading and math.

I just want to be sure that the ultimate legislation that emerges, number one, assures that states and localities will design those assessments.
Number two, that the Federal Government, if they're going to require the assessments, provide funding for same.

And number three, that there be flexibility in terms of the design of the assessments because if we're going to have a national test imposed on us from Washington, it's going to be logistically difficult for the states.

So I think that the language here is sufficient for that, but I just wanted to note for the record that if you look at this resolution overall, there is a definite quid pro quo, and the governors are accepting additional assessment and additional accountability.

But without the funding, certainly, our willingness to accept those mandates should be contingent upon the additional funding that will be part of this package.

CHAIRMAN GLENDENING: Gov. King, you're exactly right, and that was our discussion both with the governors and a sense of the resolution. There was also a discussion with the
Secretary of Education, Secretary Paige, as well as with the President. And when we meet later with legislative leaders, we will try to reinforce that very important point as well.

Gov. Hodges had to leave. He was one of the lead governors on this.

We have a motion and a second. Any other discussion?

Governor?

GOVERNOR KEMPTHORNE: Mr. Chairman, I would just reiterate what Gov. King pointed out, but we have added a new section, which is Funding Federal Mandates, and I will read the first line:

The Federal Government has an obligation to fully fund education mandates on the states. And also the last portion of this where we do reiterate our position that there should be full funding for IDEA.

CHAIRMAN GLENDENING: Yes.

GOVERNOR KEMPTHORNE: Thank you.

CHAIRMAN GLENDENING: Thank you. With those clarifications and points of emphasis, we have the motion and second before us.
All those in favor?

(A chorus of ayes.)

CHAIRMAN GLENDENING:  Opposed?

(No response.)

CHAIRMAN GLENDENING:  The motion is adopted.

Now we can move to today's guest. I was very pleased that yesterday, our new Cabinet members, Secretaries Whitman and Mineta and Martinez, attended our Smart Growth and Quality of Life Task Force meeting and making it clear in the discussion that this moving more from just a nationwide discussion of sprawl and quality of life issues, and instead, much more to a discussion of what is the national government's role in this as well, and can we have an active partner in the national government.

I do want to thank several of the governors who participated in that meeting and who made significant contributions in their own right.

Gov. Ventura was there an hosted a regional policy conference on smart growth just recently and in fact, has proposed several initiatives for
Minnesota, and particularly dealing with the issue of transportation and sprawl.

Gov. Hull will be hosting a meeting in April in Arizona addressing the issue of smart growth and land use policies.

Gov. Barnes was at the task force and has taken very significant actions with a new regional authority that has the ability to override both on transportation and planning decisions when they contribute to sprawl.

I do think, by the way, that it was interesting that the main effort, as I understand it, Roy, for your initiative, came as much from the Greater Atlanta Chamber of Commerce as it did from the traditional environmental groups, reflecting the fact that sprawl is considered increasingly to be a drag on economic development.

And Roy, I thank you for your leadership as well.

There is clearly a genuine sense of urgency on this issue. When I say a sense of urgency, it's not just rhetoric, but I just ask people and I ask
our citizens every so often to stop and think about it, how many times you've gone by a place just in your routine travels to and from work that, a month ago, might have been a forest or a tree stand and is now a strip mall or if you think about the farm that was there for years and years and all of a sudden, is a subdivision.

And what we're seeing, an accelerated pace all across this country, is the loss of those open space and those trees and forests and agricultural land.

Smart growth and the quality of life issue speaks directly to the concern of many of our citizens on this. It is about people's desire to spend evenings at home with their family instead of sitting in traffic congestion. And it's about creating safe, walk-able communities. And it's about people wanting to enjoy open space and parks and playgrounds.

But I would also emphasize, it is about better use of our tax dollars.

Sprawl, in fact, is fiscally irresponsible.
In Maryland, without exaggeration, we will be spending tens of billions of dollars to accommodate sprawl in terms of water and sewer lines and roads and new schools and new parks and so on.

And across the country, again, minimally, hundreds of billions of dollars to accommodate sprawl.

And I just want to stress that sprawl is not just an issue here. It's not just an east coast or southern or west coast issue. There's just unplanned and poorly planned development in just about all of our states.

And I note with great interest that 25 governors currently have major initiatives, either legislatively or in budget in terms of dealing with this issue, and in fact, 34 governors used the discussion of sprawl or quality of life relating to that as part of the state of the state message.

On this topic, I'm very pleased to present our guest here today. We are joined here this morning by Thomas Hylton, our guest speaker.

Mr. Hylton is a Pulitzer Price-winning
journalist from Pennsylvania and is the author of the book, "Save Our Lands, Save Our Towns."

There is a copy of this at your desk, in front of you there, and we present this with the compliments. And we're very, very pleased that the author is here to work with us.

I would also note that Mr. Hylton is host of a public television documentary of the same name. The program was broadcast on the Pennsylvania public broadcast system in the summer of 2000, and will air nationwide this year.

Since publication of this book in 1995, he has given over 250 presentations in 25 states on land use, planning, and community-building. And in Pennsylvania, his book has been distributed to every legislator and 500 other state and local officials by the Pennsylvania secretary of environmental protection.

He's a three-time winner of the American Planners Association annual journalism award. Thomas Hylton received a fellowship from the Society of Professional Journalists in 1993, to study state
planning issues. And his book is based on that
research.

For 22 years, he wrote for the Pottstown
daily newspaper, The Mercury. His editorials
advocating the preservation of farm land and open
space in southeastern Pennsylvania won a Pulitzer
Prize in 1990. And he has served on the town planning
commission.

Let us give a very warm welcome to our
guest speaker here today.

(Applause.)

MR. HYLTON: Thank you very much. Thank
you.

Abraham Lincoln said that a nation consists
of its territory, its people, and its laws. But we
might also add it consists of the things that people
build on their territory.

We build houses. We build stores. We build
offices.

And the question I ask you to consider this
morning is, does it make a difference how we arrange
the things we build?
Does it make a difference if we put the houses over here and the factories over there and the offices over there?

Well, there's a growing recognition across this country that it does make a difference. It make a huge difference, because if we arrange things the right way, we can build real communities, places that bring out the best in people and help them thrive.

If we build things right, we can protect the environment, the farm land and the forests we love.

If we build things right, we can save people a lot of time and a lot of money.

We can even promote social justice, make it more likely that every child in this country will have a fair chance in life, just by the way we arrange the things we build.

And some people call this smart growth. I like to think of it as building real communities. And I have some slides I'd like to show you, if we can hit the lights.

One of my most enjoyable experiences is
reporting for field trip duty with my wife's second
graders at the Lincoln School in Pottstown,
Pennsylvania, a small town.

In this particular trip, the kids were
studying local heroes, so we went to visit the
Pottstown police department and the fire department.

Here the kids are shown walking eight
blocks to Pottstown Borough Hall, where they were
given a tour by our community services officer,
Charlie Wagg, also known as Officer Friendly. And
he's explaining to the kids here that the policeman
is your friend.

Then he took them in the basement and
showed them the jail.

(Laughter.)

Then we talked up to the Phillies Fire
Company, where firefighter Bill Kraus explained a
little bit about fire safety in the home. And before
we were done, he blew the siren on the hook and
ladder truck, and the kids liked that.

Then we began walking back towards Lincoln
School. But we stopped off on the way at the Hylton
house. All the kids trooped into the backyard, where they ran around a little bit, had a healthy snack of an apple.

I was in the kitchen at the time sneaking a candy bar. And getting our dog Rugby, so all the kids had a chance to pet the dog before walking on back to school.

Now this kind of pleasant experience is made possible because my town of Pottstown is a pedestrian community, the kind that's been considered obsolete for about 50 years.

And so, we have literally millions of children growing up all across America who have no idea what a neighborhood looks like.

And so, we have to teach them with textbooks. This is actually a textbook. And you can see that they have a drawing there of closely spaced houses just a block or two away from Main Street, with the library and the five-and-dime, and the park where they can have a pick-up game of baseball.

But what we don't explain to our children is that, thanks to modern planning and zoning dogma,
things like single-use zoning, minimum lot size, side-yard set-back requirements, and the vast majority of municipalities in this country with zoning, a neighborhood like this is expressly forbidden by law.

Now I had the good fortune to be born and spend the first few years of my life in one of the loveliest neighborhoods of Pennsylvania, the little town of Wyomissing.

Wyomissing was founded around the turn of the century by two German immigrants who built up a big business called the Berkshire Knitting Mills.

In the 1930s and '40s, the Berkshire was the largest manufacturer of women's hosiery in the entire world. Back in 1912, these industrialists hired a town planner. He drew in the streets and where the parks and the schools were going to be, and he designed Wyomissing to have all the elements of society in less than one square mile.

So my family's little row house, shown here, was just three blocks from the mansions of the men who founded Wyomissing. It was just two blocks
from the Berkshire knitting mills, where my father helped develop the world's first nylon stockings back in 1940.

His office was so close to home, he not only walked to work. He could even walk home for lunch.

And rather than detracting from nearby residential areas, the Berkshire actually enhanced them. It was a beautiful factory complex. My father took this photo in 1944.

Well, my father died at a young age and my family moved into an apartment in the nearby city of Reading, at that time a city of 100,000 people.

Reading was already declining, but still, a great place to grow up. I could walk to all my friend's houses. I could walk to school, where I had a wide range of friends, from the son of a janitor to the daughter of a neurosurgeon.

After school, I could walk everywhere I needed to go. I could walk to choir practice at Christ Church, the Reading YMCA, my favorite place, the Reading Public Library.
At least once a week, I would walk up to my grandmother's apartment, as a present-day second-grader in Reading can still do. My grandmother was always home. She was always ready to give lots of love and attention and I could be useful to her. I could run errands for her at the corner store.

My sister had the use of the family's only car to commute to nearby Albright College, but she could take a city bus if she had to.

Now right up to the 1950s, all over America, our cities and towns had thousands of homes in every price range and they were all pretty close to each other. And they had thousands of jobs and offices and manufacturing plants and they were also close by.

So poor and working-class people could patronize the same stores, the same schools, the same public places as the middle class and the affluent, which fostered upward mobility and which gave everyone in society a personal stake in maintaining public order.

Now I'm dwelling on all of this because,
unfortunately, there's a whole generation of Americans who have no idea what a wonderful place a city or town can be, especially for a child growing up.

In fact, most suburbanites think cities and towns are terrible places to live. And the reason they think they're so awful, even though people have been living there for thousands of years, is because they've witnessed the results of 50 years of senseless public and private policies that have given every incentive for our middle class and affluent residents to abandon our traditional cities and towns instead of improving them, and which have legally mandated an ugly, inefficient, environmentally damaging and socially-divisive way of life we've come to known as suburban sprawl.

In 1948, the year I was born, the City of Philadelphia was a prosperous, stimulating, even a fashionable, place to live. It had an outstanding public school system.

Center city Philadelphia is still thriving, doing better than ever.
But surrounding center city, many of the neighborhoods lie in ruins, while the city abandoned by the middle class, abandoned by industry, struggles just to survive.

Meanwhile, the countryside surrounding Philadelphia, which once boasted some of the most scenic landscapes and fertile farm land in America, has been nearly obliterated by sprawling development.

In the last 30 years, the four suburban countries outside of Philadelphia have lost better than a third of their farmland, even as the region's total population has actually decreased by 160,000 people.

And throughout America, the story is exactly the same.

Hundreds of our traditional cities and towns have lost population since the '50s, always accompanied by eroding neighborhoods. And then outside those cities, our states have lost millions and millions of acres of farmland to low-density, random, sprawling development.

But perhaps worst of all, we've lost that
sense of community that we used to enjoy when we had people of all ages and all income and all walks of life living together in the same physical towns.

Thanks to a fellowship, I had a chance to look at several states, such as Vermont, shown here, that started programs to save their cities, towns and countryside.

State planning is a pretty simple idea. It usually starts off by asking people, what kind of society would you like to shape for your children and your grandchildren?

And once you've thought about it, write down some goals. And then once you have some goals in mind, you come up with a strategy to reach your goals.

And when you have a state strategy, then you want every agency of the state government to follow your plan. And you want your local governments to follow your strategy.

And citizen task forces from the State of Vermont to the State of Washington have reached pretty similar conclusions about what they'd like to
They'd like their cities and towns to be safe and attractive places for people to live. They want to protect their farms and forests. They want good government services at the least possible cost. They want decent housing everybody can afford. They want equal opportunities for all our children. They want to foster a sense of community. And most of these states, after considerable research and debate and public discussion, have reached similar conclusions about what they ought to do. They ought to build communities, not sprawl. Now we all know what communities look like. That's what we put on Christmas catalogues because they make us feel so warm and cozy. We just don't build them. Now a real community, by my definition, first of all, it's got a sense of place. You can tell where it starts and you can tell where it stops.
A real community is a place where at least some people live close to where they work and where children can walk to school.

There's a little town in Pennsylvania called Tawanda. You see the north branch of the Susquehanna and then right off the river is Main Street, with closely spaced stores and offices and a big civic building, the county courthouse. And then right off Main Street you see a very nice residential area.

So maybe if some people work on Main Street, they can walk to work. Kids can walk to school.

A real community has a mixture of people of all ages and all incomes. It's got a mixture of white people and black people and whatever other ethnic groups live in the region.

A real community is built to a human scale rather than a car scale, with a wide variety of housing types, such as apartment buildings and single-family townhouses, and single-family detached houses that are placed close enough together so
people can walk some of the places they need to go if they want to, and they can enjoy some informal meetings and greetings on the street.

A real community has a lot of great big shade trees that are close to the street and close to the sidewalk, and flowers, because nature is so important to us.

After better than 20 years of newspapering, I came to the conclusion that most of the problems we have -- crime, chronic poverty and welfare dependency, the degradation of our cities, the loss of farm land and open space, even the stress in people's lives -- could be greatly alleviated by building real communities.

In 1992, New Jersey passed its first comprehensive plan. New Jersey has identified about 600 of what they call Communities of Place, where they're trying to get the state agencies to focus their energies towards rebuilding their traditional cities, their older suburbs.

Before adopting this plan, the New Jersey legislature wanted an independent assessment of its
likely impact.

The year-long study directed by Rutgers University concluded that implementing this plan would save New Jersey over 20 years, $1.3 billion in infrastructure costs and about $400 million annually in operating costs.

As you know, Maryland has smart growth legislation. Every traditional municipality in Maryland, Baltimore, Cumberland, Hagerstown, is designated as a priority funding area.

Then the counties are asked to define areas surrounding them where it makes sense to have growth at a density that's reasonable and their priority funding areas, and then those are the only places where Maryland is going to put infrastructure dollars.

Washington and Oregon require formal urban growth boundaries around their cities and towns. Development is given the red carpet treatment inside the growth boundaries, except for agriculture and forestry.

It's heavily restricted outside the growth
boundaries.

But even there, there's a problem because inside those growth boundaries, you see the same kind of hodge-podge you see everywhere else.

To build real logical, coherent neighborhoods, we need to rediscover something called the official map.

This is the first official map in Pennsylvania. It was done by William Penn in 1682 of the City of Philadelphia. He drew in the streets and the park system.

As Philadelphia grew out of the Delaware River, it grew according to his official map. And as Philadelphia grew to the north and to the south and to the west, the city engineers extended out the street system. And development happened in logical, contiguous pieces moving out from the center.

And that's how every American city and town grew right up through the early 1900s.

Then we got into zoning blobs.

But now, there are a few municipalities that are rediscovering the official map. This is an
official map of Cornelius, North Carolina, north of Charlotte. Cornelius saw all this sprawl coming their way. They wanted it to be a real town. So they drew out an official map showing where the streets are going to be, and where the parks and where the schools and where the open space is going to be.

And so, this becomes like the picture on the outside of the jigsaw puzzle box. When everybody has built everything they're allowed to build, this is what you're going to look like.

Very few people have any idea how compact a quality community can be. Let me give you this example.

This is a map of Cranberry, the fastest-growing township in Western Pennsylvania. This is what it looks like. It's got 18,000 people sprawled out over 23 square miles of its territory.

Now let's suppose that we were to rearrange the 18,000 residents of Cranberry into two villages. We'll take 6000 people and put them into a village of 1.2 square miles, which I'm going to call Swarthmore.
We'll take the other 12,000 people and put them in a village of 1.8 square miles, which I'm going to call Princeton.

Now everybody in Cranberry Township is living in two villages that take up just 15 percent of the land area. So you're saving your farm land and open space.

And you're also saving a ton of money because you're not putting infrastructure all over creation. You're keeping it in compact areas.

And because people are living closer to things they might want to do, they could actually walk. You could have schools in your villages, public schools, where kids can walk to school or ride a bike.

We even have room in our villages, as small as they are, for higher education. And Swarthmore -- we'll put Swarthmore College, because Princeton is twice as big. We'll give those folks a university.

We'll call it Princeton University.

And because people are living in a compact area, you can have public transportation.
Of course, I'm talking about real places.

The combined population of Swarthmore, Pennsylvania and Princeton, New Jersey, is equal to that of Cranberry. But they take up just 15 percent of the land area, even including most of the college campuses.

And although Princeton, New Jersey is one of the most fashionable addresses in the United States, it's amazingly diverse.

78 percent of the residents of Princeton, New Jersey are non-Hispanic white. 8-1/2 percent are black. 7 percent are Asian. And 5 percent are Hispanic.

9-1/2 percent of the residents of Princeton are poor, almost identical to the state-wide average for New Jersey.

So here you have one of the loveliest places in the United States to live, to work, to bring up children. And yet, it's got room for people of all ages, all incomes, all races, and all walks of life.

And there's been an incredible movement in
just the last five or six years towards building communities that are like traditional towns. And the famous one is Celebration, Florida, being built by Disney.

Disney development sent architects all throughout the Southeast to look at the finest small towns, which they tried to recreate in Florida. This is the downtown of Celebration. It's got closely spaced stores and offices, apartments on the upper floors. The parking is hidden behind the buildings.

Celebration's got great big houses and little houses and in-between houses and apartment houses, all in the same neighborhood.

The biggest lot size in Celebration is a quarter of an acre.

And Celebration has a public school, with all grade levels, K through 12, in one building, and all the kids walk to school.

Of course, in many of our states, we don't need to build new towns. What we need to do is to rediscover and rebuilt and expand the wonderful towns we already have.
And Brownfields reclamation is an outstanding way to do that. This is a former scrapyard in Pittsburgh, Pennsylvania, that's been reclaimed and transformed into a lovely residential and office development.

If I could wish anything for our children growing up in America, it would be for them to live in a real town, like my town of Pottstown.

Within our 4-1/2 square miles in Pottstown, we've got 22,000 residents and 14,000 jobs, an excellent balance that allows a third of us to live and work in the same small area.

Yes, suburban sprawl seems like a natural way of life to us. But in the whole sweep of civilization, it's only a couple of ticks on the clock.

It's an experiment that seemed to work well in the short-run, but does not work at all in the long-run.

Going back thousands of years from the days of the ancients, the Egyptians, the Greeks, the Romans, the Medieval era, Colonial times, right up to
the 1800s and the 1900s in America, the vast majority of nonfarming people have lived in villages. They've lived in towns. They've lived in the neighborhoods of cities because they make so much sense as a way of life.

Standing on the back patio of my house in a cool winter evening, looking over moonlit rooftops to the clock tower of Transfiguration Lutheran Church, which has been standing since the days of Abraham Lincoln, I feel a sense of kinship with my neighbors and the generations before me that have lived under its glow.

If we want to encourage caring in America, I've come to believe we need places to care about.

Thank you very much.

(Applause.)

CHAIRMAN GLENDENING: Tom, thank you very much. He's agreed to take some questions here as well from our colleagues.

Let me ask Gov. Ridge, first, since much of this is part of what's going on in Pennsylvania and, of course, you have been a leader in some of the land
preservation efforts and particularly, I want to tell you as a governor of a state that borders on the Chesapeake Bay, your actions have helped us considerably. And the fact that you're not a Bay state, you could have, I guess, somewhat washed your hands and said, well, it's not our responsibility. And you've really stepped up.

So I'm so pleased to see much of this going on in reference to your state.

So let's start with you, if that's all right.

GOVERNOR RIDGE: First of all, Tom, thank you for your wonderful presentation. I appreciate the fact that you recognize the diversity of the challenges that governors have. It's very complex when it comes to land use and sprawl.

I would note that since your initial assessment of Pennsylvania's challenges, and in part, because of that assessment, we're doing things a little bit different, we think a lot better, in Pennsylvania than we've ever done before.

I just want to thank you for your
presentation.

Having grown up in a smaller community myself, we didn't necessarily walk to school, but we could walk to shop and we could walk to the ballfield and we could walk and visit neighbors and relatives.

I appreciate that notion.

And I would just alert my colleagues that we've invested in a program called Growing Greener, Growing Smarter.

We actually followed Tom's model to the extent that we had 60 or 70 meetings around the state to come up with some plans to encourage local communities on a county-wide basis to start thinking about intelligent growth and planning.

We've invested $650 million in -- we didn't borrow it. When times were good, we just put it out there in a plan to deal with acid mine drainage, to deal with farm land preservation.

We now rank number one in the country in farm land preservation. We rank number one in the country in rails-to-trails.

We still have a lot of work to do. And I
just want to tell you, Tom, that I appreciate your reference to both the achievements that we've accomplished in Pennsylvania, but also the continuing notion of the challenges we have in Pennsylvania as well.

You showed Pottstown and a few other places. We literally have hundreds of those communities in Pennsylvania.

I want to thank you also for featuring Brownfields legislation.

One of the most important things we can do in this country, and I think every governor agrees, if you want to -- not necessarily prevent -- but if you want to slow down the migration of your jobs in your community to the suburbs or to the farm lands, then we need very aggressive support from the Federal Government so that we can re-utilize those old abandoned industrial sites from gas stations to steel mills.

We've done it in 700 sites in Pennsylvania.

And with just a little tinkering of the few regulations here in Washington, D.C., we could do a
heck of a lot more.

To your point, Tom, and finally, I'll conclude, in order to grow those communities, you need good schools and you have to have jobs.

If you have good schools in the neighborhood, if you've got jobs in the neighborhood, people stay in the neighborhood.

If you don't have jobs in the neighborhood, if you don't have good schools in the neighborhood, people are going to leave.

So one of the other challenges we're dealing with suburban sprawl is improving the quality of public education in our urban communities.

And I thank you, Tom, for your great presentation.

MR. HYLTON: Thank you.

CHAIRMAN GLENDENING: Gov. Ridge, thank you very much.

Let me also, by the way, also note quickly one last point.

Historically, there's been a great reluctance for the national government to be involved
in some of these issues.

In recent years, we have recognized, I think, that the national policy can either reinforce reinvestment in existing communities or can contribute to sprawl.

And I was very pleased not only with the secretaries in the Bush Administration that were part of our work group and indicated their strong support to try to find ways to help just state policy -- not anything doing with the federal, but just to reinforce state policy.

But there was a leadership conference up in Pennsylvania which Gov. Bush attended as well. And that was one of the issues that members of Congress had asked as well.

Let me turn to Gov. Vilsack here.

GOVERNOR VILSACK: Thank you, Mr. Chair.

I come from a state that has quite a bit of open space. But we have very few zoning laws. In fact, two-thirds of our counties are not zoned.

I'm interested in knowing, given that dynamic, how you would begin the dialogue in a state
where there has been a resistance to any kind of
direction about land use, the attitude being that
it's my land and I should be able to use it how I see
fit.

MR. HYLTON: If people in Iowa like the way
it looks -- and I had an opportunity to drive through
Iowa in 1993 when it was looking greener probably
than it's ever looked in its history, and it was just
delightful.

And you can drive through the farm fields
and in the distance you can see what it looks like --
woods -- but it's really a town when you get closer.

And if people like that kind of community
that you have in Iowa, you have to make sure that you
support it and that you don't undermine it by putting
infrastructure outside of your traditional towns.

And frankly, I think one of the things you
can do is bring people in from the east or from the
west that have seen their towns undermined by
policies where you have encouraged infrastructure out
in the suburban areas and seen their towns destroyed.
Because you have not reached that point.
Your towns and cities are still relatively healthy. I mean your towns are all healthy. Your capital could use some people downtown, in the downtown areas.

But I think if they like that way that it's been, you have to point out to them, if you don't cut off the infrastructure money, if you don't start thinking about the future of your community, what you have right now is not going to stay that way.

It's definitely going to change.

And you have so many examples across the country of how it can be changed in a bad way.

CHAIRMAN GLENDENING: Let me also, by the way, compliment Gov. Vilsack, who is, in March, the conference on agricultural preservation, leading an effort through the National Governors Association Agricultural Preservation.

I would recall a statement that I heard one time a number of years ago which I think is just absolutely great. And that is, the greatest form of smart growth and revitalization is to preserve working farms.

And that's exactly right.
You start with people wanting to stay viable in the agricultural community. You reduce significantly that pressure just to go outwards. So I commend you, Governor, in terms of your leadership in that as well.

Gov. Minner?

GOVERNOR MINNER: We have some unique problems in Delaware. If you think of a state where we have local zoning, home rule for municipalities. The local zoning is by counties. The state does not do any zoning at all.

We all think of that wonderful American dream where we want to own our own home on an acre lot, with lots of grass to cut, until we have to cut it.

(Laughter.)

But then we go back to that idea of saying sprawl, where 72 percent of our population live in those areas. It's very hard to change the mindset, not only of the people who own those homes, but of the municipalities and the counties who do that.
zoning.

Any suggestions? And did you have those kinds of problems to deal with?

MR. HYLTON: Well, in Delaware, you've got it easy compared to Pennsylvania because we have the most fragmented local government in America.

We've got 2500 individual, little municipalities.

The first thing that you can be optimistic about is that the demographics are all in your favor.

First of all, the Baby Boomer generation, we're getting into our 50s and we don't want to have a big house to take care of, and a big lot. We want to be closer to activities and things we want to do.

The household size, the family household of the 1950s, where you had mom, dad, and the two kids, that's just 25 percent of our households.

The growing households now are single people living alone. The growing households are single-parent families. They want to be closer to things that they want to do.

Immigration has a huge impact on our
country, getting more than a million immigrants. And they traditionally start off in traditional cities and towns.

And as you know, cities and towns are getting safer, much safer than we thought they could be ten years ago.

And then, you see more middle-class people moving into the cities.

Wilmington is seeing an increase in its population. Well, that's not by accident. People are finding it more convenient.

And you know that there have started some traditional developments that are being built across the country. There's one they're trying to build in Delaware, Whitehall. And as more of these things get built and people see them and see how nice they are, it's going to be a lot easier to sell them.

We are a nation of salesman. And what you have to do is sell people on a better idea. That's what we're doing all the time in private industry.

And why on earth would you drive everywhere for everything? You have all the disadvantages. You
can't walk out in the countryside. It's too
dangerous. In a town, at least you can walk. You can
save yourself a ton of money by not having to drive
everywhere. You can have that sense of place and
community.

And I think you need to create the vision
and make it a really clear, compelling vision and get
your state agencies, everybody to understand what
that vision is, which I know isn't easy.

But you have to get them to understand the
vision and get the rules and regulations fitting in
with the vision of what you're going to do, and you
can make powerful differences.

GOVERNOR MINNER: That sounds easy. However,
in Delaware, we find that our largest-growing
population are those retirees who are moving to our
state from the large cities. And they're the ones
looking for that acre and home.

And it makes it very difficult. They are
not our own Delawareans.

We've passed strong legislation for ag land
preservation and are doing very well with that. We
have our open space and greenways legislation passed and doing well.

But our largest-growing population in Delaware happens to be retirees.

MR. HYLTON: Well, I think there's an excellent opportunity for you to get them to start shepherding them into Wilmington and Dover and Newark and your other traditional towns because they're going to find out, as they're getting a little bit older, that driving everywhere is not a convenient way to live. They'd like to be a lot closer to their services.

And you've got an excellent population to work on.

GOVERNOR MINNER: Well, I think they'd like to be closer to our seashores.

(Laughter.)

And that makes a difference as well because that's where the majority of them are retiring for their retirement homes.

CHAIRMAN GLENDENING: Let me turn to Gov. Engler and then Gov. Barnes.
VICE CHAIRMAN ENGLER: Thank you for the presentation this morning. I think it's been excellent.

I'm curious if, walking out today, we pointed to the Mayor of the City of Detroit and you arrived there to find that there's a city the size of Detroit -- there are no movie theaters that are currently operating in the city. There's great question about the quality of the schools. And so, many parents feel it's an imperative, as soon as their children reach school age, to be moving outside the city.

Crime is down, though, the lowest rate in some 30 years.

But this is a very challenging situation. What do you think the big cities have to do to tackle this first because it seems to me that the smaller towns have some scale advantages. By being smaller, they can change a couple of things and it will be more impactful.

One of the problems in a large city, it seems, is that an attempt to do something, often, the
cities do a little bit here and a little bit there, and you don't get the critical mass. I'm just curious as to what you'd advise say a city government in one of the large urban centers. It wouldn't have to be Detroit, but that's an interesting example, since I'm from Michigan.

MR. HYLTON: Well, I was in Detroit for the first time in my life about five years ago and I was absolutely astonished because I expected it to be a total dump, from what I had heard.

And frankly, I was amazed at how Detroit in the '50s must have been incredibly beautiful.

VICE CHAIRMAN ENGLER: It was.

MR. HYLTON: It is not a city of high dense, packed houses. It's a city of beautiful single-family houses, wonderful neighborhoods, terrific views. The finest downtown architecture you could find anywhere in the country.

I was just literally blown away.

And I think you need to start with the people who are not going to be as afraid of the schools. You need to start with those kinds of people
that you can attract into Detroit.

And I think aiming things like Brownfields reclamation, which has done wonders for Pittsburgh and which can do wonders for Philadelphia, you really need to put money into reclaiming those brownfields. You really have to cut off the infrastructure dollars out into the suburban areas.

And I think that you will find, as I said, the demographics are in the favor of people wanting to move back into cities and towns. Once they get there, they find that they're a lot more attractive than they thought.

And I think that we're seeing a trend towards people moving back into cities.

But once again, every state policy you look at, you have to look at it as, is this going to encourage the redevelopment of a city or is it going to undermine it?

Take schools, for example.

In Maryland, Gov. Glendening, when he came in, you were spending something like 34 percent of your money on rehabbing schools.
And now, it's 80 percent because now, Maryland has changed the funding formula to say, the older the school is, the more money we're going to give you to subsidize to rehab it, because we want to keep the schools right where they are. We want to rehab the schools. We don't want you to consolidate schools out into a cornfield somewhere.

And then after that, we in Pennsylvania went to the secretary of education in Pennsylvania and said, you're giving a subsidy to build new schools. If rehabbing a school costs 60 percent or more of the cost of a new school, we want you to build a new school.

We'll give you a subsidy for that.

And now, we've changed that formula so that whether you rehab or you build new, you get the same exact subsidy from the state.

And it's a matter I think of looking at every policy you have and saying, is it going to encourage redevelopment of our cities and towns or is it going to discourage it?

And the same thing with transit and
highways.

Highways certainly encourage people to move out of cities and towns, transit makes towns healthier.

CHAIRMAN GLENDENING: I would note, by the way, in the Brownfields, that there's several pieces of federal legislation that are talking about strengthening the Brownfields considerably, which we have used successfully and I know a number of my colleagues here have as well.

Let me turn next to Gov. Barnes, and then trying to keep order, as I see them here, Gov. Holden after that, and then Gov. O'Bannon and Gov. Geringer.

Senator Daschle is running just a few minutes late, so I think we'll have time for these questions as well.

Roy?

GOVERNOR BARNES: I want to follow up on something that Gov. Minner said.

When you ask people about, just as you pointed out, when you ask people, what is idyllic? What is ideal about where they want to live? They
want to live in these neighborhoods and everything else.

But when it turns to density, if you ask them about that, then they go berserk on the density. The first question is, how do you ever reconcile that, because that becomes a big problem. In any of these efforts, when you say, we want to build neighborhoods. So, therefore, we have to increase density.

It's used as a political weapon. You know these folks are trying to build more per unit. The second thing is, I'm a big believer that private business is what moves development patterns. What kind of incentives have you seen that work with private business to create this type of development?

And lastly, what do you do about the sprawl developments that you've already shown here? What do you do with them, that's already built?

MR. HYLTON: Okay. I'll be happy to answer those.

But first, I want to mention, I feel bad
that I didn't mention -- I know that Michigan is a
leader in Brownfields reclamation and I didn't mean
to -- I recognize the fact that Michigan has been out
in the forefront of that.

As far as density, Americans have no
conception of density. And density is just a word you
stay away from.

I'll give you an idea about how Americans
have no idea of density.

Most people would agree that Paris is one
of the most beautiful cities in the world. Well, let
me say, when they think density, they think of
European cities.

We're not looking for density that's even
close to that.

Most people think that Paris is one of the
most beautiful cities in the world. It's got the same
population about as Chicago, about 2 million people.
But in land area, it takes up the same size as
Peoria, Illinois.

So if you took all the people in Chicago
and moved them to Peoria, Illinois, that would be the
density that you're talking about, European density. That's 50,000 people per square mile.

We don't need anything close to that to make walking possible. All we need is 5000 per square mile. That's Swarthmore, Pennsylvania.

If you want to make it really easy to walk, really easy to get around, then 10,000 people. That's Charleston, South Carolina, one of the most beautiful cities anywhere in the world. Or that's Oak Park, Illinois, a lovely, green, leafy, suburban, 1920s suburb of Chicago.

So when you're talking about densities, you have to be careful to say, we just want to put things close enough together so that people can walk. And we know what that formula is, how many people you need. About 5000 to 10,000 per square mile. And you need to show them what you're talking about.

It's so important. Once they see what you're talking about, they say, yes, I really like that.

Then the second question was private developers. And of course, you're very fortunate. The
chamber of commerce is taking a lead in this issue. And you have John Williams, who is going to do more to covert builders towards building traditional communities, probably, than an awful lot of government efforts could ever do.

And I think what you need is things like, for example, last year, Maryland passed a rehab code based on New Jersey. New Jersey passed a rehab code in 1997 to make it much easier to rehab an older structure.

And when they did that, within a year, three of their largest cities increased their rehab 60 percent.

And then, Maryland, as I said, passed it last year. And I think a lot of other cities are looking at rehab codes.

And then Brownfields. I mean, not only to me. To me, you subsidize things that you want people to do.

I get a tax break for giving to the Red Cross because that's something that we want people to do.
Well, if you want to have people building downtown, then you've got to give them some kind of a subsidy to get the ball rolling.

And I think you as a governor can really do a lot by praising the companies that are doing the right thing and, if you have the courage, to go after the companies that are doing the wrong thing.

The fact that Bell South is locating in a transit-oriented development in the City of Atlanta is going to be a tremendous boost to this whole idea of revitalizing our cities, and I think they're to be highly commended.

And I think when a company wants to do that corporate campus out there in a greenfield, that everybody is going to have to drive to, that is going to chew up farmland and open space, that the poor and working class can't possibly get to, you shouldn't be giving them a subsidy to do that.

You should be criticizing them for it.

Now what was your third question?

GOVERNOR BARNES: What do you do about the sprawl neighborhoods you already have?
MR. HYLTON: That's not too hard to redevelop. That's not too hard to get those densities back up.

When you look at traditional suburban sprawl, there's an incredible amount of vacant land that's already sitting out there. And you can start rebuilding that.

For example, in Mashby, Massachusetts, there was an old mall that died. And a builder came in and decided that he was going to make a village. He used the mall to start a little downtown.

The same thing has been done in Boca Raton, Florida, where there was a dead mall and they came in and they built a little town center, with stores and offices on the first floor and apartments on an upper floor, some parking garages that are tastefully hidden behind townhouses, a little Main Street.

Reston, Virginia, a landmark suburb, put a new downtown in Reston about six or seven years ago and it's been amazingly popular.

So you look around at those vacant lands and you start building town centers from there. And
then you can start getting in more in-fill
development there and making it more pedestrian-
friendly.

I think, Maryland, you've put in 50 miles
of sidewalks.

CHAIRMAN GLENDENING: Right.

MR. HYLTON: 50 miles of sidewalks in the
last year or two.

Just starting to put in sidewalks. There
are a lot of people who are physically only ten
minutes away from something. But there's no sidewalk
to get there. You have to get in your car to drive
there.

Just retrofitting sidewalks can make an
enormous difference.

MR. HYLTON: Tom, thank you.

I might note real quickly, Gov. Barnes has
been one of the leaders in terms of an extraordinary
use of both brownfields and re-use in the steel
facility. Atlanta Steel, which is a couple of
billion dollar investment, a whole new city being
constructed right in downtown Atlanta, which is kind
of fascinating.

We went over to look at it and I want to commend you again for your leadership on that as well.

Gov. Holden?

GOVERNOR HOLDEN: Thank you. One comment and then a question.

Congressman Gephardt from the City of St. Louis is very interested in this issue. We've had some early discussions.

He was active in the '70s and '80s on historical preservation. He's looking to want to do something with historical preservation in the future. That might be something that we follow up on.

Have you seen any particular strategies in these communities that fail and those strategies that succeed as communities try to turn themselves around?

What are the first steps in this process?

What do you need to have in the way of buy-ins early on to make it a success?

What kind of process have you seen that communities go through to be successful?
MR. HYLTON: I'd have to say, you have to look at it at a state-wide basis because it's very difficult for communities to bring themselves back when all the incentives are the other way.

If a builder is going to have no problem at all building out on a greenfield, then why is he going to build in St. Louis? Why is he going to take a risk?

So you really have to provide incentives for them to be in cities.

When you talked about historic preservation, when we had a full historic preservation tax credit in the 1980s, there was a tremendous amount of development in our cities and towns. And then they changed the law and it really dried up.

There are amazing things that the Federal Government could do just by saying, we're going to give you a federal tax credit. If you go in and buy a house in the city and you can get a tax credit for fixing up that house, that would be an enormous boost.
And getting the federal agencies thinking along the same lines.

It's such a simple idea.

Cities and towns are places where people can walk, places they need to go.

Now we look at every agency, whether it's the Federal Government or the state government, and saying, are we encouraging it or are we discouraging it?

If the post office is putting a new building outside in the countryside that seems very efficient to them -- and it is efficient. But it's killing the town.

So, in the long run, you say, what do you want to do? Do you want to have really efficient movement of the mail, or do you want a town that's alive?

So just getting the postal department to put post offices and keep them downtown can be a big help.

CHAIRMAN GLENDENING: Gov. O'Bannon, I guess in a moment of political astuteness, said,
well, we've got the Majority -- I can't say Majority
there.

(Laughter.)

That was totally inadvertent. It was not
predictive, Freudian or anything else. But we've got
Senator Daschle here. So he's passed in his question
just a little bit.

Gov. Geringer, would you like to real
quickly because you're an atypical state somewhat in
the sense of the discussion of this.

GOVERNOR GERINGER: Well, it probably is
worth at least acknowledging the wide open spaces of
Wyoming. But we still have open space challenges
that we have to try to plan for.

When you mentioned the Disneyland concept
and Main Street Disneyland, I think that was
patterned after Fort Collins, Colorado, the old town
of Fort Collins.

So there are some places that exist in the
West that become ideal.

When you talked about 5000 per square mile
as a beginning optimum density, Wyoming is five
people per square mile.

(Laughter.)

We do cluster from here and there, but --

(Laughter.)

GOVERNOR MINNER: Ten.

(Laughter.)

GOVERNOR GERINGER: We don't have rush hour. We have rush minute.

(Laughter.)

But there are still issues such as Gov. Vilsack and Gov. Minner both talked about, where people do want to move out and have more space between the places.

We end up with 40-acre wedets. But we also notice that there's quite a bit of affluence that's driving the people who spread out in those areas. That affluence, I think, is affecting as much as anything.

And as you described being able to walk to and from work, to and from school, to and from cultural events, a lot of that depends on the diversity of people and diversity of employment. And
what's missing as far as making all this come together is the diversity of employment. Not every town is going to have Berkshire Mills, where everybody wants to work in one place, or has the opportunity.

The diversity that enhances the quality of community means a broad diversity of employment. And that's not necessarily being encouraged in many of these clustering concepts. It could be.

And I guess the key question for any of us as governors is how much should be directed by either -- well, let's just limit it to the state. How much should be mandated by the state as far as either fostering or mandating -- I don't like the idea of mandates because it just doesn't sell in Wyoming. But creating the sense of voluntary development of community where things, as you've described, would cluster.

I've been to Paris. I've been on the Champs D'Élysee. I've stayed in the flat where the front yard was 50 square feet, let alone a square acre. The
flat was in the most pleasant part of downtown France. You could see the Eiffel Tower from where we stayed and walked around. But you had to shutter the windows every night with steel shutters to prevent intruders from coming in.

And this was a safer part of Paris.

So it's not necessarily that density that matters. It matters as to sense of how people live in trust with each other. And it depends on employment, extended family. And with the mobility that we have, that's difficult to attain.

MR. HYLTON: Was there a question there?

GOVERNOR GERINGER: No. Mine was to offer an observation about how difficult it's going to be.

MR. HYLTON: Okay.

GOVERNOR GERINGER: And within Wyoming, as it is with many rural states, people have that sense of property ownership that they do not want to yield.

And I would suggest to you that in your model, if it were to be translated to other states, there has to be greater attention paid to diversity of employment and a wider variety because you will
not have diversity of people if you don't have
diversity of employment.

MR. HYLTON: Well, that's absolutely right.

And of course, in the days when you had the big steel
mill that employed everybody in town, those are over.

And you have lots of little offices and so forth.

But they are perfect for traditional towns.

The kinds of things that people are doing
now is much better for traditional towns than the day
of the steel mill because nobody wanted to live near
the steel mill.

But now, even light manufacturing is so
clean and pleasant, that you can mix it in with
residential areas. You can mix in all kinds of
manufacturing and office uses and make for a very,
very lovely, walk-able, functioning towns that are
working all the time.

And that can be done in Wyoming and small
towns as well as it can be done anywhere else.

CHAIRMAN GLENDENING: Tom, thank you very
much.

Let's give our speaker a hand here as well.
(Applause.)

CHAIRMAN GLENDENING: Jim, I appreciate your wonderful, although somewhat shameless, promotion of Wyoming in terms of description of life.

(Laughter.)

Good job. And I notice Senator Daschle looking with approval of the description of the lifestyle as well, similar, of course, to South Dakota.

We have two last items of business.

First, Senator, with your approval, we're going to move real quickly to your colleague, Senator Jack Reed, to comment briefly on the invitation to the summer meeting in Providence, Rhode Island.

By the way, that site was selected in large part because it stands out as a tremendous success model in terms of what can be done in an older industrial town with revitalization, smart growth, and things of this type.

And it's become a poster child almost in terms of success.
As we know, our colleague, Lincoln Almond, could not be with us today. He is recuperating from surgery. I am sure he's doing very well, having had that surgery at Johns Hopkins in Maryland -- another commercial as well.

(Laughter.)

But he cannot be with us today. But United States Senator Jack Reed has joined us, along with some local officials as well. And I'd ask Senator Reed if he would come and make some comments on this as well.

SENATOR REED: Thank you very much. Thank you, Governor.

And I understand, with my leader standing by, that I should be brief, as well as short.

(Laughter.)

I feel sort of awkward. It's like the young curate who shows up to give his first sermon and discovers the Pope in the audience.

(Laughter.)

So I will be brief.

I am delighted to be here to represent Gov.
Almond and also be joined by my colleague in local
government, Mayor Scott Avedisian, who I'll call up
shortly.

The Governor and Mrs. Almond are looking
forward to hosting the summer meeting of the
Governors Conference, the 93rd annual meeting, in
Rhode Island.

The whole state is truly excited about the
opportunity to show off Rhode Island.

Rhode Island has been accurately described
as America's first vacation land. And you will enjoy
every aspect of our lifestyle and the meetings that
you'll have there.

There's an old sort of saying in life --
"Follow the money."

Well, back in the 1880s and 1890s, the
people with more money than they could even think
about, decided that Rhode Island was the place to be.
They settled in Newport. They built huge mansions
which you'll see. And since that time, we've enjoyed
generation after generation, the beauty of
Narragansett Bay, the history of Rhode Island, our
ethnic diversity, and all those things will be
evident when you join us this summer.

We have quite a few events planned for you.
The opening event on Saturday, August 4th,
will be at Rhode Island's McCoy Baseball Stadium, the
home of the Pawtucket Red Sox.

We've got the Army band and chorus and the
Rhode Island colonial militia there to do a pre-game
show. It will be great fun. It will be particularly
fun for the children because they'll be able to see
some very good baseball as well.

On Sunday night, the centerpiece of our
celebrations in Providence, we'll be at the state
house, where you'll see one of the most imposing
capitals in this United States. And you'll also be
able to sample some of our ethnic cuisine.

You've already had the chowder. And we can
do just as well with Italian food and Greek food and
any other kind of food you can think of.

Then you'll be able to watch a uniquely
Rhode Island event -- water fires. We literally,
throughout the rivers of downtown Providence, put
burning cauldrons of aromatic wood. Music is piped through the city.

20,000 people, on average, will come down, walk around, enjoy the sites of Providence. It's a unique urban experience, and water fires will be presented for you.

And then the concluding event, on Monday evening, will be an opportunity to visit some of the cottages in Newport.

We're going to the Breakers. It was built by Cornelius Vanderbilt II. It contains 70 rooms. No one has calculated the number of bathrooms yet. But it's a substantial piece of real estate.

You'll enjoy it. And you'll for a moment think back and look back in time to the Gilded Age of America.

We welcome you. You're going to have an exciting time. Everyone in Rhode Island is poised and ready to make your visit a memorable one and one that will be, I think, something that you will recall for years and years and years.

And now let me call forward Mayor Scott
Avedisian of Warwick, Rhode Island, who will talk about one of the special programs that's available for you during the Governors Conference.

Thank you very much.

Scott?

(Applause.)

MAYOR AVEDISIAN: Thank you, Senator Reed.

Again, on behalf of Governor and Mrs. Almond, it's a pleasure to be here today to give you a preview of a special service that is ready and willing to serve all of you as you make your plans for Newport and Providence in August.

As the Mayor of the City of Warwick, you'll all be flying into our airport. You will hear it repeatedly while you're there. And I apologize in advance for all the photos that are in there that remind you that you actually have landed in Warwick.

We have a little battle usually going on with the capital city to remind you that we are the second largest city. But it's where the airport is.

But starting on April 1st, the planning committee and Governor and Mrs. Almond have put
together a service called Les Concierge, that will be looking for you to fill your pre-meeting and post-meeting time with 400 miles of coastline and 65 beaches, world-renowned restaurants and a renaissance city and the capital.

We're hoping that you will come early and stay late, take advantage of our beautiful beaches, our historic preservation efforts, and be able to call in starting April 1st, so that we can help book your extra time, whether you want to sail, golf, look at some of our historic sites or take in some of our theater and museums.

We are all looking forward to having you and we're all looking forward to being able to fill your pre- and post-meeting time as well.

We have a booth outside if you want to stop and get some information. Or starting April 1st, you can start calling our number.

And we look forward to seeing you this summer.

(Applause.)

CHAIRMAN GLENDENING: Senator, Mayor, thank
you very much for your being here and for your support in making this a summer conference that will be very, very successful and extraordinarily interesting. And again, we appreciate the hospitality of Lincoln Almond and regret that he couldn't be with us here today.

It is my pleasure at this time to introduce our next guest, Senator Tom Daschle, who, Senator, we really appreciate your time, knowing how busy everything is right now as the new Administration comes together and as Capitol Hill works with the Administration in formulating policy.

Many of you know Senator Daschle. He was born and raised in Aberdeen, which, I guess to put things into perspective here, is the third largest city in South Dakota, with a population of 25,000 people.

He became the first person in his family to earn a college degree. He graduated from South Dakota State University in 1969, with a degree in political science, I'm proud to say.

He began his career in public service as an
intern in the U.S. Senate and then was elected to the U.S. House of Representatives in 1978 and won his first Senate seat in 1986. And in 1992, he was re-elected to the Senate by a margin of 2 to 1.

And in 1994, he was chosen Democratic leader, succeeding Senator George Mitchell, who had retired.

I would note, in the history of the Senate, only one other person, Lyndon Johnson, had served fewer years before being elected to lead his party.

Senator Daschle has had a very inclusive style of leadership. Time magazine described him as, quote, inexhaustible, having an inexhaustible patience for finding consensus.

His efforts have paid off repeatedly over the years, in things such as defeating one proposal, which was originally the largest education cut proposed in the history of the country and, instead, working with his colleagues on both sides of the aisle and ended up passing the largest education increase in history.

And he's helped things such as making
insurance more affordable, as well as working on the bipartisan balanced budget agreement.

We are very pleased, Senator, that you're joining us this morning. We look forward to your remarks and discussion.

Ladies and gentlemen, Democratic leader of the United States Senate, Tom Daschle.

SENATOR DASCHLE: Gov. Glendening, thank you very much for that kind introduction.

I couldn't help but totally empathize with Gov. Geringer as he was talking about Wyoming life and culture.

Gov. Glendening noted one of my earlier elections. I was elected to the House in 1978 by 14 votes, which in our state is 60 percent.

(Laughter.)

But we have miles and miles of miles and miles as we do in the West, and it's great to see not only some of the colleagues that I have admired greatly and served with -- Bob and Dirk, especially -- but other governors whom I have come to know and appreciate as well.
So it's an honor for me to be here.

I started running 20 years ago. That is, running physically, out there on the streets. I had an interest in running in that sense of the word for a long period of time.

I read an interesting article a while back about another runner whose name you may recognize -- Roger Bannister.

He ran, as you know, the four-minute mile in 1954, for the first time.

Recently, as I was rereading some of his earlier work and some of the comments he made about that moment in his life when he broke the four-minute mile, he was asked what was going through his head when he actually broke that records.

Doctors and scientists apparently had warned that anybody who would even attempt to break the four-minute mile would threaten their own physical health, and that it was virtually impossible. And that the stress would be so great, that you'd actually die if you ever accomplished something like that.
He was asked, what happened, what was his original thought when he got up after having accomplished that four-minute mile?

And he said, I got up and, having collapsed at the finish line, I figured I actually was dead. (Laughter.)

For a split second, that's kind of the feeling I had last month when the Senate agreed to a plan that divided the Senate in the first ever 50-50 composition.

People said that you couldn't really do that, either, that you couldn't work through all of the extraordinary problems that would be associated with coming up with a power-sharing arrangement.

And as I look back at the reasons why we were able to do what we did, I have to say it was people in this room, the leadership represented at these tables, that gave us the kind of encouragement and gave us the incentive to do what we were able to do over that period of weeks following the election.

There was no precedent for a 50-50 Senate.

So when it became clear that we were going
to have to figure out how we address the challenges we face in this new make-up, we looked to the states for leadership and for guidance.

And we discovered that in the last 30 years, 31 states have actually had state legislatures that have dealt creatively with the challenge of evenly-divided chambers.

In a number of those cases, in fact, in most of those cases, it was the governors who helped find the solution.

The plan I especially liked was the 1992 Florida senate solution. They agreed to have a Republican state president the first year and a Democratic president the second year.

For some reason, Senator Lott wasn't as enthusiastic about that plan as I was.

(Laughter.)

So we kept looking and talking. And over about seven weeks, we finally came up with a plan that both parties thought was fair and balanced. And so far, I think it's working pretty well.

In addition to providing us with good
examples of how bipartisanship can work, states have
given us a lot of good ideas in recent years about
how together you can do a better job of delivering
the sort of essential services, from health care for
children to job training for parents.

And I think we've got to develop a new kind
of partnership with the states at the federal level,
a partnership that is based on mutual respect. We
need to work with you to set goals, give you the
flexibility and resources to meet those goals, and
then get out of your way.

We also need to hear from you about how you
think we should use the federal budget surplus. And I
know that's been a big part of your discussions over
the last several days.

And I know that the President was here
recently to talk with you about a number of his
plans, including those for tax cuts and education.

And tonight, he will talk with America.

I know it doesn't surprise you to find that
on many issues, Democrats in Congress agree with the
President. We support a major federal tax cut for all
Americans and we'd like to see it happen this year.

But that's not our only priority.

We also have to continue to pay down the national debt. And Washington must uphold its end of the critical federal-state partnership that I know is so important to each of you.

Problems like over-crowded schools, lack of affordable prescription drug coverage, growing numbers of working families without health insurance, aren't just state problems. They're national problems. And solving them ought to be a national priority.

We all campaigned on a set of ideas and we're impressed with several of the ideas that President Bush has proposed, ideas which are clearly rooted in the experience of being governor.

We're also encouraged by his apparent willingness to listen to the ideas of others, as he has done to me personally and to others within our caucus.

Where the President's ideas and ours meet, we're ready to work with him to turn those ideas into
accomplishments.

Where ideas differ, I hope we can work
together to find common ground, and compromise
necessary as well, to move our country forward.

But as you know, it will take more than
good ideas and goodwill to keep America moving
forward. And that's why the debate that we're having
right now about the federal budget is so critical.

It's not just a debate about next year's
budget. It's a debate about next year and the year
after and the year after that.

In other words, about our future.

The choices that Congress and the President
must make over the next few months will likely have
profound effect on every state and every person in
this country for decades to come.

Some of you may remember what the NGA
meetings were like nine or ten years ago. I do. It
didn't matter if the speakers were Democratic or
Republican, if they were from Congress or the
Administration. They all seemed to give pretty much
the same speech -- why Washington can't live up to
its end of important federal-state partnerships.

That's not what you hear today, by and large.

Today, instead of talking about what Washington can't do because of the deficits, we're now talking about what we can and should do with the surplus.

Instead of talking about why we have to abandon successful partnerships like the S-chip, we have the opportunity to talk about how we can build on those successes.

We need to make sure that we don't squander those opportunities by making foolish or reckless choices in the weeks ahead. And I know you're familiar with all the numbers because we're having as a country to grapple with them as we look to the debate about which we are about to enter.

According to the latest projections in the Congressional Budget Office, over the next ten years, the federal surplus is anticipated to be $5.6 trillion.

Of that $5.6 trillion, more than half,
$2.9, belongs to Social Security and Medicare. It's already spoken for and that is not the subject of any debate.

When you take Social Security and Medicare off the table, you get the real surplus -- $2.7 trillion. That's the total amount available over the next ten years -- for additional debt reduction, for tax cuts, for new initiatives, for emergencies. $2.7 trillion, with a very important qualifier. And that qualifier is that the projections have to be right.

Now President Bush says his tax cut will cost $1.6 of that $2.7 trillion.

But when you add the increased interest on the national debt, which is $400 billion, the AMT fix, the alternative minimum tax fix that must be initiated so that people can take full advantage of the tax cut, which is $200 billion, the extenders, which are authorized every year, but expire every year, but for which there is 100 percent support, that's $100 billion.

You add up all of that and you find that the tax cut is actually not $1.6, but almost $2.6
trillion. $2.6, I might emphasize again, out of the
$2.7.

That would leave $100 billion over the next
ten years for debt reduction, prescription drug
coverage, education, defense, and other critical
priorities, plus all the unexpected emergencies and
disasters that we know will come.

Now $100 billion over ten years sounds like
a whole lot of money to somebody from South Dakota,
and I'm sure it does to you. And it is.

But think about this. Over the last ten
years, the Federal Government has spent $106 billion
on emergencies alone.

The way it's written now, I believe the
President's tax cut is just too big. It crowds out
too many other very critical priorities. And it
assumes unrealistic cuts in spending.

We're told that, to pay for his tax cut,
the President's plan to freeze total discretionary
spending at zero real growth, that is, the last
year's dollar amounts plus inflation for the next ten
years, would leave no new money for demographic
changes, which over the course of ten years could be very consequential.

Like the fact that public enrollments are expected to keep increasing every year for the next ten years.

In addition, the President has promised to increase defense spending faster than the rate of inflation, something else which I believe ought to be supported.

When you factor in demographic changes, plus the President's promises for zero real growth in the overall federal budget, what that means is real cuts in nearly every single area except for defense.

In addition to being too big, in my view, the President's tax cut relies far too heavily on ten-year budget projections.

The choices many of you are facing right now back home demonstrate how risky it is to rely on one- or even two-year budget projections.

Just last June, I'm told states reported their biggest budget surpluses in 20 years. And everyone expected the surpluses would keep building
for years to come.

Even the Congressional Budget Office made that prediction.

But as recently as two months ago, the future still looked rosy. Only six states thought they might have budget problems this year.

Then came the surprises, the lower-than-expected tax sales receipts, the higher-than-expected increases in Medicaid costs, the skyrocketing energy costs. And suddenly, everything changed.

Today, I'm told governors in at least 15 states are now struggling with their first significant budget shortfall in several years.

As you know, it takes more than just easy choices to make a balanced budget. It takes smart choices.

And if the President's tax cut passes the way it is written now, you're going to have to make some very painful choices.

We have a different plan. Instead of risking America's future by committing to pay for a huge tax cut with surpluses that might never
materialize, we're proposing a plan that is
responsible, that's realistic, and that's fair.

We start by taking the Social Security and
Medicare surpluses off the table. Then we take the
real projected surplus, $2.7 trillion, and divide it
into thirds.

We use one-third, $900 billion, for tax
cuts. We invest one-third in education, prescription
drugs, defense, and other critical priorities that
states themselves must grapple with each and every
day when they put their budgets together. And the
final third we set aside to pay down the national
debt so that we can continue to keep the interest
rates low, to create a rainy-day fund for the
emergencies we can't predict, but know will come, to
reform Social Security and Medicare the right way,
with a new Medicare prescription drug benefit, and
without cutting benefits or subjecting Social
Security to volatile stock market changes.

We're willing to compromise with the
President on details, as long as whatever tax cut
plan we ultimately agree on meets two fundamental
principles.

First, it must be part of a responsible balanced budget. That means a budget that enables us to keep paying down the public debt, that protects Social Security and Medicare, and invests in education and other critical priorities.

That's number one.

Second, it must be fair to all Americans. The way it is written now, the President's plan fails on both tests. 43 percent of the benefits in the President's tax cut go to the wealthiest one percent. The wealthiest one percent of the people in this country pay 22 percent of the tax at the federal level.

We know what happened in 1981 the last time we gambled our future on a plan like the one that is being proposed.

In 12 years, we quadrupled the national debt. Washington reneged on many of its promises to the states.

Between 1980 and 1999, following that decision, federal aid as a share of state and local
outlays fell from 26 to 17 percent.

As one governor put it, Washington passed the buck without the bucks.

Well, we can't make that same mistake again. We're encouraged by the President's concern about education. He's obviously given education a great deal of thought and he has a number of good ideas, especially for improving literacy and giving states more flexibility in exchange for results.

We want to work with him to turn those ideas into a reality. But we can't do those things and pay for the President's tax cut.

Who will pay to develop and administer tests to every student every year? Secretary Paige has said some things that are suggested by the Administration might require that the costs of the President's testing plan be passed on to the states themselves.

But we think there's a better way.

Let's use part of the surplus to develop new and better ways to measure whether students are learning and make other needed investments in our
public schools.

And while we're at it, let's fulfill the commitment Washington has already made to states to pay its fair share of the costs of educating children with special needs.

(Applause.)

On health care, I know that many of you are working aggressively to provide health insurance to children in low-income families through the S-Chip program and Medicaid. And nearly 20 states have taken the initiative to open your programs to parents of eligible children, and you're getting results. And Washington needs to support your efforts by making sure that S-Chip funds are used for S-Chip, not to plug budget holes or pay for tax cuts.

Another thing we need to do is to work together to address the problem of the uninsured. If states agree to take the responsibility of expanding Medicaid or S-Chip programs to cover parents with low-income children, 19- or 20-year-olds or legal immigrant pregnant women or children, we need to make sure you have the resources to meet
those responsibilities.

You've got some good ideas on how Washington can increase the flexibility for states. We need to work together to do that in ways that do not jeopardize protections for low-income, disabled children and other vulnerable people who rely on Medicaid today.

We want to work with the President and you to find the right ideas for expanding health coverage.

Finally, we know that the prescription drug costs are overwhelming too many states as well. Your Medicaid budgets are facing the same pressures that our Medicaid and Medicare budgets are.

They're forcing too many seniors to do without critical necessities and that's wrong. Lack of affordable prescription drug coverage isn't a state problem alone. It's a Medicare problem. And the solution is to add Medicare prescription drug benefits to the program itself.

I think President Bush deserves credit for offering a prescription drug plan so early in his
Unfortunately, in my view, his helping hand isn't really much help. It pushes the problem of prescription coverage off to the states. It leaves out at least half of all Medicare beneficiaries who lack prescription drug coverage and need it. And there's nothing really immediate about it.

It could take some states a year or two to get their programs up and running. And it ends after four years.

The President says that he will reform Medicare by then and add a Medicare prescription drug benefit. But what if we haven't? We'll be right back where we are today.

Instead of settling for a plan that many have said won't work, we should use part of the surplus to add a voluntary affordable Medicare prescription drug benefit now for all seniors, not just the poorest.

There are some who say that we won't be able to resolve the differences in all of the approaches that I've just outlined, that we won't be
able to come up with a balanced, responsible plan
that allows us to cut taxes and pay our debts and
prepare for the future.

They're like the doctors who said no one
could ever run a four-minute mile. And the pessimists
who said the Senate would never agree to divide the
power 50-50.

Over and over again, the pessimists have
been wrong about what we can achieve when we put our
minds to it.

With your continued good advice, we will
prove them wrong again. We can make prosperity work
for every state, for every person in our nation.

Thank you for giving me the chance to be
with you. I'm very grateful for that.

(Applause.)

CHAIRMAN GLENDENING: Senator, thank you
again and we certainly appreciate your time, given
the pressure on your schedule.

The Senator has agreed, he has a few
moments, if there is a question or two from our
colleagues here as well.
GOVERNOR VILSACK: Senator, several of us clapped when you talked about fully funding special ed funding.

Can you give us a feel for how that might look, or what we can do to help you help us?

SENATOR DASCHLE: Well, Governor, we're going to be taking the ESEA program up within the next month. And I'm very hopeful in that context we can address this very question.

But, again, it goes to the budget. We'll have an opportunity to address the budgetary framework before then, hopefully. And one of the very critical questions will be, to what extent do we dedicate the surplus to education and to the responsibilities within education, especially Title I and the programs for the disabled.

I think that there is a better chance this year than we've had in a long time to more completely fulfill our obligation.

But, again, it goes back to this fundamental question of a tax cut of the magnitude
that is being proposed or dedicating some of the
surplus to priorities outside of that tax cut.

If we have the money, I think there is a
greater will than I've seen in some time to own up to
our responsibility and to deal with it far more
appropriately.

CHAIRMAN GLENDENING: Gov. Minner and then
Governor Wise.

GOVERNOR MINNER: Senator, one of the
problems that we have is involved with our adult
education training, retraining, work force training.
We look at the funding that we get and it
comes from any number of sources. In a small state
like Delaware, it's small pots of money. We can't
accomplish as much as we would like.

Is there a way to commingle those funds,
rather than saying, this is for displaced homemakers,
this is for veterans, this is for job placement, so
that we could use our money and your money more
effectively in our small states?

SENATOR DASCHLE: You ask a good question.
I think that there is also a growing realization that
we ought to try to give you as great a level of
flexibility in addressing the educational challenges
that each of you faces in your states, as we possibly
can.

Flexibility with accountability is
something that appears to be supported by both
Republicans and Democrats in overwhelming margins.

So by giving you more flexibility, you can
address those issues far more effectively.

Obviously, resources are going to be the
key factor and the degree, again, to which we can
address the resource challenge will be resolved in
large measure by how we resolve the questions in the
budget having to do with the allocation of that
surplus.

But the answer should be yes, you ought to
have the resources. You ought to have the
flexibility. And then all we ought to expect is real
accountability.

GOVERNOR MINNER: With work force investment
boards that have just been established under the last
legislation, the opportunity for waivers would allow
us to do that.

However, we find that we spend the majority of our state money trying to get the waivers, rather than trying to educate people.

Is there a way of streamlining that waiver process as well?

SENATOR DASCHLE: Well, I hope so. You're not the first one that I've heard complain about the waiver process and the lengthy bureaucratic and paperwork requirements that are required.

So we'll be taking a look at it.

In fact, as we speak, I know that there is a task force and an effort underway, a bipartisan effort, to try to find ways in which to address that very issue.

CHAIRMAN GLENDENING: Gov. Wise of West Virginia and then Gov. Kempthorne of Idaho.

GOVERNOR WISE: Mr. Leader, one of the issues that has been talked about a great deal here is Medicaid, and obviously, the need for more flexibility. You've been very active in the past in that.
One of the great accomplishments of the Congress, I thought, on a bipartisan basis was the passage of the S-Chip program and the ability to extend coverage to children.

I guess mine is a two-part question in the sense that, first of all, many of us think that, given some more flexibility, not having to fight HCFA all the time, I've found out since I've been in this position, Tom, that I always thought the IRS was the most formidable agency to go up against.

I found HCFA rivals anything I've ever seen through any administration.

(Laughter.)

But at any rate, the first is more flexibility. But is there a likelihood that the Congress this year will take up anything dealing with Medicaid beyond prescription drugs?

I assume that that is going to be an item on a bipartisan agenda. But do you see the Congress going any further than that?

SENATOR DASCHLE: Bob, there's a great deal of interest in going beyond prescription drugs.
Clearly, we've seen what S-Chip can do. We've seen what success has already been realized by providing the kind of opportunities through S-Chip that we really, I don't think most of us, expected we'd see this quickly.

So I think that there's a real motivation to try to find ways in which to do it.

But, again, and I think I may be sounding a little bit like a broken record. I do believe that this is first a budget question, and then it's a health question.

If we can find the resources, if we can find ways in which to allocate that surplus and address the budgetary priorities in a meaningful way, in my view, there is absolutely no reason why we can't find ways in which to work with the states to expand and to improve upon the accomplishments so far through S-Chip and Medicaid.

CHAIRMAN GLENDENING: Dirk, and then we'll go to Governor Sunia.

GOVERNOR KEMPTHORNE: Mr. Leader, it's a delight to see you again. And I know, Tom, that in
South Dakota, you experienced the forest fires as well.

It looks as though we may be in the same situation this coming summer, where the fuel load is still oversupply.

In Idaho, Boise Cascade just recently announced the closure of really their last two mills. So we have a number of workers who are out of work. We have a Sunshine Mine that is closed.

Last year, in the interior appropriations bill, which has now been signed into law, was language that, with regard to long-range planning, and with regard to reforestation and restoration of forest health, that the states will be full partners. Do you see that that will move forward in a meaningful manner with funding as well, so that states can become the stewards of much of this land, including federal land, dealing with the fuel load, so that we don't lose these major tracts of forests, because I would just add, Tom, as you know, once the forests go up in smoke, it doesn't mean that they will ultimately come back because noxious weeds may
come in and you have a monoculture, and we lose the
great tracts of forests.

So your comments on that?

SENATOR DASCHLE: Well, Dirk, you raise I
think one of the most important questions we're
facing with regard to land management in the West.

South Dakota, as you said, experienced a
devastating forest fire as well last year. I fully
believe that unless we take more concerted action,
we're going to see greater devastation due to fire in
the coming years.

One of the ways to address that is to
create a more effective partnership that is called
for in the new interior appropriations bill.

And as you say, that is only as good as the
paper it's written on, unless there are the resources
and the will to implement that new legislative
approach in a far more aggressive way.

As I talk to western senators, especially,
Republicans and Democrats, there is a real desire to
see movement and to see a commitment to the spirit of
that legislation as it was articulated.
And again, as you say, whether or not we do it depends in large measure on whether we have the resources to do it.

That will be the key.

I've talked to Senator Byrd about it. There are many others who have already begun weighing in. So I think our prospects this year are actually quite good for building upon what we did last year.

Time will tell. But I think it would be very helpful for our western state governors, and especially somebody as respected in the Senate as you are, Dirk, to weigh in, to express yourself, and to continue to keep the pressure on.

I think we can do it if that were to happen.

GOVERNOR KEMPThORNE: Thank you, Tom, very much.

CHAIRMAN GLENDENING: The Governor from American Samoa?

GOVERNOR SUNIA: Senator, as a former school superintendant, I am fully aware of the necessity of tests and measurements in creating good curriculum
and eventually, accountability.

As a Democrat, I am very supportive of President Bush's plan for escalating the measurement element in our schools.

And I'm very glad to hear that you support that, too.

However, in many states, I'm sure, as was voiced in the last few days, and especially for us in the territories, poorer than most states, even if we were to begin right away to start setting up for the tests and escalating that effort in our schools, what kind of assurance, if you may give some, that we won't be scrambling for money from the meager resources we already have?

In other words, when this horse comes, will it be before the cart, or another unfunded mandate that we have to cough up?

Thank you.

SENATOR DASCHLE: Well, that's a very good question and I guess I can't give you the answer.

I can say this. That the degree to which you are going to be forced to address further
unfunded mandates is directly related once again
first to the budget, and two, to the aggressive way
with which you may weigh in on this debate.
I think the jury is still out and I'm not
sure where the horse and the cart may be in position
to the other.
But I do believe that, as we weigh all the
different possibilities, I go back to a point I made
earlier. I don't think there's any doubt people want
to see greater flexibility.
I don't think they want to force greater
mandates on -- I say people in the Senate and the
House -- on the states.
I do believe that there is a strong desire,
however, to see greater accountability.
So I think that, to the extent that you're
concerned about these unfunded mandates, as I think
you should be, the more you can help us address how
we address accountability in a meaningful way, and
yet, provide you with greater resources and greater
flexibility, is something that would be very welcome.
We'd want to see your involvement and obviously, we'd
love to have you come up to the Hill to share your thoughts with us any time you have the occasion to do so.

CHAIRMAN GLENDENING: With deference to the Senator's schedule, why don't we take the last question from Governor Owens.

GOVERNOR OWENS: Well, thank you. It's more of a comment.

But Senator Daschle, thank you for joining us this morning and I appreciate hearing your views. This is a very bipartisan and many times congenial group here. And sometimes we don't put on record our concerns with, and we don't really debate here in this forum very often.

Let me just say that while I respect your view very much, there's a lot of disagreement within the National Governors Association, within my colleagues, to your outline in terms of the fiscal state that we're in.

I would just make the comment that out of a $5.6 trillion surplus that we expect to see over the next ten years, that $1.6 trillion back to the
taxpayer is very reasonable and that if we'll simply
slow the rate of growth of federal spending, we'll
have money to give back to the taxpayer. We'll have
those dollars to protect Social Security. And we'll
have those dollars to also pay down the debt.

I understand that reasonable people can
differ on this, but I heard Gov. Glendening at the
White House, both in our meeting and after our
meeting, express opposition to what President Bush is
proposing. I heard the same thing from you today.

Many, many governors support what President
Bush is proposing and think that with a little bit of
fiscal conservatism at the congressional level, we'll
have the opportunity to give back to the taxpayers
some of the dollars that they've earned.

Thank you very much again for joining us.

SENATOR DASCHLE: Absolutely. Well, that's
what the debate about the budget will entail. I
appreciate having your thoughts as well, Governor.

Thank you again for giving me the chance to
be with you. I've enjoyed.

(Applause.)
CHAIRMAN GLENDENING: Senator, again, thank you so very much. We wish both sides of this debate well and I think what's going to come out of it is a reasonable, bipartisan solution, as is often the case.

Let me ask first my Vice Chair, John Engler, if he has anything he would like to add at this time.

VICE CHAIRMAN ENGLER: Not at all.

CHAIRMAN GLENDENING: Thank you for your tremendous help on this as well. And our thanks to the staff, Ray and the entire staff, that has done a tremendous job.

Thanks also to my personal staff of the Washington office, Elizabeth Pike and her colleagues, who have done a great job.

Let me thank our colleagues. This concludes the Winter Session, with the one exception. We are meeting on an informal basis with many of our congressional colleagues later this afternoon, including starting about 2:15 in the Russell Office Building, where we'll have a number of senators,
including former governors who are joining at the Senate with us as well.

Thank you very much, and good job.

(Appplause.)

(Whereupon, at 11:55 a.m., the Closing Plenary Session was concluded.)