The plenary session commenced, pursuant to notice, at J.W. Marriott Hotel, Grand Ballroom, on Sunday, February 23, 2003, in Washington, D.C., at 9:15 a.m., Governor Paul E. Patton, Chairman, presiding.
GOVERNOR PATTON: Good morning. If we could start the meeting. Welcome to the annual winter meeting of the National Governors Association. I'm Paul Patton, Governor of Kentucky, and Chair of the National Governors Association. We are very fortunate to have some outstanding new governors to lead the various states of our nation. About, I think, 25 of the total of 55 governors, including the five (5) territories, are new this year, so we have a great opportunity to provide vibrant, new leadership to parts of our country, and bring out new ideas. And, that's one of the objectives of this meeting -- is to share ideas with each other, and operate, here in our nation, with what we call the laboratories of democracy.

I think one of the great strengths of our
country is that the states -- our federalism system, where states have great latitude to experiment with
different programs. To try things that work
differently in different parts of the nation, and to
get together as governors and learn about what

various things are working, and maybe, perhaps,
things that aren't working.

I've been pleased to be a part of this organization going into my eighth year, and I'm proud
of the fact that during those eight years, I've never
missed a meeting of the National Governors
Association. In fact, Governor Kemphorne, I've
never missed a meeting at the meetings. I go to them
all. I come home inspired by what I've heard from my
fellow governors, and my staff really hates to see me
get home, because they know I've got three of four
new ideas that they are going to have to work on, and
try to see if they can be applicable in Kentucky.
So, that's what we're going to do for the next three
(3) days. And, with our new governors, particularly -- we want to welcome you.

So, I'd like to go down the list of the new governors that are in attendance at this meeting.

From Alabama, Governor Bob Riley. Governor Riley, welcome; good to see you here. We have from Alaska, Governor Frank Murkowski. Governor Murkowski, welcome. From Arizona, Governor Janet Napolitano.

That's alright. Well, they play basketball in Arizona, and the Governor and I anticipated a little bit that we may see ourselves eyeball to eyeball in New Orleans, in March. We've got a little wager going on then, if that turns out to be the case. So, I had the opportunity to have a wager with Governor Leavitt, which I won, I might say. I also had an opportunity to have a wager with Governor Pataki, which I won. I lost one, but I forget which one it was -- that I lost to.

(Laughter.)

GOVERNOR PATTON: It was Governor
Kempthorne, that is right. So, we have a lot of fun.

And I think we've got a couple of other wagers that we want to be talking about later on. From Georgia, Governor Sonny Purdue, another of our colleagues. From Guam, Governor Felix Camacho. From Hawaii, Governor Linda Lingle. From Kansas, Governor Kathleen Sebelius. From Maine, Governor John Baldacci. From Maryland, Governor Bob Erhlich. From Massachusetts, Governor Mitt Romney. From Michigan, Governor Jennifer Granholm. From Minnesota, Governor Tim Pawlenty. From New Mexico, Governor Bill Richardson. From Oklahoma, Governor Brad Henry. From Oregon, Governor Ted Kulongoski.

Boy, you all got some real names. Boy, it must have been the year for difficult names for people from the south to pronounce, to be elected governor, I don't know. From Pennsylvania, Governor Ed Rendell. From Rhode Island, Governor Don Carchiri (phonetic). From South Carolina, Governor Mark Sanford. From South Dakota, Governor Michael R lease.
From Tennessee, Governor Phil Bredesen. From Vermont, Governor Jim Douglas. From Wisconsin, Governor Jim Doyle, and from Wyoming, Governor Dave Freudenthal.

Congratulations to all of you and welcome to the National Governors Association. (Applause.)

CHAIRMAN PATTON: With that, I'd like to call the order of the 2003 winter meeting of the National Governors Association. May I have a motion for the adoption of the rules of procedure for the meeting?

VOICES: So moved.

VOICES: Second.

CHAIRMAN PATTON: All in favor, please say Oye.

(Course of Oyes.)

CHAIRMAN PATTON: 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. Those new motions will be considered Tuesday at our final meeting. Please submit any new proposal to Frank Shefroth of the NGA staff, by 5 o'clock tomorrow, Monday.

We're going to begin this year's meeting by discussing early childhood care and education, and it's critical importance in insuring that all children are well prepared for their first day of school. Several years ago, I remember, as I attended an NGA winter meeting and heard about the research findings on brain development -- that session was the pivotal moment for me as I began to create an early childhood for Kentucky -- "Kids Now."

A number of you, especially, the new governors, are already focusing on the education of the young children of your state. But let me spend a few minutes highlighting the need for governors to play an active role in creating policies that support
high quality, early childhood programs. Approximately two-thirds of children under five (5), about 12 million of them, spend sometime outside of their homes in childcare centers, Head Start, and other pre-school programs. Research tells us that children attending high-quality, early childhood settings, are more likely to have the social and emotional, cognitive and language and literacy skills needed for the first day of school. Unfortunately, we know that the majority of the children across the country, attend lower quality care settings.

We know that having a rich vocabulary, whether it's a person's ability to read well—. Children entering kindergarten with quality pre-school experiences have a wide range of vocabulary knowledge. Although we know a lot more about how to assess a child's readiness for school, few states have policies in place to effectively measure school readiness.

That's why I appointed a task force on
school readiness. Governor Kempthorne and I are co-
chairing this task force, "Preparing America's
Children to Learn." I want to thank Governor
Kempthorne and his wife, Patricia, for playing such
an active role in other work of the task force. This
task force will focus on and develop guidance for
children ages birth through five, with emphasis on
the readiness of children, schools, and communities
and families. In particular, the task force will look
at the connections between early childhood programs
and the K-12 system. The task force will also be
examining what policymakers need to know about the
assessment of young children. The task force will
release their report at the NGA Annual Meeting in
Indianapolis this summer. The report will provide
guidance on how states should approach and measure
school readiness.

Before I introduce our speakers for the
morning, I want us to hear what some of our
colleagues have to say about the importance of early childhood -- and do that. Let us look at a brief video.

(Film shown.)

CHAIRMAN PATTON: It looks like we already have a lot of new governors that understand the importance of education and early childhood. But, one of the most difficult things that you will find is the willingness to invest today in things that really won't show up visibly for 18 to 20 years into the future. But as far as I'm concerned, it's about the most important investment that a state can make.

Now, I'm a little bit like Paul, the Apostle, converted on the road to Damascus. I'm an engineer, by education, and I just thought rather logically, that children were born pretty, well -- complete, with hearts and muscles and bones, and a brain, and that the big challenge for the first several years was to just nurture them, and protect them. And when they got old enough, you put them into school. Until I came to one of these meetings, and I started...
understanding that [we were born] with a brain, we're not born with a functional brain. We're born with an erector set. And that brain is [made] by the life experiences that individual has, and it can be assembled wrong. It can not be totally assembled, and when those parts of the brain that the child is born with, which are billions of parts, adequate for any kind of a brain to be built with -- if they are not used, they disappear, and they never come back. That's the reason it's so important. If a child is born with a cataract, and we had a daughter-in-law that was, and if that cataract is not removed within the first year, that portion of the brain that the child was supposed to see with that eye, will do something else, or disappear. And the cataract can be removed. Vision can never be returned. That is the importance of the issue we're talking about this morning. And it is an issue about which, I feel, extremely strong. One of the inspiror's (sic) that caused me to realize this, and caused me [to be] so
dedicated to the cause is Rob Reiner. I've asked him to come back and be with us today.

As many of you know, Rob Reiner, is a principle and founder of Castle Rock Entertainment, and in addition to directing feature films, he's involved in all phases of Castle Rock's creative activities. It was, however, in his Emmy Award winning portrayal of Michael Stivic, the son of Archie Bunker, of the hit series of All in the Family, that made him a household name. But in 1997, he formed the "I Am Your Child Foundation," and began a National Public Awareness and Engagement campaign to communicate the importance of the prenatal period through the first years of life. Rob chaired the California Children and Families Initiative for the 1998 ballot which borders passed to form the California Children and Families State Commission. He was appointed Chairman of the Commission by Governor Gray Davis. The Commission is working to implement a comprehensive program of early childhood
services for families at risk in California. Let us
welcome Rob Reiner. Rob, welcome.

(Applause.)

MR. REINER: Thank you very much. Thank you Governor Patton for that long introduction. Now,

we're on C-SPAN, from what I understand. We are on C-SPAN. And, you know on C-SPAN, they just always have this one shot, you know. They never show what's going on around the room. C-SPAN folks, I'm going to do you a big favor because the people at C-SPAN may never get laughs. They just sit there -- just boring people talking. Come on over here to this man right here. You're not doing it. Even on C-SPAN, they won't do it. I'm a director, by the way.

(Laughter.)

MR. REINER: I'll tell you. You'll get a laugh, if you turn and look at this man over here.

(Laughter.)

MR. REINER: Thank you very much for
allowing me to come and talk to you for a few
minutes. You already know why you should make this
investment. You’ve seen the video; it talks about
brain development and how critical those early years
are. We know from all of the studies that have been
done -- the CPC Study, the Abecedarian Project,
which Craim Romey, would -- might allude to do when
he gets up and talks. Also, the NIER study which
just came out. But also, that this investment is
cost effective. For every dollar you put in, you’re
going to get anywhere from four (4) to seven (7)
dollars, depending on the program. You’re going to
get that money out; it’s going to come back to you in
savings on health care costs and crime costs. And
that goes right to your bottom line. If for no other
reason, then to kind of create a fire wall against
the kind of economic downturn that we’re all
struggling with right now. It makes sense to make
d this investment early on. It’s just going to improve
your economic outlook down the road. Governor Patton
pointed out, very correctly: governing is for the future, there's a lot of immediate problems that you have to address right now. Those are remedial type problems. But you all know that you can't really solve big systemic problems through remedial action. You can stay things off, but you can't ultimately have a systemic effect on it. This is what we're proposing with early childhood investment. It is a systemic approach to reducing crime, teen pregnancy, drug abuse, child abuse, welfare dependency, drop-out rates. All the things we care about as governors, you governors --. I'm not a governor, all that you care about is effecting the quality of life in your states. We know that this investment can do to those things. So, I don't have to get up here and tell you why to make the investment. I'm going to talk to you a little bit about why now, particularly, with the fact that you've got tough budget decisions. A lot of the folks are strapped with some big deficits, and what you can actually do at this point because that's
more important, ultimately, that we should all invest this. We have all said this, for I don't know how long, you know. Our children are our future. They are our most important resource, and so, we need to do this. Why now? Well, as I said, we're strapped. You're all strapped -- with tough decisions. There's a lot of budget deficit. In California, we're really facing a huge, huge deficit. But this can be an opportunity. You have to look at this as an opportunity because if you all agree that this is an investment you need to make, then this is the time to plan for how to implement that investment when times are good. We're not going to have a bad economy forever, you know, it's going to turn around. I don't think there's anybody in this room that doesn't think we should have a K-12 system. Nobody. I mean, we all say, let's just disband K-12. We won't have that system. Nobody's going to say that. Based on information that we have, we know that investments in

Page 16
early childhood, early care of education, have a huger (sic) impact, even in K-12, in terms of how that child is going to function in school and later on in life. What we've done out in California, and I know some of these efforts are being done around the rest of the states, is, we -- . Years ago, we had a thing called Masterplan for Higher Education, and the legislature put together a thing -- we developed an entire plan for how we are going to put our higher education dollars together. And that developed the UC system. It's one of the best university systems in the country. It's a good system. Recently, a state senator out there said, we've got to have a master-plan for public education. And she said, okay, we're going to go out and we're going to figure out the best way to reform K-12. She did a bunch of focus groups, went around the states, and discovered very quickly, that everywhere she went, people said, where's your school readiness component. You can't reform K-12 unless you have a school readiness
component. Every single place she went. So she came to us at the state commission that I chair, and said, would you be willing to be part of this overall master plan for public education. Would you develop a school readiness component? And we did. And we've come out with this master plan for what we call public education, which starts prenatal and goes up to twelfth grade. Now, it's lofty. It takes money. You can't do it on the cheap. But at the end of the day, what we want to do is create a society where we reduce crime, where we have better economic status for our citizens. And that's what we do. So, what I want to talk to you about today is how to start building that infrastructure to deliver those services, because ultimately, that's what we need to do.

The school readiness component starts prenatally (sic) -- goes to grade three, age eight, because it means working with the existing structure, the school systems that we have in place now. We
presented a $400 billion dollar school readiness program which we funded. That school readiness program is either school based or school linked. We have to take existing structure and build off of that. So, what can you do right now? Like I say, now's a good time to plan if you're thinking about making an investment in early childhood. And, by the way, when we talk about school readiness, there's a lot of definitions for school readiness, there's a lot of definitions for school readiness and how to assess school readiness. And Governor Patton, I'm glad that you are leading the effort to figure out how we can best assess - Craig Ramey's going to talk about that. But we've got to have a system in place. We've got to define school readiness. What does school readiness mean? Well, if a child has got healthcare and comes to school healthy, that's part of school readiness. If a child is getting quality childcare and early
care and education, that's part of school readiness.

And, if there are children at risk, the intervention programs like home visits and so on, that's all part of school readiness too. That's all part of school readiness, too. All those things are a part of it.

So, what you want to do is try to create a system which will deliver all of those services.

And, how to do that? Well, I would say you start with a preschool system. Now, it's easier said than done. You don't have a lot of resources right now, but if you could start. We did it in Los Angeles County -- we're lucky because we have some tobacco tax money. I passed an initiative out there. We've done quite a bit with it. We've passed an initiative out in Los Angeles County to allocate $100 million towards universal preschool for all four (4) year-olds. That was a good thing to do; we're going to do it for one of the largest counties in the country.

Every child in Los Angeles County will get preschool. It's tricky, because you can't just say, we're going to institute preschool. You've got childcare
you've got the Head Start community. All of them have to be players. They all have to be at the table. That's what I mean about building an infrastructure. Then, like I say, these are school linked or school based. It has to coordinate with the school districts, so this feeder system that you're bringing into the K-12 system, is working and reaching back to your school readiness group. So, this is the time to plan. It doesn't cost a lot to issue planning grants. You can do it on a county by county basis. You can do it as a state-wide program. However, you wanted to do it, you can work through your foundations. You all have foundations in your states. Working through the business communities, you can issue planning grants. By the way, we're more than willing to work with you. We did it in California -- we're willing to work with you, share our experiences with you so you can start putting that, and that doesn't cost a lot of money. Planning
grants don't cost a lot of money. And it takes a while to institute these things. So, it's not going to happen overnight.

So, as your economy gets better, and when you have some surpluses, you can say, what do I want to do with the surpluses? You're going to have a lot of needs, but I would submit to you, that you can not have a better investment than making it in young children because that's going to pay huge dividends down the road. And it's going to save you money for roads, and hospitals, and infrastructure, and all those things that you need to face as governors. You want to be able to build a little fire wall against those times when the times are bad, when the times are bad, like now, so you won't have to cut services much. That's one thing that you can do, is planning grants -- working towards planning infrastructure for how to deliver services.*****

The second thing you can do, and I'm going to be a little self-serving, here, on this one, but
we've done it in California, and it's worked like a charm. We've developed through, "I Am Your Child."

We developed a series of videos for parents. Three things you have to do. You've got to get your kids in programs. You've got to have education and healthcare, but you've also have to have parent support as was mentioned in this video. Ed, you were in the video. I noticed Ed, also, that when your voice came up, you didn't even look up. Most of the guys with an ego would look and check and see how they looked in the video.

OPERATOR: Laughter.

MR. REINER: You just kept making notes.

That's what I like about Ed. He's busy at work no matter what.

OPERATOR: Laughter.

MR. REINER: The third thing is parent support. As we pointed out in that video, the first three years of a child's life is their parents and
caregivers, [are] directly related to their brain development and how they're going to function, and [how] they interact with their parents. So you need parent support. We did something in California on a statewide basis as part of our Children and Family's Commission -- was to take the "I Am Your Child," materials. There are six videos, in English, Spanish --. They range from health and nutrition, childcare, early bonding and attachment, discipline. Help me out. What else?

But basically, all the areas that parents need to be concerned with, with their young children --. We packaged them in this library of six (6) videos and in California we added a parent guide, which we customized to that state. We've subsequently done this program also in Pennsylvania, before Governor Ridge went to the Department of Homeland Security, and also with Governor Patton in Kentucky. We did statewide programs in these three (3) states, and it's been incredibly effective. Now,
in California, just to tell you again -- it's pretty cheap. You can do this fairly cheaply. In California, we've got 500,000 kids born every year. We present this kit from new parents to every single parent of every child born in the State of California. Last year, we distributed 500,000 kits. Where are those kits? Let me show one. Here's the box that it comes in. It's a nice package and stuff. Then inside the box, there's also a parent's guide that was developed by the University of California at Berkeley. Now, these 500,000 kits -- we distributed it throughout the State of California. It cost $10 million dollars for the whole State of California for a year. That's massive distribution through prenatal clinics, hospitals. We have 58 county commissions. We use them as distribution. In Pennsylvania, we set up 8,000 points of distribution, working through local agencies, CBO's, states agencies, as ways of doing it. We'd be happy to work with you on it. The good thing about this is there's an
evaluation that comes with this, and it's through the roof. It's absolutely through the roof. But there's a couple of things: first of all, there's great information in here for parents when they're starting out in life, with things they need to do. Secondly, it's a great P.R. tool, quite frankly. Not only are you welcoming every new citizen to your state with something that they can actually use, but you're also building some public welfare and investment later on in early childhood.

Now, the evaluation I've done was done by the University of California at Berkeley School of Public Health. A woman, named Linda Newhauser there did the evaluation. She's been doing this parenting information evaluation for about 20 years. She said, normally when you get information out to parents through different choices -- if you get anywhere from 15 to 20 percent of the parents taking in the information and using it, that's pretty good. We had
90 percent, and 95 percent in the Latino community using these materials. But more important than that we have huge shifts in behaviors. And more important than that, we've actually saved lives. And we know that because we've had lots of anecdotes from people who have used material from the kids that actually saved their child's life and information that they've gotten through these kids.

What is that worth? The saving of a child's life? We know it works. We've worked with you -- we're happy to work with you, and it's an expensive -- I don't know what it costs in Kentucky. But Governor Patton can talk about that. Three hundred Thousand dollars ($300,000) in the State of Kentucky, so depending, obviously, on the size of your state, you know. But it's a good tour, it's something that you can use, and it's something that builds the public wealth. In the meantime, you're building that infrastructure.

So, I'm happy to work with anybody. I'm
happy to fly anywhere, go anywhere, we'll set up press opportunities, whatever you want to do, in order to get this stuff launched. But I would suggest to you, that now is the best time to start thinking about this kind of investment. Not when your economy is not strong, is the best time to do that.

Thank you so much for letting me talk to you for a little bit. Later on, after Craig Ramey talks, I'm happy to answer any specific questions you may have about this. Sex, religion, politics, whatever you want. Thanks a lot.

OPERATOR: Applause.

CHAIRMAN PATTON: That's Rob, very much. After our next presenter, we will have a few moments, maybe, to answer a few questions. Again, I suggest that if you can set up a dedicated source of money for this program, it's very helpful. What we did in Kentucky was dedicate 25% of our tobacco money. It happened to be that that was new money that came on-line as we were developing this program. And it's
Our next speaker is Doctor Craig Ramey.

Dr. Ramey is the founding director of the Georgetown Center of Health and Education at Georgetown University. Prior to arriving at Georgetown, Dr. Ramey was a Professor of Psychology, Pediatrics, and Neuro-biology, at the University of Alabama in Birmingham. He specializes in the studies of the factors effecting the development of intelligence, social competence, and academic achievement in children. He is currently heading the national panel, creating the assessment to be administered for students by participating in Head Start. Please help me welcome Dr. Craig Ramey.

OPERATOR: Applause.

DR. RAMEY: Thank you Governor Patton.

Not only am I delighted to be here this morning, and to talk with you about something that I believe is at the forefront of our country's concerns, our
children. But, I'm here to add some consistency, some further facts, to what is turning out to be a remarkably consistent story about the optimism that we can have in terms of what we can do for our young children. And, particularly, for the most vulnerable of our young children.

OPERATOR: Slide.

DR. RAMEY: The case, I believe, is clear and compelling. That a commitment to improving K-12 educational achievement, which is at the forefront in poll after poll of concerns of American families, must begin in the first five years of life.

OPERATOR: Slide.

DR. RAMEY: You have heard many stories and read many articles about the remarkable brain growth that takes place in the first five (5) years of life. This slide, which is the result of measuring, in millimeter by cubic millimeter, the density of the connections between neurons in the cortex illustrate that different regions of the brain develop at different rates. Our visual system comes
on very early and rapidly. Our auditory system comes on next. In the pre-frontal cortex area, where we have most of our abstract thinking and cognitive processing comes on by the age of five (5) years. We are beginning to see the kind of pruning that is necessary for brains to become more efficient. Yes, it’s very important that we have a periferation (phonetic) of connections among neurons, but experience helps to condition those pathways, and to make them more effective and efficient. In the kind of regularity and stimulation that children have is a major determinant in whether certain skills becomes grooved or not. Whether certain basic propensities are laid down or not.

OPERATOR: Slide.

DR. RAMEY: What we know from now, over 2,000 studies, is that we can describe those skills with remarkable brevity. This list, which summarizes, the over 2,000 observational studies each and every skill on here, that caregivers evidence in
their interactions with children, has been linked positively to children's rates of growth and development in cognitive, linguistic, social and emotional function. Encouraging exploration, mentoring and basic skills, celebrating developmental advances, communicating richly and responsibly. Guiding and limiting behavior, teaching the social morays that are required for constructive citizenship in this country.

OPERATOR: Slide.

DR. RAMEY: To illustrate just one of the quantitative relationships, this graph is the result of careful observations of mothers interacting with their children at home over the second year of life. These are all, by the way, middle class mothers. What we see, is that in yellow, mothers who interact relatively infrequently, with their children, have children, who at the end of the second year, have vocabularies of about 100 words. And those mothers that interact most frequently with their children,
have children with vocabularies that are eight (8) times, 800 percent the size of those with more limited interactions.

Note that these curves are not straight lines. We are seeing a divergence in development over time. That by the time these children go into kindergarten, these differences are about as perplexing as anything that a kindergarten teacher will have to deal with.

OPERATOR: Slide.

DR. RAMEY: We also know, through good research, that we have strong relationships between what children experience in the preschool years and their learning to read. I'm not talking here, about trying to teach young children to read. I'm talking about the prerequisite skills that need to be in place in order for that process to kick in when children are in kindergarten in first and second grade. And we know that children's oral language
comprehension, their phonological awareness, the awareness that words are made up of discrete sounds, that they know how to name letters. That they have basic concepts of print -- that print represents speech written down, that it goes from left to right and top to bottom.

OPERATOR: Slide.

DR. RAMEY: Some children get this in abundance, and I would venture to say that most of the children, if not all the children, of the people in this room, in fact, did indeed, get them in abundance. For those children, we can describe a typical course in development. Here, represented by this red line in which we're marking developmental age in language cognition, and so on, off against the progression of children in chronological age. So, a typical two-year old scores developmentally like a two-year old. But we know that there is a subset of children in this culture. They come from white families, black families, they come from every ethnic
group, who start off life very healthy, and eager to
learn, and sometime typically, after 12 months of
age, there course of development begins to diverge
from that of their more advantaged peers.

And they fall off the developmental curve.

And they end up coming to school looking, not like
the five-year old, sometimes, not like the four-year
old, and sometimes, not like the three-year old.

OPERATOR: Slide.

DR. RAMEY: Very behind. And when those
children go into good schools, good schools help
those children learn. Those children have not lost
the ability to learn. It's just that when they enter
good schools, they are starting from a two-down
position. And many times that they learn at the same
rate as their more advantaged peers. But that
doesn't allow the catch up to occur. And then over
the summer months, children from severely
disadvantaged families have a fall off in their rate
of learning. They learn at a different rate than do
your children or my children and children from educated and high resource families. So, if you measure children's performance overly, at the end of each grade level, in the early years of school, you might erroneously conclude that school is doing a bad job, because you see the gulf between the have and the have nots grow. When, in fact, during the nine (9) months of school they were growing nine (9) months developmentally. They were missing some experiences, however in the non-school months.

OPERATOR: Slide.

DR. RAMEY: The point that I want to make, and Governor Patton, and Rob Reiner made this point eloquently, as well, themselves, is that it really is the totally of a child's experience that lays the foundation for a lifetime of greater or lesser competency. Whether children are, in what we call, childcare, or they are in a preschool program, or they're in a program for neglected children.
Whatever they experience in any of those programs, that is the child’s education, in addition to what the child receives at home and in other places.

OPERATOR: Slide.

DR. RAMEY: Thirty-two years ago, my colleagues and I began a project that has a somewhat, unwieldy name. As a very young professor -- very fond of polysyllabic, Latin-made words, I chose Abecedarian, because it means one who learns the fundamentals of something. Such as one who learns the alphabet. We really wanted to determine in an experimental fashion whether or not it was possible to fundamentally alter the course of human development for individual children by bringing high quality pre-school programs to bear. But can the cumulative developmental total experience of high-risk children be prevented to reduce significantly by providing systematic high quality early childhood education from birth through kindergarten. In the jargon of science, the Abecedarian project was, and
is, a randomized, control trial. That is, a population was defined, and children and families were randomly assigned to different treatment conditions. That's the same process that all the drugs that you now use, that are prescription drugs, should have gone through. It's the standard in life sciences for establishing causality.

OPERATOR: Slide.

DR. RAMEY: We wanted to test the proposition that early childhood education was very important. So, we wanted to reduce some confounding factors. So, our control group was not an untreated group. We, in fact, provided for them, nutritional supplements, family support, social services delivered by master’s level social workers, and free or low cost health care, based on the American Academy of Pediatrics recommendations. Our treated group, in addition, received an intensive early childhood education program, that began in the first year of life, and that operated 50 weeks a year. But
emphasized cognitive, social, motor and language
development, and most importantly, was individually
based for each child, each day, in ways that are
accomplishable within high quality pre-school
program today.

OPERATOR: Slide.

DR. RAMEY: I want to share with you just a
few results.

OPERATOR: Slide.

DR. RAMEY: First of all, the pre-school
results. This is, probably, the most intensively
studied group of children anywhere on earth. We've
published something like, 350 articles about these
children's development, so far. What this slide shows
is that the cognitive performance of these children
from the time they were three months of age until
they were four-and-a-half years of age.

In all of these slides, [the] red-line
represents the children who received early childhood
education. The yellow-lines represent children who were in the control condition. During the first-year of life, the treated and controlled children performed remarkably similarly. Beginning at 18 months of age, the groups diverged in ways that are quite dramatic. So that by three years of age, the treated group was earning I.Q. scores of 101, on average. And the control group was earning scores of 84. That corresponds basically with either being at about the 50% percentile or being at about the 15th percentile.

OPERATOR: Slide.

DR. RAMEY: Another way to look at these data is to look at them from a clinical perspective. If you earn an I.Q. cognitive score of 85 or below, you are in the bottom 15th percentile in this country. Here, we see that the provision of early childhood education, has had virtually all of those children, 95 to 100 percent remain within normal limits, whereas the yellow bars indicate a steady and progressive and disastrous
by the time the children are four (4) years of age, only 45 percent of these control group children are scoring in the intellectually normal range. This is in a progressive town with lots of services for children, and with the services that have already been provided, in addition to these control children. So, in some ways, this is a conservative portrait of what the developmental toll might have been otherwise.

OPERATOR: Slide.

DR. RAMEY: Here are two lines showing you the verbal competencies of these children at 32, 42, and 54 months of age. Virtually, non-overlapping graphs.

OPERATOR: SLIDE.

DR. RAMEY: We also have looked carefully at the degree to which mothers and children are positively involved through using some pretty fancy laboratory settings. We've compared these treated
and controlled children to a sample of children and mothers from the general population, which in Chapel Hill, was a more affluent and much more educated segment of the population. What we see is that in the first year of life, is that these three (3) groups are remarkably similar. But, in the second year of life, there is both an increase in the intensity of involvement, by mothers, in the general population, and a corresponding decrease in the control group, with the function of the treatment being to preserve some function that would otherwise be lost.

OPERATOR: Slide.

DR. RAMEY: There are, by the way, some benefits that accrue to the mothers whose children attended the preschool program. When those mothers had their children go to this program, and all these mothers were poor. All of them were below 50 percent of [the] poverty line. They had, on average, a 10th grade education. When their children attended the
 preschool program, with our encouragement, they
invested their time in their own education, and by
the time their children were ready to go to
kindergarten, 50 percent of them had completed high
school and gotten some post-high school education.

Compared to only about 12 percent in the control
condition. That change, was sustained, over time,
such that, by the time, their children were in third
grade, eighty percent of them had completed high
school, and gotten some post high school education,
compared to only 30 percent of the control condition.

OPERATOR: Slide.

DR. RAMEY: What are the hallmarks of
science? One of its checks and balances systems is
to determine whether procedures and findings can be
replicated in different places. We have replicated
the Abecedarian project in nine (9) states; once in
North Carolina, and then in each of the states that
are up here, and found essentially, the same results.
What I want to give you, is perhaps, the most important, single graph that I have ever drawn in my life.

OPERATOR: Slide.

DR. RAMEY: In one of our replications, known as the Infantile Development Program, we had almost a thousand children in eight different sites. And these were all low birth weight and premature children. So we wanted to ask whether we could have a benefit for those children in addition to the kinds of benefits we had for the children who were full birth-weight in the Abecedarian project.

DR. RAMEY: We were able to recruit these almost 1,000 children and their parents, and because low-birth weight children come from all walks of life, but they do tend to come disproportionately from poor families. We were able to look simultaneously at the effects of the Abecedarian treatment as a function of not only if birth weight,
parents using that as a marker for parental resources. And here, you will see that there is a strong relationship between the level of parent's education in the yellow bars and the performance of their children at age three on a standardized measure of cognitive development.

Now, look at the red bars and notice what has happened. Of the performance of the children from the least resourceful families, has been pulled up. And has been pulled up and essentially leveled at slightly above national average. What that really means is that those children who were most at risk benefited the most from the provision of this program. Note also, that we weren't able to improve development beyond what upper middle class families with high resources where able to provide. More careful analysis revealed that that was not because those children were truly invulnerable, but it was because those parents reached into their pockets, used these resources, and used their social network
to basically provide the same kinds of services that
we were providing in the treatment condition.

OPERATOR: Slide.

DR. RAMEY: Let me go back to the
Abecedarian Project just very briefly and show you
some results of what happened when these children
went into school. Being better prepared, the
preschool children achieved reading skills at a
higher level from the time they were in third grade,
all the way through every follow-up we've done since.
When they were 12 years old, 15 years old. Indeed
we've just finished a follow-up at age 21 years.

The effects on reading were not only
immediate, but they were lasting. The same is true
for the effects on mathematics achievement. These
were children going into good schools, well prepared,
in the early education treatment group, and in fact,
they fared well.

OPERATOR: Slide.
psychometric differences, there are differences of a real world nature which have practical consequences for you as governors. As for state legislators, the provision of the pre-school education reduced failure in grade from 56 percent to 30 percent by age 15. It prepped special education placement from 48 percent to 12 percent. As you know, special education costs roughly two and one-half times per year what regular education costs. And this buttresses the point that Governor Patton and Rob Reiner were making earlier -- about, you can pay me now or you can pay me later.

In early adulthood, the kids who had early childhood education were more likely to postpone having their first child until they were out of high school.

That's what this one shows. Sorry, the one before it
shows they were more likely to be employed at higher skilled jobs or still in school. As a matter of fact there was a three-fold increase in the likelihood of going to a four (4) year college, depending on whether you had a preschool education or not. Thirty-six percent versus twelve percent.

OPERATOR: Slide.

DR. RAMEY: Let me sum this up. This is thirty-two years and a lot of money. And a whole lot of people working a long time. This is what we know and what we came to tell you. If we do this at a level of quality that is commensurate with the needs of children and with our knowledge base, we can improve children's intelligence, their reading and math skills, the sense that they have of being in control of what happens to them in school. Their social competence, the years they spend in school, and their likelihood of being employed full-time at decent jobs. And if we don't they are more likely to repeat grades, to be placed in specialized education,
to have teen pregnancies, and to be convicted of drug use, or to smoke. Those are in addition to the benefits I've told you about, as far as education and employment for the mothers.

OPERATOR: Slide.

DR. RAMEY: So do some well intentioned programs not succeed. In analyses of programs that have been tried and failed, here's our short list of what we know. One, they tend to have poorly prepared teachers. The programs are sometimes not intensive enough. There are sometimes only a couple of hours a day for three or four days a week. But they have a remedial rather than a preventive focus. That they don't directly engage the children in teaching strategies that emphasize the core concepts that they will have to evidence when they go to school. We have so many different programs in each and every state. We have redundancies and inefficiencies, which, I believe, we could root out and invest that
same money into effective programs.

OPERATOR: Slide.

DR. RAMEY: So with 22 minutes of your time, here's what it all boils down to. I would urge you to provide strong leadership for a comprehensive early childhood educational initiative that is linked explicitly to the K through 12 learning and achievement of children. This is exactly what Rob has been doing in California. This needs to be done everywhere so that we bring every efficiency that we can. I think that the evidence is clear that we must pay careful attention to children who are at high risk for school failure. Our program should be grounded in scientific evidence and build upon the existing resources.

OPERATOR: Slide.

DR. RAMEY: To that end, I think that we need to find ways to combine funding streams. To promote innovative partnerships. And to strengthen existing programs that serve children from the prenatal period through age five. One of the things
we've seen governors of many states do, like Rob,

we're eager to work with you is offering incentives for collaboration and getting away from playing the game of we'll all come to the table. And we'll all promise to collaborate, but you know that you better leave as much money for your agency as when you came in. And the way to cut that Gordian Knot, I believe, is for you, as governors, to offer the incentives to your various department heads. To in fact collaborate and cooperate, to eliminate duplicative and ineffective programs and to link future funding to performance indicators of how programs are doing. That happens in almost every other part of life, as we know it. We've somehow managed to have early childhood education get a bye on that one.

OPERATOR: Slide.

DR. RAMEY: I would say to you, you don't have to find all new monies, there are monies coming into each and every state, and into each and every county, that already can be used as a based. And
what this slide does, is identify just some of them. The various titles of the Elementary and Secondary Education Act. Early Head Start, Head Start, Early Intervention -- one of the things I would urge you to do and which we've been doing a bit with Governor Musgrove in Mississippi, and Governor Foster in Louisiana, and others, is to find every dollar coming into your state that can be potentially used to address this issue. Then develop the master plan because you may need less money to get to where you want to go than you think you do if you start by assuming that you have to find it all.

OPERATOR: Slide.

DR. RAMEY: And I would suggest that you design and implement a strong, accountability system, that continuously monitors program quality and documents child progress and outcomes. And that you use that information in a practical way to strengthen the programs. This is not high stakes testing for children. This is not some ruse to find ways to get
rid of programs. It's a way to give program manager information to use to guide the quality to target training and technical assistance. To ratchet up things in a way that is done regularly in business all across the country.

OPERATOR: Slide.

DR. RAMEY: So I believe the evidence is in. It's clear, it's consistent, that part of the educational outcomes can be achieved for all children through the pre-K years and beyond. The benefits include much more than just reading, although reading is a crucial skill because we use that to learn math, we use that to be socially competent. It links to our social adjustment. And that, as it's been said before, other programs that have done this have shown cross benefit ratios of between one to four, into one to seven. Son in the grand scheme of things, this is one of the better bets that we've ever had in social or health situations.
OPERATOR: Slide.

DR. RAMEY: I know, that each and every one of you as a governor, has as one of your goals, to improve the quality of life for people in your state. This is one of the ways that that can happen. Anything that we can do to be of help to you, we will gladly do it. We wish you the absolute best and Godspeed on your journey.

OPERATOR: Applause.

CHAIRMAN PATTON: Thank you, Dr. Ramey. I think you presented some very startling facts, and suggestions as to how we can achieve that. I want to have a little discussion. I'm going to forego my question, and ask Governor Kempthorne if you want to start us off with a question, then we'll try to get some more from the rest of the governors.

GOVERNOR KEMPTHORNE: Mr. Chairman, thank you very much. It's been an excellent presentation by our two outstanding speakers here this morning. I would note that last year, in Idaho, we had the great...
pleasure of having First Lady Laura Bush who was a keynote speaker. The keynote speaker, at a gathering where we had Dr. Ramey, and other distinguished experts in the field of early childhood development.

My question to Dr. Ramey would be, and Rob Reiner has affirmed this, too. We now know the science. There's empirical data. So, can you give us lessons learned on how it has been successful? How to move this, which is some of the other lessons learned, whether there have been false starts. No one can afford a false start. And yet, this is critical that we get going.

DR. RAMEY: Thank you, Governor Kempthorne. I think we know a lot about how to do it, and I think that Rob was very clear in having some suggestions for a master plan. Something this complicated, clearly, has to be planned. The one thing I would say that we know, is that there have been no demonstrable benefits from low-quality
programs. As a matter of fact there are programs in this country today that are actually harming children. I believe that the creation of an accountability system that measures the quality of programs, that measures the performance of children, is the most cost-effective way that we can address this issue. Because we're in a situation in which there are some really deeply held philosophical positions. And the bloodiest wars that I know to have occurred throughout history, are wars that are based on differences in philosophy. I believe that the scientific method allows us a way to bring credible evidence to bear and to have rational people look at it. And that the debate will be elevated and we can determine how many of our children are, well, what kind of experiences have they had, how we can feed back that information to strengthen our programs. I don't think that is unachievable. I don't think that it is too expensive. I believe that
the theoretical and practical technologies exist to do it. We have done it in other places -- I think it will be an uplifting set of contributions to this entire effort. So I would urge you, to, as you go about your plans, don't tack that on at the end. Have that be a part of your planning from the very beginning. Rob?

MR. REINER: I would just add to that. What when you think about a K-12 system, you would never say, well, we're going to just offer math to that child, and assume that that child is going to be education. You know, you develop a curriculum. You develop a curriculum -- it's well-developed over many, many years. So, when you talk about putting a plan together, think about what a child needs from the prenatal period through age five, in order to make him school ready.

We talked about healthcare -- we talked about early care and education. We talked about intervention programs for families at risk, like home
visiting programs, and think about these as classes,
you know, if you will that a child needs.
The child needs all those things: family
support, parental support, needs all of those things.
So, when you develop your master plans or you develop
your plans, keep that all in mind. Then think about
the delivery system. I would submit to you that
there are a lot of programs all over the country, in
many states, but there's none that brings it into one
focused area. I would suggest that we have the K-12
system in place. I'm not saying that we're going ask
us to be run through the K-12, but definitely has to
be linked in partnership with K-12. You have HHS.
You all have HHS. You're talking about a delivery
system, and you have to work your partners. Exactly
what Craig Ramey said -- You've got to work the
partners! One of the nice things we did in
California, and I can say because Gray's wife,
Sharon, brought us all together at a meeting where we
had folks in the Department of Education from HHS,
from Health Services, all brought to the table, to say this is something we all need to work together and develop.

The nice thing about it is, a lot of departments that don't talk to each other, all of a sudden are starting to talk to each other. Because they recognize that in order to provide school readiness, it isn't just pre-school. It isn't just a healthcare plan. It is all of these things that are brought together. I would say build off your existing infrastructure, but find ways to bring them altogether. And, again, I go back to saying this is a good time, even though you're strapped to really put the time and the effort into planning, and how you're going to implement this until the funds are release. But that to me is the key. And, as Dr. Ramey points out, you can't overstate money, because without quality, you're just going to be throwing your money out of the window.
GOVERNOR PATTON: Sherman, my daughter, who is in early childhood expert, preaches to me. I think there was a situation in Romania where an orphanage bought the Ceaucescu Regine kept children in crib beds. They were fed, and I guess they were kept relatively clean. They were certainly protected from harm had no stimulation. The results were horrendous. It was horrible how little brain development had occurred. We're not talking about custodial care, we're talking about quality care.

GOVERNOR PAWLENTY: This would be a question for Professor Ramey. In Minnesota, we have a fairly elaborate early childhood system. Based on your research while you were still at Alabama, we did some pilot projecting in the mid-1990's where we took our existing early childhood education programs, and we were offering a curriculum for parents of children who were four and over. And provided some grant monies to ask them to redesign their curriculum to be more geared more towards parents of children who were infants, or up to four (4) years of age. Those
programs went forward and they provided the service to parents in our ECFE programs. We also had an earlier, maybe not as elaborate version of the TIBBS that Mr. Reiner has suggested. These are real good programs, but as we looked at the affect on impact -- . What we are hearing back from the evaluators is, I think, something that's very important for Governors to keep in mind. I understand your research, and ultimately the people who either corroborated it or somewhat criticized or put it in a difference to say-. If you really want to achieve long lasting and significant progress (particularly, for at risk children), while the kids in the ECFE curriculum for parents that is intermittent or these intermittent programs may be helpful to achieve the effects that you have described in Alabama.

And know, through your work at Georgetown, it really needs to be high quality, it has to be sustained. And for parents who aren't able to provide it in a home setting, this almost an
in institutional or at least, a formal delivery system vehicle to it. And the Abecedarian project speaks of the fifty-week window. There are folks who I think have been certainly applauding your work, that have said, my goodness, in terms of doing this right. If you really look at the delivery system to do it right at the level to achieve the results that you've experienced in your research. It's high quality, institutional, or at least, formal day care. All day, every day for parents who can't provide it. And again, it mimicks the daycare that people of means and influence, are able to provide their children.

But in order to do that, that's really what your research says at core. And for some folks, who are governors, who are broke, that's a high bar. Can you just comment on are there ways, short of that vision, that are still helpful, that we can, at least, make progress with something short of your ultimate model that you put in the Abecedarian Project.

DR. RAMEY: And thank you Governor. By
the way, Minnesota has been a beacon of high quality services to its citizen referral for a long time.

You've heard SEED and some other programs that have just been fabulous. Many of us have been inspired by that. Here's what I think we have to come to grips with. That is we have a spectrum of risk in the population. We have a commodity, if you will, this early childhood education and related services: health, nutrition, and so on. We have a commodity that is highly desired, certainly by the upper middle class, by the broad middle-class, that they're already paying for. They are paying for it very substantially. So we don't have to convince them that this is something that they would like to have. We're talking about a public finance issue. How do we get the kids who without something are going to come to school and be in the classrooms, or have the flight out of public school to private school take place. Because people can't deal with that range of
When the teacher in kindergarten has a kid who looks like a two and a-half year old, and a child of one of your friends, who looks like more than a 7 and year old in the same classroom. So, I think it's about targeting. Now, I'm a great fan of providing universal programs -- that is, that are not segregated by social means testing. But I do think that we might be able to find ways in which parents would pay some of the costs if they were able to, in more of a tiered kind of reimbursement system. And for those who just can't afford it -- our not programming, it seems to me, is not a very good option. Because it's special, and it's two and one-half times the cost, and we can predict with greater than 50% accuracy who's going to need that. It's not talking about waiting ten (10) years to have to pay the costs. You're going to pay the costs in kindergarten and then first and second grade. So, I do believe, that dealing with what I believe is
ethically a tough issue. And that is trying to be sure that we understand who’s most at risk and we’ve worked with people in many different states: Alabama, Mississippi, Washington, Minnesota as well. To use the linkage of public health records to education records, to write the equations that allow us to predict, I must say, with alarming accuracy, the number of kids you’re going to deal with in your early years, who have problems, for which the school system is not prepared to deal.

DR. RAMEY: That discussion, I think, needs to take place conditioned state by state. Because the population characteristics of state, and the percentage of children who are at risk, varies tremendously. New Haven and California, or Connecticut and California, you know, are not likely to have the same set of risk factors that would result in exactly the same kind of response. But I think we can tailor some of this. Is that helpful?

GOVERNOR PAWLENTY: It is.
DR. RAMEY: The bottom line is to go to your ultimate vision or goal. It is a commitment to high quality sustained daycare. Our ultimate vision is that we could do this on the cheap, quickly and we could save 95% of the kids. We just haven't figured out how to do that yet.

GOVERNOR GRANHOLM: Dr. Ramey, I know that you've seen a lot of programs and there's a lot of great models out there. In Michigan, we're quite affimized (phonetic) in terms of our daycare collaboration. I'd like to know from a best practice perspective, if you could name one state or city that has a program that you would model after, what would that be? That's question number one. How much per child, does a quality system like you've described cost? Can you and Rob Reiner come to Michigan?

OPERATOR: Laughter.

DR. RAMEY: Rob and I will go whole hands and go anywhere together. The answer to the third
question is yes. Cost. Let me do that first. Cost is
going to be determined primarily by what you are
willing to pay the people who staff the system. In
the past, we have paid really dismal wages to people
in childcare, who when they work full-time are still
below the poverty. I'm very happy to say that in the
Abecedarian Project, we paid our teachers as if they
were public school teachers, and we paid them for the
full 12 months of the year. Which is why our costs
are higher than some other programs. I believe you
can now deliver a good program for something in the
neighborhood of about $9,000 a year. There are some
efficiencies, though, I think can be realized. But
Head Start is now $7,000, roughly dollars per year.
And it's a seven month a year program. Special

education is running close to $18,000 a year,
national average. If we paid teachers in childcare
the equivalent of what an average teacher would get
with two or three years experience in the public
school system: (a) we could both draw on the kinds of

Page 67
people who would have the skills to operate a high
quality system, and [(b)] we could deal with this
abysmal turnover, which is a 40 percent turnover rate
per year that is driving quality down. So that's
cost. And there's a third.

GOVERNOR GRANHOLM: Best practices.

DR. RAMEY: Look to the gentleman, two
down to your right. Minnesota. Even though he has
talked about some of the difficulties, Minnesota is,
I think, a beacon state. North Carolina, what's
happened there. Georgia, California, even with your
$35 billion projected deficit, is, I think, creating
one of the really innovative assessment and program
quality assurance systems. I think really
interesting things are happening. We're working with
Louisiana around their four (4) year old program.
They've implemented a universal pre-K four year-old

program. I think there are a number of places that
are real beacons. The problem is, we haven't spread
that out to be truly to be available to an entire
population anywhere. Even the places that say they
have universal pre-K: New York, Georgia -- there are
still people not being served. People are doing
their best to get the resources to do it and now is a
tougher time than ever.

GOVERNOR SEBELIUS: So Dr. Ramey, thank
you very much. It's great to hear from you and Rob
Reiner, about not only the research, but [about] some
programs actually in place. As a follow-up to
Governor Granholm's question, can you talk a little
bit about whether or not you have looked at the
qualifications that are important for a quality
program? I assume, you know, we have teacher
credentials in order to get into a classroom. It
can't be just about pay? Have you established, sort
of a criterion for who is or is not qualified, if
you're looking at a child care setting or a program.
Beyond a curriculum, we need some qualified folks, I
would assume, delivering that, here. So, what does a
qualified childcare worker look like?

DR. RAMEY: Let me give you a couple of answers to that. One, when we began the Abecedarian project, early childhood education meant K through 2.

So, we had to train our own teachers for young people to teach younger children who recruited some people who had college degrees and some who didn't. And we gave them an intensive, pre-service, and in-service training program. And we monitored their skills on a daily basis. That's because we wanted a program that had a chance of showing an affect. When it came time to do the Infant, Health and Development Program, the country had changed and there were enough people with early childhood degrees, who specialized in the preschool years. We were able to have people with education degrees staff that. Most recently, we are working in Louisiana, where under the leadership of Senator Phil Jones, and Superintendent Cecil Picard, and Governor Mike Foster, a universal pre-K program has been created targeted for four year olds. And it's run through the Department of Education. All
teachers in that program have to have early childhood certification, and teaching degrees. And in a recent study of that system, we found that their classrooms scored higher on the measures meant to indicate the quality of that system than any group that's been reported in the literature. There are a number of surveys that have been done, the cost, quality, and outcome surveys -- some stuff that Steve Barnett here, has done, to show that in places where the quality is low, that tends to be associated with very low level staff credentials. So, in my dream, as I look down the road 10 to 20 years, I see people staffing these with career trajectories that begin with a college degree. We couldn't get there tomorrow if you had a $100 billion dollars to invest, because we have to get colleges and universities to change. We have to prepare people differently than we are preparing them now. And we have to create that system that attracts people to career tracks that have some chance of making a reasonable living.
MR. REINER: I would just add, also, when it comes to quality providers, there's no substitute for compensation. You also have to put forth some kind of retention and compensation program that will allow them to take this as a career path. It pays so few dollars than even kindergarten teachers -- so, arguably, if these teachers are as important or more important to your children growing up, we have to pay them on the same kind of pay scale that kindergarten teachers get. You know we can share with you a retention compensation program that we've done in California that's produced thousands and thousands of new quality childcare providers. But that's something that you have to look into.

DR. RAMEY: I might just say, by the way, since I mentioned that we paid our teachers in the Abecedarian Project, and all other projects that I've every directed, what teachers would be paid in the public school system. In the Abecedarian Project, in contrast, to the 40 percent turnover rate -- you know
what our turnover rate for teachers was? Zero.
Except for two that we fired.

MR. REINER: There are a lot of strategies
about how you can do that. I mean, right now, we've
got a universal preschool program in Los Angeles

County that we're instituting now. In order to do
it, you've obviously got to create a lot more
qualified teachers, so we're toying with the idea of
forgiving college loans, if you can get college
students to agree to a three, four, five year
commitment. And that way, the turnover rate is big,
because that consistency is critical for a child,
especially in the formative years, to have some
consistent teacher. You want to be sure that you
have somebody who is going to be in the system for a
while, and there are incentives that you can do.
Like retiring school loans, and such. And we're
looking at those kinds of things.

CHAIRMAN PATTON: I think we could
probably go on with this discussion for another half hour or so, but we're going to have to terminate it. Again, I think that we've gotten the message across that this is an extremely important field, and there are experts available. There are states that have been successful. All of us could make improvements. So again, Dr. Ramey and Rob Reiner, thank you all.

OPERATOR: Applause.

CHAIRMAN PATTON: These winter meetings are really intense, and all work, with the exception of the banquet at the White House tonight. But this summer we take it a little bit easier, and this summer we are going to be hosted by Governor O'Bannon in Indianapolis. Frank, do you want to give us a little preview? I think all of us get in the amount that was formally required. Is that what the advertisement out there is all about?

OPERATOR: Laughter.

GOVERNOR O'BANNON: Be sure and go out and get a picture taken with the Indianapolis 500 open
wheel racer that's out in the hall. Judy and I certainly invite you to join us in Indianapolis from August 16th through 19th, as we have our annual meeting there. I think that for the new governors, it's one of those special times when you can bring families and get together and also discuss the issues that are important to all of us. It's been 72 years since we've had an NGA meeting in Indianapolis, I mean, in Indiana. Which was not even in Indianapolis at the time. We hope to give you the opportunity to taste a little Indiana during our meeting, and we know you'll leave with some of the great memories and experiences that we all have, particularly when we were in Boise last year.

Let me take just a moment to tell you just a little bit what we have planned, and you'll see that it's a great opportunity for you and your families to be with us, in Indianapolis. On Saturday night, the governors will be celebrating a special birthday at our new state museum, which is less than
one-year old. And it's a beauty. One of our famous Hoosiers, Garfield, the cat, will be celebrating his 25th Birthday. His creator, Jim Davis, will be joining us for dinner there. And certainly, we will have some gifts for our governors' families.

Following our dinner, we will be entertained by the Indiana August in a brand new amphitheatre that overlooks the White River in downtown Indianapolis.

Next, to the museum area. On Sunday, we're going to the Indianapolis zoo, where we will be greeted at the front gates, by an elephant and a donkey.

OPERATOR: Laughter.

GOVERNOR O'BANNON: If Jesse Ventura and Angus King we'd still be trying to figure out another animal. You know Indiana is quite a basketball state. Our kids have grown up, as in many of your states, to our Indiana Pacers. Even our elephants in Indiana can dunk a basketball. You'll see that as well as a dolphin show. And some of the best food
and following dinner, we will be doing some dancing next to the lemurs.

On Monday, we will be going out to the world famous Indianapolis Motor Speedway. So, governors, really start your engines, because you're going to have the opportunity to go around the track at some very amazing speeds in whatever kind of vehicle that we can put together at that time. We have that excitement that will happen.

Be sure and mark your calendar for August 16th through the 19th. And we'll certainly roll out our red carpet to you and show you our Hoosier hospitality. June and I both look forward to hosting you. Thank you, Paul.

CHAIRMAN PATTON: Frank, it sounds like it will be a very interesting, enjoyable and productive summer meeting. We look forward to it. We talked earlier about a few wagers that I've had the pleasure of making over the years, that I have (inaudible). I understand there was a wager made on the Fiesta Bowl.
Governor Taft, is there any truth to that at all?

OPERATOR: Laughter.

CHAIRMAN PATTON: Tell us about it.

GOVERNOR TAFT: The day I’ve been waiting for is Saturday, January 24th is the day that has now become one of the most important and memorable in Ohio history. That was the day, of course, that many of us watched the Fiesta Bowl. Possibly, the greatest football game that probably we’ve ever seen, maybe even the greatest in history. And obviously, the greatest team won, since the Buckeyes prevailed over the Canes on that day. I brought along -- this is a special edition. We’re kind of nudging Columbus about Ohio State. This is a special edition of the Ohio State Buckeyes Champs. OSU stuns Miami to win the title in two overtimes. Now, I’m not normally a betting man, but the national championship was too great a temptation for me. So Governor Bush and I made a little wager -- that the losing governor would wear the jersey of the winning team here at NGA.
OPERATOR: Laughter.

GOVERNOR TAFT: So if Governor Bush would now join me at the podium.

OPERATOR: Laughter and applause.

GOVERNOR TAFT: I want to commend Governor Bush because he is a man of honor; he is a man of his word. There were some of his staff members who were trying to get the spotlight subdued on this event, by having it at RGA, Republican Governors, instead of here. But Governor Bush said no, we're going to honor this commitment. So, at this time, I want to present you with this special edition. I know you want to show that off in your office, Governor Bush.

OPERATOR: Laughter.

GOVERNOR TAFT: And most importantly, here is the Buckeye jersey for you to wear, right now.

OPERATOR: Laughter and applause.

GOVERNOR BUSH: To show how optimistic I was --.
OPERATOR: Laughter.

GOVERNOR BUSH: You can just [give] this to the four or five Miami fans that probably reside in Ohio.

OPERATOR: Laughter.

GOVERNOR BUSH: I quickly realized something about football. Some of you may have watched the game, and you saw that call.

OPERATOR: Laughter.

GOVERNOR BUSH: I made the mistake of saying that that was a tough call. It look like maybe it would go Miami's way. I got about 50 e-mails and phone calls inside my own state. And I forgot how many people from Ohio live in Florida. So, you do win the Ohio game. Anyway, I'll wear this with a great pride on behalf of all Floridians who have migrated from Ohio.

OPERATOR: Applause.

CHAIRMAN PATTON: They take this game that was invented to previous basketball seasons pretty seriously. Let me talk to you a little bit about a
generally, it's the worst fiscal crisis since the second world war. Over the past two fiscal years, states have faced budget shortfalls of $100 billion dollars. We are now entering the third year of state revenues inadequate to meet existing commitments. States have already made substantial cuts in expenditures. Some have raised taxes, and they've spent down their reserves. So more spending cuts are inevitable. Today, budget shortfalls across the states are mounting. For the upcoming fiscal year, states are collectively expected to face an unprecedented $82 billion dollar shortfall in revenue, needed to maintain existing services. Forty-nine of the fifty states have balanced budget requirements, and we can't avoid the problem by deficit spending. In the end of the day, states are forced to confront difficult situations; that may include painful cuts and vital services, laying off employees, or increasing taxes to close these massive
shortfalls. Irrespective of what actions are chosen, the states fiscal crisis will be a major drag on the national economic recovery. To provide the most powerful stimulus to the economy, the federal government should provide significant, immediate, temporary fiscal relief to help states. This will prevent economically damaging tax increases and program cuts that are being forced on the states. These are actions on the state level would directly offset much of the effect of any federal stimulus package. This crisis is not about state budgets. It’s about the people. It’s about providing healthcare for our most vulnerable citizens. It’s about insuring public safety and security. It’s about guaranteeing that every child has access to a quality education. And, it about creating an economy that will provide good paying jobs for our people. Last year, I was pleased to work in partnership with Republican Governor, then NGA Chairman, John Engler of Michigan, to craft a bi-partisan plan, to deliver
relief to the states. Joining with Republican Senators Susan Collins and Democratic Senator Ben Nelson, the NGA helped move a bi-partisan bill through the Senate that will provide states with $10 billion dollars in fiscal relief, and move our stimulus efforts in the right direction. Republicans and democrats in this organization convinced the Senate to pass the Collins-Nelson proposal with an overwhelming 75 votes. Although we didn't prevail, we gained much needed momentum for the coming year. As our state fiscal situations have (inaudible phrase) and I, along with many of you have continued to advocate for fiscal assistance as the NGA's highest priority. Together, we've not only convinced the public that states are in dire need, but that fiscal relief from the federal government is the key in any effort to stimulate the economy. And of the Republicans responding, many were not economists and
think tanks around the country, have not only echoed
our beliefs, they've championed them. These experts
have provided evidence and sound economic arguments.
In particular, that because states can not deficit
spend, in the short run, it will be very difficult to
get this economy going again, unless states are
provided fiscal assistance in order to avoid
draconian cuts in spending and increased taxes.

On Friday, the Citizens for Long Term Care, a coalition of consumer work on healthcare advocates, including the AARP, that represents over 40 million Americans, called upon President Bush and the Congress to provide at least $20 billion dollars for urgent state fiscal relief -- to help governors prevent harmful tax increases, avert painful health coverage cutbacks, and help boost the economy. In addition, the AFL-CIO has publicly acknowledged that the lack of federal aid to the states will further weaken the economy and prolong the economic downturn.

They've called on Congress and the administration to
include providing fiscal relief to states in any economic stimulus package. As our fiscal conditions have worsened and further depressed economic recovery, supporters in Congress on both sides of the aisle have grown.

The Collins-Nelson Bill has been resurrected this session. Not only with additional bi-partisan co-sponsorship, but with an additional $10 billion in assistance to the states. In another bi-partisan sign of support for the states, Republican Senator (inaudible) Snowe, and Democratic Senator Chuck Schumer have introduced a bill providing state and local governments with $40 billion dollars with fiscal relief. Congress has begun to recognize the magnitude of the problem as well as the potential benefit to the economy. Senator Baucus has proposed granting $75 billion dollars to the states in unfettered money to address the fiscal crisis and stimulate the economy. Leader Pelosi and Senator Daschle in fiscal relief packages,
respectively for states.

These proposals include not only direct assistance, but additional funds to meet our growing homeland security transportation and other needs as well. But again, this is not a partisan issue. In our discussions with Congress over the past few months, we've continued to gain supporters from both sides of the aisle. We've come this far together because we've stood together.

Over the next year, Republican and Democratic governors will build upon the momentum we've achieved. Our goal must be to do what's best for the citizens of our states and ensure a full return to a prosperous economy.

CHAIRMAN PATTON: Before asking Governor Kemphorne to introduce our next speaker, I want to mention that Senator Conrad of North Dakota was to speak this morning about providing fiscal relief for the states. Unfortunately, Senator Conrad did inform
me, that he would not be able to attend this morning's session. So, I'd like to introduce Senator Kempthorne, who will introduce our speaker this morning. Governor Kempthorne. I darned promoted you, didn't I? I'm sorry about that.

GOVERNOR KEMPTHORNE: That's alright.

Honored to be here. Mr. Truman, thank you very much. Although my introductory remarks are of a very dear friend, of myself and Patricia, Senator Larry Craig. Senator Craig would want me to acknowledge that as we watch this competition between Florida and Ohio, we had some competition between Iowa and Idaho. Governor Vilsack was very gracious when the Iowa Cyclones were not successful against the Boise State University State Broncos at the Humanitarian Bowl.

We appreciated the gifts which I presented to the coach and his wife. Thank you. You see how easy you got off.

OPERATOR: Laughter.

GOVERNOR KEMPTHORNE: Ladies and
gentleman, it is a real honor for me to introduce Senator Larry Craig from Idaho. For six years, I had the honor of serving with him in the United States Senate before I voluntarily made the decision to run for the office of Governor. He just completed his chairmanship of the Republican Policy Committee. He was recently elected to his third term in the United States Committee. Among his committee assignments, he served on the Appropriations Committee, and if -- I will mention now just those areas where he has jurisdiction. It shows you how it applies to so many of the issues we're dealing with. He oversees funding on the following sub-committees: energy and water development, labor, health & human services, education, military construction, V.A., HUD and independent agencies, agriculture, rural development and related agencies. He is the newly elected Chairman of the Senate Special Committee on Aging, and a member of the Committee on Energy and Natural Resources. Also, in a variety of other positions
that he holds in national organizations, he is on the National Congressional Youth Board of Directors.

Senator Craig and I, along with Senator Crapo, and Congressman Butch Hotter, and Congressman Mike Simpson, were just in Idaho, were we awarded the Congressional Youth Award to young Idahoans (phonetic). This is a program I would encourage all of you to look into. It's the only other medal, besides the Congressional Medal of Honor, that Congress allows to have it's name affixed to. We are proud that Idaho has the most recipients currently among the 50 states. Larry, and his wife, Suzanne, have three (3) wonderful children, and I think, of all the titles that Senator Craig has had in his life, right now the one that he enjoys most is reflected -- he is grandfather to five (5) beautiful grandchildren. Ladies and gentleman, a dynamic leader in the United States Senate, and a good friend of the Governors of the United States, Senator Larry
Craig.

OPERATOR: Applause.

SENATOR CRAIG: Governor, Senator -- you see I can still get away with saying that. Thank you very much for that kind introduction. Mr. Chairman, Governor Patton, to all of you, thank you for an opportunity to come by and visit with you for a few moments this morning.

I look around this membership of governors and I see some colleagues that I once served with in the House, and of course, my governor, in the Senate. So, what I am about to talk to you about, is, to many of you, not at all foreign, and certainly as it relates to a state, federal relationship. One that you are key to at this moment in time. Concerned about what is going to have a great impact on all of us, as we work our way through some difficult times. I must tell you that Dirk and I have just come off the President's Day Recess Circuit out in Idaho. That means that you attend about 20 different Lincoln day banquets, lunches and dinners, back to back,
across about 645 miles of turf. So, if Dirk's a

little worn and drawn out, you'll understand why.

And, his bride, Patricia, was right there with him.

We went into those audiences with this message. I'm
talking about tax cuts and spending restraints and
stimulating the economy. And the audience is sitting
there smiling, and Dirk is talking about cuts and
potential tax increases, and difficult times, and the
audience is sitting there nodding. I tried to figure
that one out. Of course, that's the very reality
that we are all dealing with at this moment. You on
the home front, at the states --. I was once a state
legislator; I lived through good times and bad times
as a state legislator. I will say, by spread of
revenue versus proposed expenditure. Not anywhere
near as great as that which you face today. At the
same time, we're just coming off from a time here,
when we had an unprecedented, and I think, a very
positive four years, of a balanced budget. The first
time since 1920. A brief time during the Eisenhower
administration, and it was during that period of time
I was very proud of our Congress, for the way it
responded and the way it paid down some debt. And was

looking at some tax relief until President Bush came
to town, and I was very pleased to support him in
that effort. So know we are in a much different
circumstance. The President has just brought his
budget to the Hill. It is a wartime budget. It has
a $307 billion dollar deficit in it. And we're
struggling with that, at the same time. Knowing that
what we do can have more positive impact on the
economy to get it moving, to get investment moving.
To get people back to work, than certainly
collectively the states can. But the states can play
a role, and governor I think you've expressed that.
So, for a few moments let me talk as if I were Kent
Conrad. Only in this respect.

He was once the Chairman of the Budget
Committee, just the last few years. He is no longer
that chairman, as a result of Republicans gaining
control of the Senate in the last election. But if I were the budget Chairman, and I'm not, I would talk to you somewhat like this. What I would say that Kent couldn't say, was that this year we will produce a budget. We will produce a budget resolution and we will move the reconciliation process that wasn't done a year ago. And of course, in the last month that we've spent the time trying to get the remainder of the '03 budget up. And what the other side, and I'll try to be a little non-partisan here, couldn't accomplish in 12 months, we got done in four (4) weeks. On schedule, and under budget, we saved the taxpayers of this country about $10 billion dollars of extra spending that was programmed or would have been programmed into that budget.

At the same time, we offered some clearly needed services. We addressed Medicare, and the slip in payment that has gone to doctors in hospitals. We adjusted the urban road financially, in the hospital
reimbursement that many of you who have rural and urban hospitals understand very well. I think that what we did was very positive on the whole, and I would also tell you that your in the midst of a budget situation. Not only the crisis, but also, trying to reconfigure a budget. Had we had done our work last September and October the way it ought to have been done, you would have had a much clearer picture of where you were, at least with federal revenue, than you do today.

Having said all of that, we will produce a budget. We are at work doing that now. Don Nickles now chairs that committee. He is committed to working with the President and the Congress to get that budget out. We hope to have that out and a conference report by April 15th. That's optimistic. Extremely optimistic. In a bi-partisan sense, no Democratic or Republican Congress has ever really quite done that. But that's what the law prescribes. But we will get there. And in doing so, we will
produce a reconciliation bill. The reason that term is awfully important, is, if you’re going to do healthcare reform, and you’re going to do it with 51 votes, and without a filibuster, and if you’re going to do a stimulus package of tax reform, you’ve got to budget reconciliation and have that in place.

Inside the budget resolution, passed by the Congress, it will then establish spending limits of the upper limit and the whole parameters of the budget process. Then it will direct those of us who serve on the appropriations committee to get at the business of shaping that budget and sorting those dollars out. But key is reconciliation this year. And the reason it is -- if you’re interested in Medicare reform and prescription drugs, and the blending of Medicare and Medicaid, to some degree, and a change in that formula, then encourage us to do that because without that we won’t get it done. We’ll be locked in the partisan battle on a pre-presidential timeframe of the kind you saw a year
ago. We understand that it is critical, and I think we will get that done. Certainly, those of us that work together in the House and the Senate understand that.

Remember, and I believe this very strongly, the President proposes and the Congress disposes. And in saying that, you have a budget committee and an appropriations committee on the Senate side. Now there's some other process on the House side that's going to be working very closely with this President this year to bring that budget into place -- that has that kind of economic stimulus package in it.

We're going to bring those tax reforms and tax cuts that we have proposed and spread out -- bring them current as we should. We think that's going to be tremendously stimulative, and strangely enough, I chairing the aging committee, did a series of hearings over the last month that folks are
scratching their head and say why would you do

hearings on taxes, Senator, if you're chairman of the

aging committee.

Well, I did it on the dividend issue.

And, gee, here's what I found folks. Fifty-two

percent of our seniors are the beneficiary of that.

And my colleagues on the other side said, well that's

only for the rich. No, that's not quite true. In

ger country today, when you get to be 65 years of

age, if you worked on a line job all of your life,

were a member of a union and had good pay, you're

going to have about $150,000 worth of stock and

dividend paying kind (phonetic) of stock when you

retire. Not only when it stimulate the economy from

that standpoint of helping the elderly who are on

fixed incomes, but the new modeling shows that it

will reduce the overall cost of capital to corporate

America whose going to create those new jobs or

replace those jobs that you've missed in your state,

by anywhere from 10 to 25 percent. All of a sudden,
those who look at what our President offered, who on
first blush said, oh, it's only for the rich, are
backing off and looking at it again. And projecting
that it may the potential of being the greatest of
being the greatest stimulus piece of the total
package. No just short term, but somewhat immediate.
As a result of that, I think you'd rather
see a good many of us not only arguing the total
package that our President has offered, but that
component of it. I already see Chuck Grassley
changing his mind as the figures come in, and others
are now talking about it in a much more positive way
that they did at its initial effort.

What can we do for you? I would suggest
to you that I will not support a concept like revenue
sharing or something like that. I mean, whose
revenue is it. Why we should we simply borrow and
give to you, in light of you having to make some
tough choices yourself. You're making them, I know
that. I don't play lightly to that. But we ought to
be able to help you in those systemic areas.

Healthcare might be one of them. Medicaid might be one of them. Areas that you found very, very difficult to control. Largely because it's been driven by forces outside of your control. There, I think, if we do a reform of Medicare and prescription drugs, and incorporate some of that, we might be able to help you do that.

Total federal grants to state and local government, in '02 were $350 billion dollars, right now. That's what states across this country are getting from the largest of the general treasury of this country. That's up 159 percent since 1990. So, Uncle Sam has not been a Scrooge to state governments. A very big piece of the action in your state comes from the federal largesse. Total federal grants to state and local government were up 26 percent. And spending in '02, up from 24 percent. And, I'm talking total state and local government.
Up from 24 percent in 2000; up from 21% in 1990. And it's the highest level of support since the early 1980's. So, clearly, over the last decade, the federal government has been coming into the state environment increasingly so, with grants, and aid directly. Some, obviously that the state legislators and governors may not have all that much direction over, but there is a piece of the total dollar being spent out there -- a very large chunk of it.

Total federal grants to state and local government were 17 percent of the federal budget in '02. Sixteen percent in 2000; ten percent in 1990. The reason I give you these figures; let's talk reality folks. Our president, who's not a liberal, who's fiscally responsible, who's trying to fight a war, and I think, a worthy war, and is spending a lot of money on homeland security, that will flow right through to you and your agencies, brought us a $307 billion dollar deficit budget. And I find it interesting that the amount of money that we send out to you is $325 billion dollars. I guess if we
No, we're not going to do that; that's not the way it's going to be. But what I'm trying to suggest to you, that if you go to the Hill to argue for a program that's simply going to pay out $40 or $50 billions of dollars to states, beyond what's currently going on, beyond the kind of reform that will go on, in Medicare, in Medicaid, beyond the $3.2 billion we've already additionally put in to Medicaid, in just the last couple of months.

Think about it. Think about who you're going to be talking to. And the tough choices I'm going to have to make and we're going to have to make as federal legislators. And the fact that just across the street, there's a printing press. It's not simply a green card to go. It's a reality that money gets borrowed out of the economy and the debt goes up and we're going to have a lot of critics out there saying wait a moment, Congress. You've let the deficit get out of control again.
You're also going to have an Alan Greenspan that's going to be saying, and that's as much an overall damper on the growth of an economy as anything we can do. Those are the realities, certainly, that I'm going to face, and that you're going to face as you visit with us about those kinds of programs.

State government is the great incubator of new ideas and change. You've proved it in welfare reform. You've proved it in a lot of other areas. I've always said, as a federal legislator, having been a state legislator, that you lead and we follow. And I mean that in the context of new ideas, creative ideas. The kind of change that ought to come about in healthcare.

Some of the things we can't do. We're locked in, oftentimes. We're you're not. You can take a much smaller package, see the reforms immediately, adjust it accordingly, and as a result, reflect a piece of the whole. We can pick those kind
of ideas up and move them forward. And, that's
exactly, I think, the opportunity we have.

So, let me suggest something else to you.

Because I look at where you've all gone. I recognize
that the 1990's were awfully good to state
government. I recognize that many of you spent well
beyond inflation, and increase in population because
you had the revenue.

We had the revenue here, we balanced the
budget. I'm a fiscal conservative. But I'll tell
you -- I spent a lot more money in the 90's, and in
the last five years than I thought I was. Because it
was there and it was easy to spend. While I was
chairman of the Republican Policy Committee, I
oftentimes brought people to the Hill, to talk about
surplus politics versus deficit politics. And how to
change the thinking of Congress to recognize that
just because you had a largesse, didn't mean that you
had to spend it. Well, you did and we did. That's
not a criticism, that's an observation. And now, to try to sustain those levels of spending at a time of the kinds of declines of revenue that you had would suggest that you've got some choices.

I'm certainly not here to tell you how to make them. Only to conclude by this so that I can respond to any questions you might have. The politics of deficit are growing in Washington, D.C.

None of us takes lightly the $307 billion deficit that our President has just proposed in his budget.

In fact, I'm the guy that's saying to people like Don Nickles, and members of the budget committee, you've got to come in under that and you've also got to propose a budget that shows a progressive declining deficit over the next several years if you're going to get support of the kind you need.

You're also going to have to stimulate the economy, and you're also going to have to fight a war. You're going to have to reform Medicare. And I'm the one that's doing all the hearings now on the
reform of Social Security down the road. So, our
docket is full. And the choices are not easy ones.
But, I will conclude with this. We provide for the
common defense. That is our first and foremost
responsibility. You are now in a city, your nation's
capital has a responsibility to potentially carry out
a war in the very near future. For your security and
for mine. For the safety of our children and clearly
the safety of the world in the long term. I believe
that. A majority of Congress believes that. Our
President believes that. And I think the world
generally agrees with us. And it is in that
investment that the first commitments lie, and why
all others are important. There will be a second or
third degree factor coming to them in the short term
as we resolve this issue. And as we bring our
budgets closer to control and deal with that, and
work with you to try to resolve some of your problems
And some of the impact of a flat economy, let us
begin to grow this economy. I know that your
situation and mine would be a great deal easier if what we do here moves this economy back to its feet. And your revenues begin to flow again. With that, I'll be more than happy to respond to any questions that you might have. Governor.

OPERATOR: Applause.

CHAIRMAN PATTON: Thank you. As we face difficult choices, we realize that you and the President do likewise. Let us take a few questions. Bashful group, here. Governor Doyle. I'm sorry. I'm getting a little lost. Governor?

GOVERNOR DOYLE: Thank you. I'm a new governor. And I think that many here who have joined me in early January certainly understand what we face when you talk about how we're going to have to make cuts. I spent six weeks doing nothing but that. The correction has been somewhere around the 20% range of our budget. But I think it's pretty obvious to a new governor that there are a couple of very major
federal programs that were largely federal
undertakings that now are falling on us heavier and heavier. Our Medicaid budget is increasingly the
program for healthcare for senior citizens in this country. No longer Medicare, but Medicaid. And the
states increasingly pick that up.

Our school systems are under enormous pressure because of rising special education costs in which the federal government, despite promises decades ago, have not fulfilled. I certainly accept your call that the states should do their part in these difficult times. And I think we all are. But I hope that there is some consideration being given for the increased efforts that we are having to pick up right now to fulfill basic federal obligations in senior health care and special education.

SENATOR CRAIG: Governor, a very appropriate question as it relates to IDEA and Special Education requirements, and that mandate. You're absolutely right. We're funding it at 17
percent. We should be funding it at the 40 percent promised. Our problem is the unwillingness of both the federal and state folks to work cooperatively for the reform of that. We now put $32 billion into that program, and that's at 70 percent of expenditure. And we've seen, if you will, the due process portion of that drive cross beyond where they ought to be. And, of course, school boards are committed to them because it's a mandate. I'm willing to put more money into that. I voted for an additional $2.5 to $3 billion dollars a year into that program. At the same time, I'm going to start speaking much more loudly in the period of reform of IDEA -- that we reform it, so that it is not an absolute open, unchallenged uncapped spending program. Both state, local and federal. I think we have to deal with that. When we capped it here in the District, or at least capped the due process clause per child. We brought those costs down from $9,000 to $3,000 dollars, and that was just the legal bill. So,
that's a factor. I shouldn't say per child, but per
case, carried through the due process provision.

We can and will work with you on Medicare.

Dual eligibility, Medicare, Medicaid is something
that we ought to be looking at. We will do a
prescription drug bill this year. We're going to put
anywhere from 30 to 40 billion dollars in the budget.

It was in there a year ago for that purpose. That
will be helpful. It's not going to solve the problem,
but it will be helpful in bringing down some of those
costs you talk about, or at least your share of them.

CHAIRMAN PATTON: Other questions?

GOVERNOR JOHANNS: Governor Johanns from
Nebraska. Let me just start out and say, I, for one,
appreciate your honesty. I think you've approached
this very, very directly, and I can kind of
understand why you got elected in your state. I
think in some respects, you've got it about right.

Spending in the 1990's did increase dramatically, so
in just a decade, our budget doubled in the State of Nebraska. The year before I became governor, it increased 15.5 percent, very clearly. I think you can see that's not sustainable, even in tremendous, economic times. And I suspect, that we're not unique. The 1990's were a great time. There's a lot of money laying around, a lot of new programs. I would also suggest that your thought about a massive bailout -- We should be careful what we wish for. All that's going to do is create one enormous cliff to fall off of. Twelve months, 24 months from now. I look back at the welfare reform days when Governor Engler, and then Governor Bush, and Governor Thompson led that effort. And I think they had a profound impact. Their impact was not to go to Washington, and say shovel more money at us. Their impact was to say, give us greater ability to manage our programs at the local level. I certainly get the impression that this administration is reaching out to governors to say let's try to do that in some other areas. Now, as we all know, this is somewhat uncharted
waters. But that's where I think we can have the
greatest impact, at the state level. On a long term
permanent basis. So we're not falling off that cliff,
12 and 24 months from now. Flexibility does make a
heck of a difference in how we manage our programs,
and so, I guess what I would like to ask you is, what
chance do you see for greater flexibility.

Number two, needless to say, the
prescription drug benefit would be a dramatic help to
our citizens. May have some positive impact on dual
eligibles. Those individuals that receive both
Medicaid and Medicare. What chances do you see of
support growing for that? Because those kinds of
things, I think, can have a direct positive impact
over a long term over state budget issues.

SENATOR CRAIG: Governor, I agree with
you. There is no doubt that when we send out federal
programs, we oftentimes straight-jacket all of you
into performing a certain way. It may or may not fit
you, but it's quite typical of an attitude here that
we somehow know better than you than you as to how a
program ought to be run and administered. So,
there’s been substantial resistance over the years

and to giving that type of flexibility, more and more
of that is coming. You’ve got a president that’s
certainly arguing that. And I support him in that
argument. There are ways that we can help you, so it
gives you some running room and chances to make
decisions that I think would be most helpful. Show
us where your greater problems are. Show us where
you need that flexibility. Come work with us on
that. I’ll be the first at the table to sit down at
the table with you as I’m sure my colleagues would,
to help solve some of those problems that don’t drive
those costs or allow you that. You’re also right.

We did the same thing here in Washington, as it
related to spending. But there was a phenomenon in
the decade of the 90’s that you ought to record
because this probably has never happened before.

State government budgets from ’90 to ’03 during that
period of time increased by 88 percent. Federal
budgets only grew by 70%. I think that's probably
the first time in our nation's history that actually
state government was growing faster than the overall
federal government. So, the reality is here folks.

The figures don't lie. Now the choices have to be
made.

CHAIRMAN PATTON: Governor Musgrove.

GOVERNOR MUSGROVE: Thank you, Mr.

Chairman. Senator Craig, without getting into the
debate, as you just said about what happened in the
90's. I think that all of us as governors are
concerned about where we are now. Because if we're
in the situation of reforming our budgets and
reducing our costs, when we're exponentially hurt, or
it's made more difficult if the increased obligations
from Washington flow our way. So, it is at a time
where you have counterproductive actions. For
instance, last year, "No Child Left Behind" that all
of the support in the emphasis of education has now
what appears to be unfunded costs coming to the
states. That is, regardless of what happened to the
budgets in the 90's. Now we're seeing increased
costs coming back to the states. The way I believe
would come to you and come to Congress, and ask, for
the flexibility, recognizing and believing that we
can be laboratories, but at the same time,

flexibility, with increased obligations, really
hamstrings our ability to be able to deliver budgets
back home. Because, as you know, I guess, with every
one of us, with the exception of Vermont, we have to
balance our budgets. At the same time, I think this
is an effort where we ought to work very
cooperatively, very closely together, and recognize
our responsibility and flexibility, but simply
request of you in an effort to curb federal spending,
don't shift that to us and cause us to have to pick
up extra obligations.

SENATOR CRAIG: It's well put, and I won't
add to it. Clearly, we recognize that some of the things that we have done for all the right reasons need some adjustment along the way. You've got a Congress that still remains very committed to "No Child Left Behind." And, the measurement of growth and excellence in education. And, yes, there are costs involved. We've just hired a former secretary of education. He's now a senator. I always laugh and say, you can't believe it, but even here, we have a committee on committees. And I cheered that in the Senate this year shaping the new committee structure, and we put Lamar on the education committee. And we waived a Senate regulation for that purpose to focus on this along with the chairman of that committee, and our president and secretary.

GOVERNOR PAIGE: To make sure we can offer some of that flexibility and necessary revenue where it might fit to work with your departments of education. To continue to assure that we have that
standard of excellence, that test or measurement of excellence. Reward the good, and if necessary, penalize those who aren't doing it. So clearly, we do lift all. That sentiment is very much there. We recognize the out year impact and I think that's one of those priority areas that we will have to deal with.

GOVERNOR MUSGROVE: By way of specific and example, and I'll close with this. All of us believe we must work together to make the reforms in health care, obviously. And a greater degree of flexibility. However, if all of the proposals deal with next year and the year after, the states are in a very difficult crunch right now. And I believe an opportunity to be able to help the States in the short term, giving us a chance to make those flexible difficult decisions that you talk about. We'd, in conjunction, work together with you all to make that available, so I would trust that you all would look
at that very short term. View to the states as we look to the flexibility in making difficult decisions for our people.

SENATOR CRAIG: Thank you.

CHAIRMAN PATTON: I'd like Governor Kempthorne to ask the last question, and close out this part of the discussion. I know there lots of more questions we could ask, but I don't want to impose on the governor.

GOVERNOR KEMPTHORNE: Larry, I would just like to ask you. This is the wrap up question. But, we've been talking about dual eligibility -- the Medicare, Medicaid. You have referenced it in your comments. We've talked about prescription drugs. We know that there have been different programs that have been offered by both parties. But they have not moved forward. Our president has called for a prescription drug program, he's called for reform of Medicaid. Do you believe this year, there is a high probability that Congress can coalesce and that we
Secretary Tommy Thompson has said that we are going to offer great flexibility to the states. So what's the likelihood and what is the role of governors in making this happen.

SENATOR CRAIG: I believe that we can pass a prescription drug, Medicare reform package this year. I say this because most of the heavy lifting was done last year. You saw a variety of packages out there. The House passed a version. The Senate ultimately got to the edge of that, but the politics of congressional elections got in our way. There is, on the Senate side, we call it tri-partisan package, that probably has the greatest approach, or the greatest support behind it. We've worked very closely with the President on it. My reference to reconciliation vehicle again. Because of the political nature of this, there are at least thirty (30) votes for a universal prescription drug program. Federal government pays all. But that's not going to
happen. They’re going to put in a deductible level;
we’re going to put in a premium to be paid. It will
be small, and it may be means tested. I would vote
for that in a moment. To be able to focus on our
truly neediest. But doing so, there will be upper
limits. And I think that ultimately, we will get
there this year. And, certainly, you’re help would
be to reflect to us the kind of impact that would
have, on not only state budgets, but the citizens of
the states themselves. That’s something, I think, we
can accomplish and we will work overtime to get it
done. We have promised the President to try to have
it on his desk by late summer. I think we can get it
done. Thank you all.

CHAIRMAN PATTON: Thank you very much.

OPERATOR: Applause.

CHAIRMAN PATTON: We’re going to move into
an executive committee meeting.

GOVERNOR KEMPTHORNE: Thank you very much,
Mr. Chairman. We all know that this month we had a
tragedy when we lost the Columbia and the seven brave
astronauts that were aboard the Columbia. There is,
at the National Science Center, which is a non-profit
organization --. The CEO is Joe Edwards, a former
astronaut. He has flown shuttle missions. He is a
graduate of the U.S. Naval Academy; he's a top gun
graduate, but this is a fund that has been set up for
the families, the spouses and children of the crew
members of Columbia. Just outside these doors,
you'll see, next to the Harley Davidson Motor
Company, and for the Harley Davidson dealership in
San Diego. We're asking all governors that would
like to participate to sign that anniversary edition
Harley-Davidson. I want to thank Wayne Curtin who is
the manager of governmental affairs for the Harley-
Davidson Motor Company. And from New York, Mike
Shelby, the owner of the San Diego dealership. And
for Fuzzy Timms, who was the service manager who
brought this bike. What we will do is, after this
has been signed by America's mayors, and we will ask
members of the administration to sign as well, we
will find the appropriate forum. And perhaps, it may
be Ebay, where we will simply auction this. And all
the profits will go to the National Science Center
Families Fund. So it's a very worthy opportunity for
us to just say to those seven families, we will
always remember their lost loved ones and we will
always remember them as heroes. This allows the
National Governors to send a very strong message.
Thank you.

CHAIRMAN PATTON: Thank you, Dirk. I'm
sure we'd all appreciate the opportunity to
participate in that. With that, we'll now go into
the executive committee meeting. I would urge all
governors to attend. The executive committee
consists of nine people, myself, Governor Kempthorne,
Governor Huckabee of Arkansas, Governor Rowland of
Connecticut, Governor Minner of Delaware, Governor
Bush of Florida, Governor Vilsack of Iowa, Governor
Musgrove of Mississippi, and Governor Levitt of Utah.
With that, may I have a motion and second to approve the minutes of the November 15th, 2002 Executive Committee Meeting.

OPERATOR: Voices (so moved).

GOVERNOR KEMPTHORNE: Mr. Chairman, I move adoption.

GOVERNOR MUSGROVE: Mr. Chairman, I move adoption.

GOVERNOR PATTON: All in favor, say oye.

OPERATOR: Say oye. Course of oyes.

GOVERNOR PATTON: Let us start with the approval of the Executive Committee Policy Proposals beginning with new EC-5 Policy, Homeland Security Comprehensive Policy. May I have a motion that is second?

GOVERNOR KEMPTHORNE: Mr. Chairman, if I may I would move and block these policies unless there is a request from a governor to have an item withheld from that block.

CHAIRMAN PATTON: Okay, we have a motion
to consider several policies and block. That would be the EC-5, Homeland Security Comprehensive Policy. Governor Rowland?

GOVERNOR ROWLAND: I'd make a motion that we'd table EC-7. I would support the remaining policies.

CHAIRMAN PATTON: The motion is to table EC-7, Federal Fiscal Assistance for States. That's a non-debatable motion. We've never taken a roll call vote, but is there a second? I'm sure there's a second.

OPERATOR: Voices (second).

CHAIRMAN PATTON: Will someone call the role here? Is that what we're going to do? Ray, do you have the roll call?

MR. SCHEPPACH: The vote is to table this motion.

GOVERNOR KEMPTHORNE: Oye.

GOVERNOR HUCKABEE: Oye.
GOVERNOR BUSH: Oye.
GOVERNOR ROWLAND: Oye.
GOVERNOR LEAVITT: Oye.
GOVERNOR PATTON: No.
GOVERNOR VILSACK: No.
GOVERNOR MUSGROVE: No.
GOVERNOR MINNER: No.

MR. SCHEPPACH: Which two did file for it?

CHAIRMAN PATTON: The motion is to consider the rest of the policies in block. Is there discussion on any of the other policies.

GOVERNOR VILSACK: Just a question, Governor Patton. We will pass these policies on and they will become part of what we discuss on Tuesday, is that correct? Is that what we're doing, here?

CHAIRMAN PATTON: Yes. This is to bring them to the full body on Tuesday.

GOVERNOR VILSACK: And those return, not included, including the one that was just tabled.

They aren't going to be able to discuss that or can
discuss it on Tuesday. How does this work?

CHAIRMAN PATTON: Let's discuss it in governors only. I'm not the parliamentarian here, so we'll figure out what happens on Tuesday, later on. Any discussion on the policies under consideration.

OPERATOR: No response.

CHAIRMAN PATTON: If not, all in favor of considering them and passing them on in blocks. Say Oye.

OPERATOR: Course of Oyes.

CHAIRMAN PATTON: Opposed.

OPERATOR: No response.

CHAIRMAN PATTON: I guess not. It looks to me like Governor Kempthorne's going to give us a financial update.

GOVERNOR KEMPTHORNE: Mr. Chairman, thank you very much. Fellow Governors, NGA's financial statements are found on pages 16 through 18, of your executive committee agenda book. NGA, at the center of midway of the 2003 fiscal year. The December 2002
financial statements show a small operating fund
surplus, with total revenues slightly under budget at
49 percent. Total expenses at 48 percent. NGA and
the Center Endowment Funds have experienced declines
in net market values for the past six months. But it
performed well against a benched mark indexes. The
Center's temporarily restricted contributions from
Foundations are running ahead of budget. (Inaudible)
restrictive bad assets can be used for future summer
activities. NGA's operations are financed by state
dues and the list of current outstanding dues is
found on page 18. The number of vacant NGA staff
positions have been held pending collection of state
dues payment. That would complete the report, Mr.
Chairman.

CHAIRMAN PATTON: Thank you, Governor Kempthorne. Before we adjourn, let me remind you of
a few items. The governors only luncheon and work
session will begin at 12:00 o'clock, in Saloon 1 on
Page 126
this level. The committee sessions will begin at 2:30 at various other rooms on this level. Tonight we have the dinner at the White House. I remind you that each governor is to provide their own transportation. Monday, we will have the meeting with the President at the White House. The buses will leave for that at 8:45 sharp. Let's try to be ready to go and stay on schedule for the White House. With that this session is adjourned. Thank you. See you tomorrow in plenary session.

OPERATOR: Adjourned at 11:40 a.m.
The plenary session commenced, pursuant to notice, at J.W. Marriott Hotel, Grand Ballroom, on Tuesday, February 25, 2003, in Washington, D.C., at 9:45 a.m., Governor Paul E. Patton, Chairman, presiding.
GOVERNOR PATTON (Presiding): Good morning, welcome to the final session of the 2003 Winter Meeting of the National Governors’ Association. We’ll get directly to our program which includes a bipartisan leadership of the Congressional Congress in both Houses, the Senate and the House both parties. On our panel this morning, we’re going directly to the program and I would ask Governor Bredesen of Tennessee to come to the podium and introduce our first presenter. Governor Bredesen?

GOVERNOR BREDesen: Thank you. Before I formally introduce Senator Frist, I want to recognize that he had a special occasion this past weekend. He celebrated his 51st birthday at his alma mater, Princeton University and got the Alumni Association honored him with the Woodrow Wilson award for distinguished service to our nation. So congratulations, Senator for that.

(Applause.)

GOVERNOR BREDesen: I believe that on my
51st birthday I got a tie and a card, so good for you. I think most of you know the Senator's story. Before politics, he had a very successful career as a heart surgeon working to heal the sick. He now has a second job as Senator and now Majority Leader, working to keep our national healthy. I take this moment just to hope that he remembers, as he considers all these budget issues that we have as states where he'll play a major role obviously that his instrument of choice as a surgeon was not an ax; it was scalpel and that occasionally a respirator was needed more than surgery.

I would say to all of you that obviously the Senator has a partisan job here in Washington now. His reputation in Tennessee is very strongly bipartisan, a great willingness to work with both sides and working for the good of our state and I'm sure that will carry over working for the good of our nation.

It's my great honor and pleasure to introduce a friend, a man I respect very, very much, Senate Majority Leader Bill First from the Great ACE-FEDERAL REPORTERS, INC.
State of Tennessee.

(Appplause.)

SENATOR FRIST: Bill, thank you. It is indeed an honor for me to be with you today and to share some of the thoughts from the perspective of the new majority leader of the United States Senate in terms of what I see our agenda being and the possibility of opportunities we have to work together on the issues which I know are important to you as governors and clearly important to us as legislators and clearly important to us as legislators at the federal level.

As Phil mentioned, it wasn't that long ago that I came into politics in 1994. That was a year that many new and outstanding public servants were elected at the federal level, but more importantly at the state level and all across America.

As I was coming over from the Capitol a few minutes ago, up the steps was Tom Carper, and it reminded me that it wasn't that long ago in fact in 1994 that he was elected Governor of Delaware and now sits at my side to walk in and have Dirk Kempthorne
be sitting next to me, where we were sitting very
close to one another not that long ago in the United
States Senate does remind me in an institutional
corporate way of the strong ties between the United
States Senate and those of you who are in the room
today.

I do think as we look back to 1994, there
was a very special class of governors elected at that
time, not so much by the caliber of individuals but
what they did accomplish is working to reduce taxes
on working families, reducing crime in a very
aggressive of way, of improving education by making
our schools more accountable and helping to create
from those early years, not that long ago. A long
period of sustained economic growth but a period that
we are being challenged by today and that's been the
focus of much of your discussion over the last
days.

As I look back in the 1990s, I do think
that there was an increasing realization that the
states are the real working laboratories, not just
for the ideas but for solutions. In the United
States Senate, as we march through the next two years, I look forward to listening very carefully to you and to your staff and to what you have learned to the needs that you identified, to the solutions that you propose.

There are a number of challenges that you’ve heard about from the federal level that we’re addressing both on the floor of the United States Senate today and over the next several weeks, which you’ve talked about over the last couple of days. We have the whole issue of the on-going war on terrorism, we have the issue of the jobless economic recovery, we have the issue which is so much the focus of your discussions and ours. That’s is the challenges of budgets that are being strained to where it is a challenge even to me to our basic responsibilities. How you address those, how we address those, how we interact one with the other will be important not only to our time and to the people that we represent but we’re pretty much define the United States of America in the decade and indeed over much of the century ahead of us.
Let me focus my remarks in three areas that you’ve touched upon but three areas that we will approach very directly over the coming weeks and months in the United States Senate. First, Welfare; second the issue of bioterrorism and first response, and third touching upon what you discussed a great deal yesterday in terms of health care so I won’t go through that again, but hopefully compliment with my remarks what you began to address yesterday. As I do that, I want to continue to reach out and the reason why I’m so privileged or feel privileged to be with you today is to be able to tell you that we need you as we address each of these three issues as well as the many other issues that come before us.

Welfare. I mentioned I came to public service in 1994. In 1996 we had the Welfare Law. Caseloads have dropped. Child poverty has declined dramatically. Millions of Americans have been empowered in ways that up until that time we had not seen, where we really do focus on moving from this dependency of welfare to the dignity of work.

The program has been extended temporarily
through June. The House has passed a bill, the United States Senate will be addressing welfare modernization and welfare reform in its Reauthorization Act in the next several months. It's a high priority for congress. It will go through our Finance Committee, it is beginning that march through the Finance Committee now. I think there are several things that you can expect, although the exact details have not been determined.

First our bill will continue the current level of funding for the TANF block grant. That's the right policy, even though I know caseloads have dropped dramatically, we will be giving states more flexibility in our version to spend that money.

Second, we'll strengthen work requirements, how we straighten work requirements and what those specific work requirements are we need to listen to you. We shall listen to you as we go forward. Our goal is not to make it more difficult but easier for people to move from welfare to work.

Third, the President has proposed very specific initiatives to encourage healthy marriages
and strong families. That’s critical to the well
being of our children, the future of our country, and
I hope and expect that we will be able to include
those initiatives in our Welfare Reauthorization as
well.

Fourth, continuing the strong partnership
between the federal government and the states is
absolutely critical to the future success of welfare
reform. That once again understates the underpinning
of a successful welfare bill and that is us listening
and working with you, so you can express the
realities of what has occurred on the ground.

To those of us here in the United States
Senate, there is no higher priority for government at
all levels than protecting the American people.

Let me just briefly comment on the issue
surrounding terrorism and bioterrorism. It wasn’t
that long ago in October 2001 that the Anthrax
attacks were carried out here around the country;
Florida, Washington, D.C., New Jersey, New York and
in the Senate Office Buildings. Most of you know that
the postal service really came to a screeching halt.
The Hart Building, which is the largest Senate office building, was closed for months. The panic and paralyse we all felt and indeed those terrorist attacks and indeed we don’t know who the perpetrator is. We don’t know whether it was a single terrorist or a group of terrorists but it was a deadly attack affecting 21, killing five, but leaving thousands and thousands in the neighborhood year, but really around the country who are placed on antibiotic treatment.

Terrorists know that your communities remain not unprepared but still under prepared today. There’s a clear federal role, a federal role that the President and Secretary Thompson and Governor Ridge have led on. There’s a state role and there’s a role and there’s a role in the states most dramatically influences and that is how well we are prepared at the local level. How well-equipped individual families are to respond, and first responders are to reach out and answer those calls that we know must be made and will be made in order to protect our individual citizens.

Our public health system for all too long
and I point the finger principally at our federal
government has been under funded. It was under
funded for a period of about 20 years, which means
that we have a lot of catching up to do, which does
require a substantial investment. All of you are
feeling that investment today, or the necessity for
that investment. There's a federal responsibility
there and a strong state and local responsibility.
The fact that before September 11th, that nine out of
ten public health departments did not have staff in
bioterrorism that one third of public health
departments serving communities serving 25,000 or
fewer had no Internet access.

Where we know that rapid communication is
absolutely critical to be well-prepared and to
respond to a bioterrorist attack is really
inexcusable. It was unacceptable. The federal
government has taken initiatives both in terms of
funding and in terms of legislation. The money from
the first tranche has been released from the federal
government. We passed an appropriate bill that was
signed by the President last Thursday that will
further accelerate that funding.

I recognize that it takes a huge investment to rebuild, not just sustain, but rebuild the public health infrastructure, which is our first line of response.

The third issue that I’d like to just touch upon is one that relates to the most common question and I receive, and that is what is your greatest challenge as Majority Leader of the United States Senate? My answer is to compel the Congress to stretch its horizons beyond just two years or just beyond four years so that we can correct what is an inevitable imbalance between our policies today and the aging of our population which is unprecedented.

The baby boom after World War II is traveling through our system. The first baby boomers will hit 65 in about seven years. With that it becomes a title wave. It’s an intimate tidal wave. It’s powerful, it’s long lasting, it does not go away and with the doubling of the number of seniors over the next 30 years and with a work force that will be diminished from four workers today supporting each of
those seniors to around 2.3 workers means that we have a huge challenge at the federal which will inevitably will affect you at the state level over the next 10, 20, and 30 years. It can be most dramatically viewed as we look at Medicare.

A 38-year-old entitlement program that centers on health care security for our seniors and our individuals with disabilities. As most of you know, Medicare is a wonderful program and as a physician, I have had the blessing to take care of thousands and thousands of Medicare patients. It's a wonderful program that has provided health security on the catastrophic cost protection to seniors over the years, but it is outdated. It's a 1965 version.

At the same time that we've had Medicare, which over time has been modified and changed every few years, we've had health care delivery mechanisms radically change to the better. We've had more integrated care, we've had huge advances in terms of science in medicine, many of which have not be adapted or assimilated into our Medicare program. So we do need to take the opportunity now and I
recognize that we have a war on terrorism that is ongoing. We have possible military action in Iraq if Saddam Hussein does not disarm.

But at the same time, we have this huge challenge before us with effects, just not all of us in the room, but the next generation and our children as this demographic tidal wave begins to hit. A lot of the issues that I hope to address will settle around our addressing the basic entitlements because with the shifting demographics, it will take increased funding over time. That increased funding will challenge the very necessary investments that we must make in infrastructure, whether it’s public health whether it’s education or in our Medicare system.

Yesterday you talked a lot about Medicaid. I want go back into those discussions specifically, other than I do serve on the Finance Committee and look forward to working with you as we shape the Medicaid proposal that’s been put on the table by the President of the United States. I mentioned to Governor Bredesen coming in that I looked forward to
in your health care program, both in the financing but also in the deliveries so that we can fulfill the obligations that we have to those people who are on our Medicaid roles today, and who deserve an element of health care security that heretofore we've been able to give but now is being challenged by the budget realities that all of you see each and every day.

There's a specific overlap between the Medicaid and the Medicare, the dual eligibles. The dual eligibles give us a great opportunity as they are addressed at the federal level. Again, in conversation with you, the dual eligible is a group of somewhere around 14 to 15 million people that we have the opportunity, as we look at new benefits like prescription drugs, to be of tremendous assistance to you.

I believe and John Breaux may even have mentioned yesterday, because he and I have been working with him.
working on this aggressively, that it’s important
that we modernize Medicare. We have to modernize
Medicare if we’re going to continue with the benefits
that our seniors deserve. As a part of that, we will
include prescription drugs. I will continue to push
to do that in an integrated fashion and as we do that
it gives us an opportunity to look at the fastest
growing part of your Medicaid budget that is
prescription drugs in your Medicaid budgets.

The part of that budget that goes to
prescription drugs alone doubled. Over the last
year, that growth will continue as we project into
the future and that opportunity of addressing
prescription drugs, especially in that dual eligible
population is one that I look forward to working with
you on as we address modernization of our Medicare
program.

Public service involves big ideas and it
should involve big ideas and the largest challenge
that we all have as we struggle to address the issues
that approach us day in and day out of getting by the
next several months in terms of these budgets is to
continue to remind ourselves why most of us entered public service. The realization that none of us can do this alone is one that we all have and it's been reflected in many of your conversations with others over the last several days here.

As the Majority Leader of the United States Senate, I look forward to working with all of you in a bipartisan way, recognizing that we have to deal with the short-term issues but at the same time we have to address those short and mid-term issues in this larger framework of this aging population, federal entitlements that are going to be consuming a larger part of the federal budget which really pulls funds out of other important areas that can be of even more direct benefit to you as Governors.

That's the challenge that we have over the next several years.

I think I will stop with that. I do want to thank you once again for the opportunity to be with you and would be happy to take questions if we have a few minutes to do that.

GOVERNOR PATTON: Thank you, Senator

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Frist, we really appreciate it. I'd like Governor Kempthorne to monitor the question and answer session. Governor?

GOVERNOR KEMPTHORNE: Let me open this up and let me first say however you can see the quality of the man in the majority leader. Not only does Bill Frist bring tremendous intellect but he brings the compassion of a physician and you can see that he is the utmost gentleman. Having served with this man, I can tell you he's respected on both sides of the aisle and this is someone who can bring people together and we have a good partner in the Majority Leader here.

With that, let me open this up. Governor Granholm.

GOVERNOR GRANHOLM: Thank you, Senator Frist. I have two questions. One is the comets about Medicare overhaul and the dual eligibles. We in this organization have taken a position with respect to dual eligibles and the prescription drug benefit that is needed immediately. If however, that position or that emphasis is linked to the overhaul
reform of Medicare directly, I worry that we will not see the benefit of the prescription drug benefit of dual eligibles.

The context of your remarks seems to indicate that in the overall reform, is that going to be a sweetener in order to get the overall reform or can we see a dual eligible package with prescription drugs this go round.

SENATOR FRIST: The issue really gets at the heart of the political challenges that we have as we move forward. Overall modernization of Medicare and integration where you don’t have just the surgeon’s knife which is what I did for 20 years before coming to public service, or the internists or acute care/chronic care.

But you also assimilate prescription drugs which are more powerful than the surgeon’s knife today and will be in the future.

More powerful than the hospital bed will be more important to both quality of life and length of life in the future. We have to bring it to the table and assimilate into an integrated health care
package. The risk is to say let's not do that but let's just address prescription drugs in an independent package unrelated to integrating it into health care which in the short term is where people are politically are driven.

Another way to approach it would be to look at just the dual eligibles. In other words that population, we can't do everything for everybody right now. We have these budget challenges that you have and we have so let's just take the most vulnerable population which we could define as both your medicaid population as well as of the dual eligibles, itself, and just make that a federal responsibility.

In the short term it will probably get us by and get you by but in seven years where you have the baby boom coming on, where you have a doubling of the number of seniors for workers paying into this not really a trust fund but pay as you go system and then 25 years or 30 years from now, two works actually paying into the system. The system falls apart and it falls apart dramatically at a point that
it can't be fixed.

To answer your question, it has to be short term, mid-term, long-term. You'll hear me talk about integration of the package so that seniors can have the same sort of care that I have as a United States Senator, based on a federal employee's health benefit plan and integrated package where you do have a lot of choice. At the same time, that's going to take time. That's why Medicare is so much more difficult than social security. They both have the same actuarial base to it. Social security you just kind of dial formulas up and down.

Health care is different as all of you know because health systems delivery takes time to incorporate. It's very intimate with the most personal parts of your life, so again you don't want to do anything that is so drastic that it scares seniors, and you don't want to take current choices away from seniors. So you're exactly right. It'll take several years for the major program. So our challenge is to do something now and link it to an integrated package later.
What one Congress does is not binding to the next Congress so that’s politically a challenge. What we do short term might well be to address the dual eligibles. It might be to really look carefully at this prescription drug card that gives us a handle on health delivery systems and can be a first step, and you can actually target the card to a dual eligible population. So it’s one of the proposals that’s on the table. I think it is a mistake not to link doing something right now for the American people without recognition that what you promise now will fall apart in seven or eight or nine years unless we have the integrated model.

GOVERNOR KEMPTHORN: Senator Musgrove, Mississippi.

SENATOR MUSGROVE: You’ve just elevated me.

(Laughter.)

GOVERNOR KEMPTHORN: Ronnie?

SENATOR FRIST: First I want to ask you this question about the medical malpractice down there. All my friends down in Mississippi, all my doctor friends are leaving the state because of these
frivolous lawsuits. But go ahead.

(Laughter.)

SENATOR FRIST: My Daddy's from Mississippi so I love Mississippi. It's all my friends. It is one of the issues, the whole liability reform issue is a big issue for us. Anyway I'm sorry. Ask your question.

GOVERNOR MUSGROVE: I think I was the only governor -- well I take that back -- Governor Guinn called a special session to deal with that. The Mississippi Medical Association felt like it was important.

But first of all, Senator Frist, let me say thank you for being here this morning and sharing with us. I think in hindsight people will say and do say that the success of Welfare reform was brought out because of the governors' very active involvement with the Congress in both the House and Senate and the administration to make that happen.

Yesterday we enthusiastically and unanimously supported a study committee to work with the Congress and with the Administration as you deal
with the Medicaid reform, and obviously the dual
eligible and those things.

I would just ask you to include that same
degree of involvement and listen as we’re the ones
that implement the health care in those forms back in
the states, as you look at and deal with this whole
arena.

SENATOR FRIST: I appreciate your saying
that. I first got in politics in 1994, I mentioned.
But working with Edward McWhirter whom many of you
know; I’m a Republican, he’s a Democrat so he
probably wished he didn’t have that great influence
on me coming into politics but it really was looking
at state issues that all of you deal with in the
Medicaid system. I don’t pretend that we have the
answers at the federal level. We’re getting ready to
take 40 million people, give them opportunities and
options and more integrated health care if they want
it. But I don’t pretend that even thought that was
my life that we know he answers. The real answers
are going to come from you.

If we look around the room, you have more
laboratories in health care than anything we can anticipate at the federal level, so it really is listening very carefully how we address the specific problems. What you see in prescription drugs, you're doubling in Medicaid is the same thing we see in Medicare for seniors today where they're going to spend $2 trillion dollars in prescription drugs over the next ten years.

That's seniors and the dual eligibles fall in that population. Two trillion dollars. That's something that Medicare is not paying for today at all, so our challenge is putting a benefit that takes care of a portion of that, the same thing we need to address with your most rapidly growing element as well.

GOVERNOR KEMPTHORN: Governor Holden of Missouri.

GOVERNOR HOLDEN: Thank you Senator. My questions touch on the same thing raised by the other two governors. In the area of prescription drugs, we all understand there are tremendous costs and there has been some discussion about coverage at the
mandatory level. What about those optional programs that we have at the state level that are called optional in some regard but the courts have sometimes determined that it may be optional at the federal level but mandated that we have to pay for them at the state level.

We need to make sure at the prescription drug effort covers both those categories as you move forward.

SENATOR FRIST: I think it's a good point. It gives us an opportunity, and I look at prescription drugs at the federal level as an opportunity to start with a fresh slate. Most of you have inherited either promising people prescription drugs at a time when we had no earthly idea that we would have this exceptional growth, so you're caught. If you modify things in some way, people say you're taking away certain benefits. At the federal level, we have an opportunity to learn from you what all of you have done because remember Medicare today covers no out-patient prescription drugs, none whatsoever. Therefore we have an opportunity by
listening to you carefully what you have learned, what works, what sort of delivery system works with prescription drugs. What does not work to be able to incorporate that into Medicare. Once we do that, when you put it in Medicare, which affects 40 million people, that becomes the standard that many of you would likely either adhere to. The private sector certainly is going to follow what we do in the federal government. A huge responsibility depends upon your input.

GOVERNOR KEMPTHORN: Governor Rendell of Philadelphia.

GOVERNOR RENDELL: Senator, I have a request that isn’t going to cost the federal government any money but I think it would be very, very important in the reauthorization of TANF, we understand the need and the desire to increase the work requirement. The president told us that when you extrapolated out and taken into account a lot of factors, it would be about 38 hours. Go from 30 to 38 hours a week. I don’t have a problem with that if we’re given the flexibility to make the decision to
allow education as part of that 38 hour requirement.

If we're really serious about transitioning people from welfare to work, we don't want to just put them from welfare to a dead end minimum wage job. And it is crucial. The populations that left, and I think Welfare reform has been a success but we all recognize the population that's left is the hardest population to successfully transition. It is very important that we're able to count hours spent in an educational program as time towards that work requirement. It doesn't cost a thing. Give us the flexibility to make that choice ourselves.

That's been resisted in the past and I think it's a big mistake. If you truly want to make welfare to work successful.

SENATOR FRIST: Governor, thank you. The issue of how we define the hours hasn't been determined in the United States Senate yet, so having that input and listening very carefully, now is the time for us both to hear it and for all of you to make your cases with your Senators and leadership and others as well.
GOVERNOR KEMPTHORN: Governor Leavitt of Utah.

GOVERNOR LEAVITT: Thank you, Senator.

The presidents recently signed the defense appropriation bill. We had a discussion yesterday about the elements related to homeland security. There was some disappointment on that part as to the amount and to the levels of prescription that were included in those appropriations that could be passed to the states and local governments first responders. We would join in that disappointment but recognize the need for the President to move that forward. It's my guess that it'll be a supplemental that will be presented by the Administration given the nature of the conflict in Iraq. I'm wondering if those two elements of that could be discussed again at that time.

The levels of flexibility specifically that we have in being able to use the money that will be going to first responders.

SENATOR FRIST: A number of you have been in to see me and I heard you loud and clear, and I'm
sure you have made it clear and will increasingly make it clear that the moneys are appreciated and the levels of money are important, but if it doesn’t get down to you in a timely fashion, and if you don’t have the flexibility, it simply doesn’t have the value that we think in Congress that we’re giving you as we go forward. The supplemental itself and they’re likely if military action is required, there will be a supplemental. I don’t know when it would be. I don’t know how large it would be and what it would include.

I can say that we’ll focus on homeland security. I predict as well as equipping and having the appropriate resources internationally, so I’ll certainly take that into consideration as we go through. Issues like bioterrorism which is just a sub-segment but which is very much influenced by the first responders, we passed a bill, as you know, three days ago. We didn’t pass it but the President signed it. In that particular area, it’ll be about a billion dollars. It was right at a billion dollars. It was a billion dollars before.
I know a number of you haven't gotten that money even in the first tranche because of various plans that you have to put on the table and whether the plans have been held up or slowed up in some way. Haven't seen that money but it's absolutely critical that we get the money down without too many strings attached so that you can use the program.

GOVERNOR LEAVITT: It's an area where we think we can add to the effectiveness of that and given the confluence of all of the pressures in a bill that large, it was obvious that the President wasn't going to be able to do anything on that piece but if it's re-openable at least that portion of it, we think it would be critical to our ability to deliver what I think the Congress had in mind when it appropriated.

SENATOR FRIST: The whole issue of this on-going war on terrorism, it's different than anything else we've seen. I'm sure you've talked about it the last couple of days, but our success and your success is 100 percent determined on what does not happen as to what does happen. And it's not
following any geographic region. It's not won by a
decisive battle.

We have been historically under prepared
today. Many would say we are unprepared if there is
a biological attack, for example, in your community
right now, do you have the appropriate first
responders and have they been adequately trained.
The answer is we're getting better and I'm sure you'd
tell me that but for us to be fully prepared we have
a ways to go and that flexibility in funding is
critical to understand.

GOVERNOR KEMPTHORN: Governor O'Bannon, did
you have a question? I'll take Governor O'Bannon and
then Governor Martz. Then I will make a concluding
comment.

GOVERNOR O'BANNON: I might just in a
general sense talk about what the governors talk
about when they come here, particularly in a national
recession and the difficulty in funding our budgets
and certainly making a lot of cuts which we've
already done, and then we get people kind of painted
as people coming here with our handout. Certainly I
don't want to be in that position but I do want to continue to talk with the Congress and the President about the programs that were set up such as No Child Left Behind, and it's being funded about six or seven billion dollars less than when the program was passed.

That we look at the program IDEA, the school program for Special Ed that's short about $11 billion dollars, and the first Responder Homeland Security which is about $3.5 billion dollars. That will be coming because I think you've now passed the budget, but when we look at those, those would be of great help and support for us because we can't borrow money to raise our budget or we can't borrow money to cut taxes, so we're really in a position that's very different from the federal government, and any help that you could give there would be greatly appreciated.

First, Governor, I appreciate your both listing them, and the priorities are correct. Our challenge federally, as all of you know, we have a deficit that will be about $300 billion dollars and...
that's large although it's about 2.8 percent of GDP and if you look over the last 20 years, the majority of those years we've been in a budget or we've been in a deficit that's higher than 2.8 percent. I say that because to my mind it means that even though we have a deficit for this period of time, if we pass this sort of legislation that the President talked about the other day, it's the only way out of the deficit but the issues I talk about, social security and Medicare and aging of the population is to grow the economy.

So if we can do that, the government can't do it all but if we can put a structure in to truly help grow the economy which gives us the long term both hope and reality of getting out of the deficits, then we absolutely must and this is what I feel as we have a war on terrorism, take appropriate action in Iraq, continue to invest in the issues that you just mentioned, which is the infrastructure which does provide the economic engine for growth of growing that pie over time whether it's an idea which the United States federal government has not
fulfilled the obligation -- they get up and talk a

good game but they’ve not fulfilled the obligation to

you and your states in terms of funding or basic

education where indeed the United States Congress in

the bill the President signed Thursday, we put in

more money than even the President had asked for for

education for the Congressional response and

understand we have a continued obligation there if

our goal is to really grow the economy over time.

GOVERNOR KEMPTHORN: Governor Martz?

GOVERNOR MARTZ: Senator, thank you.

Congratulations on your new position. We appreciate

your work on behalf of all Americans.

One of the issues, this is not one of the

issues that all governors related to but it’s surely

one that western governors relate to and that’s the

drought. We are looking and hoping to have a

national drought policy that will give us more

monitoring systems, be able to tell when we’re going

into this so that we can help farmers and ranchers

right now in Montana and most Western States.

Agriculture is our number one industry. We’ve sold
off half as many cattle as we have people prematurely
and our agriculture industry being number one is
being hit. Our markets are declining because of the
drought and I know you can’t make water but there are
some things that we can do. It’s a cyclical issue at
best but we have flood plans, we had a hurricane
plan, we’ve had a tornado plan. This is a natural
disaster that touches so many of our western states
and I would really like you to look at that. I would
really like that the Western Governors’ Association
would be involved somehow in the final decision.
We’ve got a good plan out there.
I think Senator Rieber is one of the ones
pushing on that plan for Montana. I should say
Representative Rieber.
Please if you would look at that, let us
have some input on that.
SENATOR FRIST: Thank you. The issue
surrounding drought and agriculture more broadly is
an issue and Senator Dorkin can comment shortly
because he’s been very involved. We’ve spent as much
time on that particular issue as we did on any issue
which expresses both the concern and the focus. The legislation that the President signed last Thursday, there was a drought response of $3 billion. Some people said it should be 10, 6, 3; some people said it shouldn’t be any. But there’s $3 billion dollars. Much of the debate was on how well that should be targeted in terms of the people who are really affected acutely by the drought in terms of the final negotiations.

But I think what you’re really saying is that we need to step back and have a policy such that instead of reacting acutely to episodic illnesses or events, that we have a policy that would smooth out that expense over time. From a legislative response, it would certainly be easier instead of the kneejerk reaction that we’re always in the position of doing. That’s where we’re all challenged in terms of short term, long term, mid-term planning of really being able to step back out of the acute challenges that we have and be able to look ahead five years ahead or ten years ahead.

GOVERNOR KEMPTHORN: Mr. Leader, we
appreciate so greatly your being here. We know of your time constraints so we’re going to abide by that. We have with us of course our other friend from the Senate, Byron Dorgan and we have Steny Hoyer and Mike Castle who we’ll be listening to in just a moment. But if I may, I know you Bill and John Brow yesterday were in a session that John said went for about six hours on Medicare reform and health care.

We are forming the task force. I would ask that you consider, as we move forward, an opportunity that we could sit down with you and those you choose from the Senate for a working session with our Task Force. I think it would be extremely beneficial for all of us.

The other thing I would just put back on the table. As you know, in working with John Glenn, John Glenn and I were able to get the unfunded mandates through. Ed Rendell, Mike Leavitt, many aground this table were helpful, but you do have that tool. Legislation is scored by the Congressional Budget Office. They will identify right on the front page, if there’s an unfunded federal mandate, you
know it takes one member of either House to throw the flag, which then requires a vote to be called to determine if in fact Congress wants to pass an unfunded federal mandate onto the states.

So we'd just remind you, you have that flag in your pocket.

SENATOR FRIST: Thank you, and Dirk, thank you for leadership. That was always for really the first bill when I came in to sort of watch go through before the United States Senate, so I need to start back out a little bit and get some of these mandates off of you.

Thank you very much for the opportunity to be with you.

(Applause.)

MR. PATTON: Thank you, Senator Frist.

Our next speaker from the other side of the aisle is Senator Byron Dorgan of North Dakota. He is in his second term in the U.S. Senate after six U.S. terms in the U.S. house. He's a key member of the Senate appropriations, commerce, science and transportation energy and natural resources and
Indian affairs committees. the Senator is chairman of the Democratic Policy Committee and is a former state tax commissioner. He’s probably got a unique understanding of fiscal problems.

With that, Senator Dorgan.

(Applause.)

SENATOR DORGAN: Governor, thank you very much. My former colleague, Dirk, it’s nice to see you here. There was a Cherokee Indian Chief who once observed that the success of a rain dance had a lot to do with timing.

(Laughter.)

SENATOR DORGAN: It occurs to me that the same is true of public policy. Your timing in coming here today and the intersection of a range of extraordinarily challenging things that confront our country, both in domestic and foreign policy is almost unprecedented. We all want our country to succeed. It seems to me that every morning, every day, every week and every month in recent months, the first message is we brush our teeth, get ready for the day and have the television and radio on the
first messages about Iraq, war with Iraq. The fact
is our economy will not recover until we get passed
all of this.

You cannot have predictability, certainty
and confidence in the future when that is the major
leading news story every single day for months. And
all of us want our economy to recover. We have
different approaches perhaps on how we think we ought
to achieve that, respectfully different approaches.

There's the story of the caterpillar that
climbed on a clump of grass and observed, I see the
world. A squirrel on the same ground climbed a tree
and said I see the world. And an eagle flying over
head observing the same ground said I see the world.
They're also of course the same ground but saw it
differently in different detail.

So we come together as Democrats,
Republicans and a couple of independence here and
there, governors and Senators and members of Congress
and others trying to evaluate how can we put public
policy together that works for our country. The fact
is we have an economy that's struggling, and if you
don't use the social security trust funds, which we
should not incidentally, the are called, quote,
trust, unquote funds.

The deficit is well over $400 billion
dollars a year and climbing. A very serious problem.
From my perspective, our current physical policy
simply does not add up, and cannot add up, so it is
true for me, and I think for everyone, the easiest
lift in American politics has always been and will
always be to propose tax cuts. But that is not
always an appropriate lift. Sometimes it's
appropriate in the 1990s it certainly was. The
states tax basis were reduced on a permanent basis by
about eight percent, as a result of permanent tax
cuts during good times.

Now we have tougher times and the
obligation, particularly of governors and others
including those of us in Congress is to evaluate how
do we try to put this puzzle together. How do the
pieces fit. We had here at the federal level, a 1.7
trillion dollar tax cut. And it was supported by
sufficient numbers to be signed into law, and very
shortly thereafter we had an intersection of several events. One we had a recession. Second we had September 11th, and a subsequent war on terrorism. The collapse of the stock market or pancaking of the market as a result of the tech bubble burst and then in addition, we had the most significant corporate scandals perhaps in American history.

All of that occurred in a relatively short period of time. Some of us we suggested we should be more conservative in fiscal policy in the event things happened that were unforeseen but that was not the case, so we now run into some pretty tough ground here dealing with these issues and fiscal policy.

All of us want to put this economy back on track, first and foremost to do that is to get beyond these foreign policy issues, especially war issues. That's the only way you breed confidence and certainty with respect to the future.

Second, I think we will see a stimulus plan of some type. I do not support a permanent plan that is $600 and some billion dollars as offered by our President. I certainly have great respect for
the President but what we ought to do with respect to a stimulus plan is we ought to have a plan that is immediate, temporary and effective. Immediate, temporary and effective. The President's plan is not immediate and it is not temporary and in my judgment, for example, exempting dividends from taxation will not be effective in providing a stimulus to this economy.

I believe there ought to be some state assistance with respect to a plan. I don't know what that level ought to be, but clearly we have imposed burdens on the states which we are not paying for, whether it's Medicaid or No Child Left Behind, or special education. We clearly have done that and we ought to have a piece in a stimulus package that responds to that need. It occurred to me so I was driving to work today, hearing about a deal that was negotiated in Turkey yesterday of $26 billion in financial aid that we ought to create a Turkey standard of sorts.

(Laughter.)

SENATOR DORGAN: It seems to me that if we
can find money for Turkey, we can find money for
Kentucky.

(Applause.)

SENATOR DORGAN: Or Michigan, Maine, North
Dakota or Minnesota for that matter. Turkey is an
abiding good friend of ours. I just think this is
all about choices and priorities so I suggest that we
talk about a Turkey standard with respect to economic
opportunity for our states in this country.

Let me just for a moment go over a list of
three or four quick items in just about three or four
minutes, that describes our priorities. By that I'm
talking now as Chairman of the Democratic Policy
Committee.

We do have, from time to time, respectful
disagreements. That's what I think best serves our
country. Energy. We believe there ought to be an
energy bill passed by this Congress. I think the
President feels that way too, and I believe some of
which is being proposed by the white house makes a
great deal of sense.

Moving to a fuel cell economy, that is a
hydrogen economy with fuel cells makes great sense to me. I’ll be introducing a piece of legislation in the Senate today. $6.5 billion dollars over ten years that decides that we ought to have an Apollo-type project. There ought to come a time when we’re no longer putting gasoline through our carburetors. My first car was a 1924 Model T Ford that I restored as a young boy, a sophomore in high school. Bought it for $25, took two years to restore it, discovered girls and decided to sell it, which was a very big mistake.

(Laughter.)

SENATOR DORGAN: But you know you put gasoline in a 1924 Ford the same way you put gasoline in a 2003 Ford. Nothing has changed in three quarters of a century. Over half of that, which we need for oil in this country is imported, a substantial portion of it from very troubled parts of the world which would hold our country hostage if, God forbid, something happened tonight to interrupt that supply.

If our energy policy is simply dig and

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drill, then it is a policy called yesterday forever, as far as I'm concerned, and that will not best serve this country. Yes, we should dig, yes we should drill, yes we need to produce more, but in addition to producing more, which has to be part of energy bill because you need a transition period, five, ten and 25 years, you need production, you need efficiency, you need conservation and then you need big ideas like limitless and renewable sources of energy that take us well into the future. That's an energy policy that I think will make sense for this country.

Education. No Child Left Behind, is a policy that the president and the Congress embraced but you can't leave the funding behind. We need two things with it or it will not work. One, it has to be flexible enough in its administration so that the template that goes over a school in New York in the middle of the city that goes over my school in Region, North Dakota, because they don't work the same. The basics of education are the same but the templates are not one-size-fits-all if you're going
to have the right kind of administration of this
piece of legislation.

And second the implied promise of funding simply has not been met. The president did not propose it and the Congress has not funded it. We need to do that. I want this program to work but we must, it seems to me, provide the funding for it.

On health care we have significant Medicaid issues as you know. I don’t personally believe, and I think most of my colleagues don’t believe we ought to say to senior citizens we support the need for a prescription drug plan in Medicare but in order to get it you have join an HMO. Rose the opportunity to find the doctor of your choice. That’s no a good bargain in my judgment for senior citizens. We need to work on Medicare and Medicaid in very significant ways. But I don’t believe the way to resolve this issue of prescription drugs is to say to seniors, the only way you can get a prescription drug package is to move into an HMO.

Finally, at Homeland Security, we have very serious challenges there. We in Congress have
appropriated money that has not been used and not
been spent. First responders do not yet have the
kind of funding they need.

If some serious problems exists this
morning somewhere in this country, it won’t be a
well-trained federal official who’s going to go
there. It’s going to be an emergency person, it’s
going to be someone from a fire department or police
department or emergency personnel that are going to
be there and those first responders need the training
and need the help to be able to respond appropriately
in this day and age. So we need to do much, much
better.

I come from a landlot state. We have 5.7
million containers coming into our major ports on
containership so they don’t come to North Dakota, but
they pull them off with a winch and put them on 18
wheels and run them all across this country; 5.7
million containers, 100,000 are inspected; 5.6
million are not. Is that a problem in this country
with respect to security? You bet your life it is.

And I can go through six or eight more
areas including northern border security, which we
share with Canada, a range of those issues that are
very important. We cannot scrimp on Homeland
Security. We do so at our peril.

Let me make one final comment. Governor
Leavitt and I have been working on this issue of
taxing remote sales, internet catalogues and so on.
You are losing a substantial amount of revenue that
is owed to your states in the form of use tax but not
paid to your states.

We in Congress, working with the Governors
have tried to do something about that. It is not a
new tax, the tax is old, it is just not collected.
And a substantial amount of money, billions and
billions and billions of dollars is money that you
need and money that you ought to collect. The
Congress ought to give you the opportunity to do
that. We're not talking about a labyrinth of
complexity here for Internet sellers or catalogue
sellers; we're just saying that when you're competing
against main street businesses, meet the same
obligation they have. Make the sale and collect the
tax and remit it to the government to help fund our
schools and build our roads and do the things
necessary to make a better life in our states.

Finally let me conclude by telling you
this. I have great respect for you all. I have
worked in the state capitol for some years before I
came to the U.S. House and the U.S. Senate. I was
reading McCullough's book about John Adams recently.
He, as you know, traveled a lot as they were trying
to frame and create this new country of ours. He
would write to Abigail from aboard. He represented
our country in England and France.

He was working on how to try to put his
fledgling new country together and he would write to
Abigail and say to her where would the leadership
come from. Where would the leadership emerge in this
country to help put this new country together, and
then he would plaintiff say to Abigail, there's only
us; me, Thomas Jefferson, Ben Franklin, George
Washington, Madison, Mason. There's only us. Of
course with two centuries of hindsight we see that
"only us" represented some of the greatest talent in
human history.

It is appropriate it seems to me at intervals to our country to ask the same question. Where will the leadership come from? Where will it emerge. Always in this country in two centuries it has been answered by men and women yes in the White House and the governorships and in the Congress to say, it's us, it's now, and we must lift the load to do what's necessary to put our country back on track.

It is a great country, we're lucky to be Americans and lucky to be alive now, but that inherits with it significant challenges, especially for those of us who serve now. We thank you for your service and wish you well. God bless you.

(Applause.)

MR. PATTON: Thank you, Senator Dorgan. He's going to have to excuse himself. We do have two more presenters and hopefully they'll be able to stay around and we can have a discussion.

Our next guest will be introduced by Governor Minner of Delaware. She just reminded that I have a propensity to pronounce that Minter. There's
However, I will tell you the definition of minnow in my part of the world, a minner is a small fish that’s gobbled up by other fish.

(Laughter.)

MR. PATTON: I think we can all agree that Governor Minner is no a minner in the traditional sense of the word. But with that, Governor Minner, please introduce our next presenter.

(Applause.)

GOVERNOR MINNER: Thank you, governor. However, I will tell you the definition of minnow in Delaware is quite different. It’s a small fish used to catch the big fish.

(Laughter.)

GOVERNOR MINNER: It is indeed my pleasure to introduce a person whom I’ve had the opportunity to work with in the Delaware General Assembly as well as the time he spent as Lt. Governor and Governor. Michael, welcome to our group, or I should say welcome back to our group. Since you served eight years serving with this group as well. Mike was a very active participant in this organization and
brought back to Delaware many good ideas. One of the reasons I’m here is because of the leadership that they showed in this organization in bringing good ideas back to Delaware.

Mike has served Delaware well, if you think of just the few things that I’ve said but he really started as our Deputy Attorney General, he served as a state legislator, as Lt. Governor and two terms as the governor of Delaware. He’s currently in his fifth term representing the first state as Delaware’s sole member in the House of Representatives.

Each of these positions has provided him with a new perspective on Delaware and he met those challenges and served well. With thoughtful consideration and by reaching across the aisle, whether in Delaware or in Washington, Mike has played a key role in negotiating many of the federal as well as state issues.

The Congressman chairs the Subcommittee on Education Reform and is a member of the House Financial Services Committee and a member of the
Permanent Select Committee on Intelligence.

His priorities include improving the quality and relevance of education research.

Studying the nation’s financial markets, and how they serve the consumers and pushing to protect United States intelligence, please join me in welcoming a long-serving member of our Delaware community of elected officials, my friend and coworker, Mike Castle.

(Applause.)

REPRESENTATIVE CASTLE: Thank you very much, Governor Minner. I’m leaving all of the mintoes and minner and all that stuff alone. But I am delighted to be here to join Governor Patton, Governor Kempthorne and the other governors I see who were in the House of Representatives when I was there. Governor Vilsak is easily the best educated governor here since he also went to Hamilton College as I did, and all the rest of you. It’s just a delightful position. I can’t say how rewarding being a governor really is.

I saw Bill Richardson has said that it was
his experience that the members of the Congress didn’t particularly to the governors. One of the quotes that you’ve read as you’ve gone through this four days, and I followed what you’ve been talking about, that’s probably true to agree to the extent you adopt resolutions or whatever but I will say one thing. When a governor calls his or her congressional delegation and says we want something, usually I’ve noticed that they jump pretty high, so I would say disregard the overall aspect of it and look at the individual states and realize you have a tremendous amount of power in the Congress of the United States. Together you have that power as well.

I know what you’ve been talking about. I’ve sort of followed all that. I’m going to try not to duplicate too much here and perhaps we can get Q&A that way, but I saw a poll, I don’t know where, but there’s a national journal house race hotline type of thing but basically it’s sort of interesting.

If you look at the issues we’re talking about here today, and that we’re all vitally concerned about, you realize that there’s one of them
really that dominates everything. That’s the economy, but after that everything else really relates to the war, to terrorism, to homeland security. That’s what’s on people’s minds today.

When you break it down to health care on the variety of issues that were in the teens in these polls and they’re not showing up at two to three to four percent because of the great concerns am I going to have job and are we going to go to war, which is really what it’s all about.

Some of these questions are frankly beyond what we’re going to be in control of in the Congress of the United States, particularly the war circumstance but a lot of the issues that relate to the economy and jobs are within our power and within your power.

I have read some of the resolutions you’ve been looking at. I would just say a few things having been in Congress now for a little bit over ten years. That is I think it’s very unlikely there’s going to be any kind of a general help or handout to states and local jurisdictions in terms of dollars.
Maybe it’ll happen, maybe you can make it happen. I personally don’t think it’s very likely to happen based on what I’ve seen.

On the other hand, I’ve seen some real movement in some of the existing programs. In fact, the very programs that you were talking about here today, in terms of where Congress is going.

Let me give you some examples. Education is one I know something about because I’m on that Committee but in the last six years in the Congress we’ve increased education spending or funding by the Congress of the United States by an average of 14.5 percent a year. That’s pretty unusual when you really consider it. Usually, you’re lucky if you get a cost of living increase out of the United States to go through some six years now with increases about 14.5 percent is really a little bit out of the ordinary in terms of what Congress has done.

For instance, the Elementary and Secondary Education Act which is really what the No Child Left Behind is all about, it’s addressed up version is ESEA has gone from fiscal year ‘96 at $23 billion
dollars to $53.1 billion dollars.

And IDEA that much discussed programs in
where the federal government should be which has a
statute which says, as we all known, that the federal
government should pay up to 40 percent of that
program has gone from fiscal year '96 to this year at
18.1 percent. So there's been a dramatic increase in
that and it got substantial increases even in the
last fiscal year '03 budget, which as you know is
sort of tangled up. It just got done about two weeks
ago about four months late but both of those programs
had fairly significant increases.

We're going to be looking at IDEA in the
Education Committee just to touch on something we're
going to be dealing with, and there probably would be
some sort of a glide path, if you will, to get to the
full 40 percent funding. That seems to be the target
even though the statute says up to 40 percent.
That's what Congress is thinking about $10 billion
off of that right now, and by glide path, I don't
think it's going to happen in one year, I don't think
it's going to happen in two years.
But I think if you look at ten years and perhaps less, you're going to see Congress probably looking at that particular issue. We'll also be obviously looking at matters of concern to use the discipline issues, the over identification issues, issues that concern everybody, and that will try to give you more flexibility on Total One increases have been going along as a rapid pace as part of that education increase. They've been occurring at a higher level even than the other education spending which is significant.

No Child Left Behind, what we're talking about in No Child Left Behind obviously are the authorizations levels which my Committee has done because the appropriations have not lived up to that. But again, the increases have been fairly substantial in that particular area.

There is some flexibility in that which you probably all know. You can change 50 percent in various programs around the No Child Left Behind with the exception of Title I so that you can go from one place to another. I've been working with our
Governor, with Ruth Ann, on this particular program and her secretary of education lately.

I would encourage all of you, if you aren’t doing it to do the same thing. You probably are doing. If you have questions about that, if you are concerned about the assessments and the standards and the testing you’re putting in place, I would rapidly get in touch with the Department of Education and see what flexibility there is. I’m not guaranteeing that there’ll be flexibility on everything but there probably is more than perhaps meets the eye. I would encourage everybody to do that.

I heard the discussions on Medicare and Medicaid and obviously Senator Frist is much more knowledgeable along that than I am, and perhaps almost everybody in the Congress of the United States of America. But we have obviously passed prescription drugs as part of Medicare solutions in the House and the Senate. We’ve never gotten together on a final bill. I don’t know whether that’s going to happen this year or not. Clearly
that's a matter of huge concern to you in terms of what you're doing, and matter of concern to the country. And I think something we ought to pay attention, and I read about all you're doing in Medicaid and the presentations by Governor Thompson, the President and others, and that's an extremely complex subject.

In my experience in my ten years in Congress when I was a governor sitting with you all, my sense is that that's a difficult an issue to deal with from a legislative point of view as anything that I've ever seen. And as a result of that, we're all going to have to work together to get that done.

In the meantime, I would recommend strongly community health center programs to all of you. I'm sure you've all toured your community health centers. I have found them in Delaware to be extremely effective. They're doing a good job. They're really take care of our population.

Sometimes the parts of the population that worked there before, the Hispanic population and others, and there are a lot of new moneys being put
into that, and I will tell you that’s a good alternative to some of the insurance issues that exist out there and something that I would pay a lot of attention to.

We’re going to be dealing with Head Start later in the Education Committee probably after the Easter break, between Easter and Memorial day or July 4th, and trying to make that program somewhat more professional than it is now. There is some discussion of changing it from Health and Human Services to Education. I don’t think that's very likely to happen personally, but that’s probably going to be put on the table.

There’s also discussion of some sort of a program to have the states get involved with all the early education programs funded at the federal level, take the money and be able to put together your own programs. That may not happen in full, but it would be parlor project, and I would tell you it would be of something that is of some interest to some of you in terms of what we’re doing.

Homeland Security is a matter of
legitimate concern I think to everybody in this room. There's never going to be enough for Homeland Security. You can look at anything. I came down on train from Delaware today for example. Is there enough security on trains? Probably maybe's there's enough in airports now but not enough at our ports, for example. Perhaps our buildings aren't as well-guarded as they can be. The bottomline is I think if we work together we can make a difference as far as Homeland Security is concerned. And yes some things do need to be funded in that area.

We will probably do a budget resolution by the end of March, just to give you a timeline. That's significant because we did not have a budget resolution last year. It's the reason I think the appropriation bills got held up.

The actual reconciliation and finishing all that will take longer in the House of Representatives are going to start on the tax cut probably the next two weeks. I think Chairman Thomas of the House Ways and Means Committee will introduce that. And then we'll have a couple of weeks of
hearings and then perhaps some sort of a markup which
might be different than the President’s bill.
There’s obviously so disagreement as to where to go
exactly with that in terms of the overall amount and
in terms of some of the internal elements of it, so
that needs to be looked at very carefully.

The whole war effort or the whole
potential war situation will continue on here for a
while, but clearly it’s impacting the economy, it’s
impacting a lot of decisions everybody’s making. But
I have to guess just from what I’m reading from what
you’re all hearing that some time in March, some
resolution of that will come along.

As I’ve indicated, IDEA will be going
along fairly quickly now in the next few weeks; then
Head Start should be right behind it. In the House
of Representatives. It’s my judgment that on all the
programs I’ve just touched on that governors have not
only a huge interest but have a huge ability to
impact how these things come out. Again, it may have
to be done individually through your own members in
the House or the Senate.
The bottomline is I don't know of a single member of Congress who's not going to turn to his or her governor for advice in terms or where these programs are going and what we should be doing. We will be in full session now right through until August, with a week off here and there for certain breaks. That we would encourage all of you to stay in touch and to work with us in every way you possibly can.

I've always been a believer that the governors are as important as any elected officials in this country in terms of the overall welfare of this country, and while we go back home and you look at your own individual state, the bottomline is collectively you make a huge difference in terms of the impact of where America is going.

So I am honored to be able to be here to speak to you and I'm sure that I speak for all members of Congress to say that they would be both pleased and honored to hear from you on these issues of importance to all of us. Thank you very much.

(Applause.)
MR. PATTON: Thank you Congressman Castle. Again you’ve raised a lot of interesting topics that I know the Governors are interested in discussing with you in detail and I hope you can stay around while our last presenter for this morning’s program talks to us a little bit and of course that’s Congressman Steny Hoyer, the House Democratic Whip, the second ranking leadership post for House Democrats.

Congressman Hoyer is serving is 11th term in the United States House of Representatives, representing the Fifth Congressional District of Maryland. As the whip, he helps Democrats determine their legislative agenda and strategy, unity for the party’s position within the Democratic caucus and among Democrats nationally and crafts and delivers the Democrat message.

The Congressman is also a Senior Member of the House Appropriations Committee and currently serves on its subcommittees on the Treasury, Postal Service, and General Government, Labor Health and Human Services and Education and in the legislative
branch, he’s a former president of the Maryland
senate so he knows state issues.

And I can say that while I’ve been
governor, I think Congressman Hoyer has been the most
or at least one the most willing members of Congress
to come and talk to us about a variety of issues. I
think he makes almost all of our winter meetings.

Congressman, it’s a pleasure to have us
with you again this morning. Thank you.

(Applause.)

REPRESENTATIVE HOYER: Thank you very much
Paul. I know you’re dying to hear a long speech from
me after hearing some very good information from both
sides of the aisle.

Governor Patton, I want to thank you for
the work that you have done with the Congress through
the years inn various different capacities, and
Senator Kempthorne has heard me speak before, so he
left.

(Laughter.)

REPRESENTATIVE HOYER: I want to say I
don’t envy any of you. Some of you have been my
former colleagues. I'd like to say to people I'm a legislator and any legislator with half a brain can avoid almost all responsibility. Jennifer's laughing over there.

The fact of the matter is you can and the fact of the matter of the most part is the buck stops, you can't. And for the fact of the matter of the most part, the buck stops on your desk.

Virtually every state capital as NGA's fiscal survey of state capitols reported in November. Nearly every state capitol is in fiscal crisis. The updated budget shortfalls for fiscal 2003 which are $20 to $30 billion I understand are added to the projected shortfalls for fiscal 2004.

Our states must direct a collective shortfall of almost $100 billion dollars by the end of summer. Today I want to deliver three messages from the House Democratic Leadership first. We're committed to helping the states whether this budget storm jumpstarting our static economy which has a devastating impact on your bottom lines is our number one priority.
Mike you said that number one the most immediate is Iraq but certainly the number one priority of the American people and getting our people back to work and doing well.

Secondly, we believe that elements of the President’s tax plan, if enacted, will severely restrict funding for vital priorities such as Homeland Security, education, and health care and severely impact your states.

And third, we’re deeply concerned about the Administration’s proposed shift of responsibilities to the states on Medicaid, on Head Start, on housing subsidies as well as the federal governments ability to fund such programs in light of the squeeze on discretionary spending.

Mike I disagree with you frankly, and maybe we can discuss later, that the reason we didn’t pass appropriation bills had to do with the failure to pass a budget resolution. Under Democratic and Republic Administrations, we have done what is called a deeming resolution, simply to say has the House a budget resolution. We haven’t reached accommodation
between the Senate and the House we'll act on the House numbers. We've done it that in both the Democratic and Republican leadership. We didn't do this year.

In my opinion we didn't do it not because we didn't couldn't do it but because we didn't want to put bills on the floor which were very politically controversial because frankly they cut back on commitments that had been made but which were not kept.

In January House Democrats unveiled an economic stimulus plan. Here I will use some different words than Byron but the message is the same; fast acting. We need to get the economy moving now, not next year, not two, three, four, five years from now but now.

So the Democratic plan is fast acting and is $136 billion dollars on the House side total, which is about a fifth or a little more than the Republican plan offered by the President.

However, it spends twice what the President proposes in 2003 because we want it to be
fast-acting. It is fair, it affects everybody in America in that it gives ten percent tax cut for the first $6,000 of income to every American. If you make $6 million or you make $6,000, you get ten percent of the first 6000 cut, and it is fiscally responsible.

I told you it was $136 billion over ten years, it is hundred billion now. What kind of Washington math is that. The fact is we accelerate some expenditures which would be in 2004, 2005, do it in 2003 which is where we need the stimulus and save money and interest later on. It would create an estimated one million jobs, and as I said cost $136 billion dollars.

Our plan also would provide relief to the states which the President does not including $10 billion for Medicaid cost sharing, a one year/one time increase in the federal share of Medicaid benefits as provided in the Dingell/Brown bill. Ten billion federal grants to help the states with their urgent unmet Homeland Security needs, and an additional $5 billion for highway funding, and $6
billion for discretionary use by the states for unmet needs. That's about $36, $37 billion dollars in 2003 for the states for infrastructure and for other expenditures you need to make in sharp contrast as I said to the President's plan which ignores the states altogether, and to make matters worse, it would dig an even deeper hole for the states.

The Administration's plan to eliminate the dividend tax would erase the tax advantage of tax free state and local bonds. I'm sure you're considering that, I know you're talking about it. Without that tax advantage, governments will be forced to raise interest rates to attract buyers, thereby boosting the cost of government borrowing.

Furthermore, by accelerating and making the rest of the 2001 tax cuts permanent removes all flexibility in dealing with the under determined costs of the war on terrorism.

Senator First said, and he is correct, that the Congress and frankly your state legislatures and frankly sometimes executives tend to look short time; sometimes in two-year cycles, sometime in four
year cycles. It's understandable, the system.

    But the fact is what we are looking at both in 2001 and 2003 in terms of the proposal we believe on our side of the aisle, creates very substantial, critical, long-term problems that we are not anticipating.

    Perhaps worst of all, the President's plan, in my view, is as I said fiscally irresponsible. It's costs are passed on to the next generation and other levels of government. It drives us deeper into debt and ensures deficits in the next decade at least. That is uncontested. That is in the CBO report, that's in the OMB report, those are uncontested figures as to where we are in debt.

    I would say to you that for the four years, the last three years of this past century and the first year of this century, we were in surplus. It was the first four years that we had in surplus in the federal government in over a century.

    Where some see a purposeful squeeze on discretionary spending designed to reduce the size of government, we see a fiscal straightjacket that
leaves the richest nation on the face of the earth
unable to meet critical needs. I don’t mean
discretionary needs. I don’t mean things that we
would like to do but things that I think everyone
around this table, irrespective of parties, says
needs to be done.

In fact, we’ve already witnessed the
effect of a tight budget debate on the appropriation
bill. There’s been some discussion of that. For one
year, the President’s $3.5 billion package for first
responders, state and local police, firefighters,
emergency medical teams, languished. That is to say
we had money on the table being proposed and frankly
being supported across the board. You got zero of it
because it languished. We passed a supplemental
appropriation bill, $5 billion dollars which had a
half a billion dollars in first responder which the
President refused to approve. Because we said you
have to designate this as an emergency. We believe
Homeland Security and defense is an emergency when
confronted with a war either on terrorism or on a
rock.
When that funding was finally approved, it was largely drawn from existing law enforcement and public safety programs. We said $3.5 billion. It is a little less than a billion. Why? Because we’ve taken money out of other programs and designated them for homeland security but if you cut Byrd grants, if you cut aid to police, it’s fungible.

You folks are in the position of either deciding well we’re going to cut the services that are being performed with this hand while we increased the services we need to perform with the other hand.

The net effect of that $3.5 billion is an additional approximately one billion dollars giving use of ability to respond to critical situations.

House Democrats between it’s simply unacceptable to skimp on homeland security funding when we are considering enormous tax cuts that would overwhelmingly benefit the better off.

House Democrats believe we must consider new creative methods ensuring our security such as enhancing port and border security which previous speakers have discussed.
Byron Dorgan pointed out the incredibly small percentage of cargo that we inspect coming into this country. Additionally, we’re committed to funding the No Child Left Behind Act as well as increasing child care funding and maintaining state flexibility in the reauthorization of welfare reform.

Currently Governors were doing neither and I think your staffs know it and you know it as well, and Mike, while I understand an authorizing perspective that we said we were going to do good things with the No Child Left Behind Act, and in fact I supported the No Child Left Behind Act, as almost everybody in the Congress did and the President enthusiastically signed it. Leaving No Child Behind is not cost free. Rhetoric will not educate any of our children or take them by the hand and get them down the road.

You Governors or state legislators could avoid responsibility. We can say great things. We can say we want to do this and we can put forward great visions of where we want to go. But when it doesn’t happen, people look at you and say why isn’t
11 ought to have fiscal honesty with our people and say,
12 You talk about Head Start, all of you know
13 of the Head Start eligible children of America, 40
14 percent of them have no room in the inn. A program
15 that everybody says works.
16
17 Let me say that I'm very pleased that the
18 President and the Congressional leadership from both
19 parties supported on a very positive note $1.5
20 billion dollars for election reform.
21
22 As you know, Bob Nay and I, Senator Mitch
bipartisan way. Senator Bob Nay is an extraordinarily able and conscientious legislator and who it was my great privilege to work with on this particular piece of legislation, $3.8 billion authorized. We had put $2 million dollars in a bill and I went down to the White House. Senator McConnell was there and we said, Mr. President, we need to fund this bill or it'll be an unfunded mandate.

The President agreed. Mitch Daniels agreed. Mitch Daniels is really running the show as all of you know. In any event, we had $1.5 billion in there this year and we hope to have the President not as much money in for the 2004 as I think we need, and we're going to be working to get more. But to replace machinery, to give you the flexibility on your statewide registration, opportunities, your provisional balloting and other things that the law requires you to do, we're going to provide funds for it.

As you know, we worked very closely with all of you with state and local officials on the help
America Vote Act. This funding is essential, as all of you know, to upgrading and improving our election system. But again that funding is only a downpayment on election reform. We have another $2.5 billion dollars to go.

The Help America Vote Act authorized $3.8 billion over four years and I urge you to join me in working to ensure full funding of this landmark law. The $1.5 billion was essentially off budget.

Governor Martz, I didn’t mean to interrupt. But the $3.1 billion for the drought aid was not off budget and we had to offset it. I believe in both instances, there was an emergency. The emergency on election reform is we’ve got a presidential election coming up. We had a controversy last time. We want to have the system working well for the next one.

The drought aid is obviously why it’s an emergency. Governors, you are the chief executives of the states and you have a tremendous opportunity to make your influence felt. I urge all of you to seize this opportunity to prevail upon your state delegations the importance of the funding priorities.
that you determine are important. Forget about what we in Washington say. We're pretty much saying the same things. Many of you recall we worked together in bipartisan fashion in the nineties to impress upon the federal government the dangers of unfunded mandates and the impact of shifting responsibility. You must continue, in my opinion, to make that bipartisan appeal. There's still the possibility of getting some significant fiscal relief for states in the budget this year.

Congressional Democrats and I hope Republicans stand ready to assist you in this effort, but it's incumbent on you to reach out and to talk to your members. I agree with Mike Castle. I will tell you we don't do bipartisanship very well in Washington, D.C.

I'm from Maryland and when I was president of the senate, some of my strongest supporters were Republicans. Now there were only ten out of 47, so there wasn't much use for partisanship. And frankly I found the differences, when I served in the state legislator in the state government to be more urban
city versus rural than it was Republican versus Democrat.

But you know the problems. Every day you confront the problems. Bob May and I sat down together for literally tens of tens of hours figuring out. We had differences, our parties had different perspectives on what they wanted to do with election reform but we knew what the problems were and we came up with what we think are solutions.

This is the richest nation on the face of the earth. Because it is the richest nation on the face of the earth, in my opinion we can solve our problems. We're not like perhaps Turkey. I loved Byron's turkey standard. We can solve everyone of the problems and ladies and gentlemen we can leave no child behind, and we can confront Iraq.

I voted for welfare reform. Democrats were equally divided but we can do a welfare reform bill without passing onto you unfunded responsibility for about $11 billion dollars in addition to child care and other related expenses. We can do that, but we have to confront our people and say we have to do
it together. And we may have to scrimp a little bit
but the richest nation on the face of the earth can
solve our problems, we can do it together, and the
Governors can make an extraordinary contribution to
that objective if you do it in a bipartisan what is
real and what is unreal. I urge you to do so.

You've helped us but much more important, you will
help our country in doing so. Thank you very much.

(Applause.)

MR. PATTON: Thank you, Congressman Hoyer.

I think both of our panelists have raised issues that
this group is involved in, so let us have a
discussion for as long as they can stay with us.


GOVERNOR VILSACK: Thank you, Mr. Chair.

I appreciate both of the representatives being here
today. This question is really directed to
Representative Castle, my fellow continental.

REPRESENTATIVE HOYER: We understand
everybody body can't get into the University of
Maryland, Governor.

(Laughter.)
GOVERNOR VILSACK: You don't want to go there, Steny.

(Laughter.)

GOVERNOR VILSACK: Congressman, I was listening with great interest to your concerns about your education, and I can tell you that in our state, we are very proud of our education system. In the top ten in ACT and SAT scores, class graduation rates, class sizes, computers in the classroom, but we are deeply concerned because of the Leave No Child Behind parameters. Our state is the only state that has a local control philosophy, one in which we don't have state standards for students but we've got them for teachers. We are approaching accountability very aggressively. We've been testing our students for 50 years using longitudinal studies to structure curriculum, so we are deeply concerned about the federal government coming in and explaining to us how we need to do this when they're not willing to provide all of the resources necessary to implement the plan.

My question to you is, do you feel that
with the appropriations that have been authorized and approved, that we are adequately and fully funding Leave No Child Behind. And if you do believe that, how is it that there was a difference between the amount of money that was originally authorized and the amount of money that was appropriated. What did we not do when we were going to do with additional money? Could you explain that to me.

REPRESENTATIVE CASTLE: Thank you, Governor. Maybe we ought to change that name to the fighting continentals, but your point's well taken. We pass a lot of legislation in the Congress. Frankly I never really understood it all. But we have authorization legislation. That essentially sets authorizing numbers. Sometimes it's just left open-ended; sometimes it's high. Almost inevitably, it's higher than what the appropriators will actually do. So the political argument is well you didn't funded it all the way because you didn't fund it as high as the authorization.

In the case of No Child Left Behind, quite frankly, I am personally interested in driving that
number as high as we can. There are some of us in
the Republican party who held up the Labor HHS
Education Funding Bill for that reason because we
were concerned about education. As a matter of fact,
as I indicated my discussion, we have been increasing
the set 14.5 percent a year over the last six years
which is a huge difference over what it was before.
And we have done particularly a lot with Title I and
IDEA and some other elements that actually go into No
Child Left Behind.

I have several thoughts. One is that is a
process that we're going to go through again right
now. We are in our '04 appropriation cycle already.
They're starting to look at the budget, they're going
to start to look at the appropriation. As you know,
it's due by September 30th. It will probably be
delayed somewhat but there's probably a better chance
than there has in previous years, recently at least
to get it done in time this year.

The President is focused on education.
The members of the House and Senate, and I think
that's true Steny that Republicans and Democrats are
really focused on education. I think Democrats will try to push it all the way to the top of the authorization, but there are some of us on the Republican side who are going to push it pretty hard too, to try and get those figures higher. They're probably not going to get up to the authorization levels, as has been indicated today, six or seven billion dollars more.

But I would tell you that's one area that will not be ignored in terms of where the members of the House and Congress are. As I said earlier, talk to your members. There is no more effective lobbyists in this country than the members of Congress than the Governors of their own state on the members of the House and Senate in my judgment. That can make a huge difference as well, and also helps you with some of the so-called unfunded mandates. And remember there is the ability to move some of that money around. You might want to look at that.

And I would also tell you, and I know of Iowa's standards. I know you've done well, and I used to work with Terry Branstad on some of these
things. And you do have an enviable record in education.

But that should be taken into consideration and I believe the Department of Education understands that.

The standards assessments and the testing that go with it ought to be set by you, not by the federal government. It's required that it be done but it still be set by you and you should be able to get what fits your state best in order to educate your children which might also help with the costs somewhat.

So I would tell you that you are probably not going to talk about this in terms of the 100 percent of authorization but you are talking about an area in which I think there’s flexibility in Congress to go higher among the appropriators and even among the individual members.

MR. PATTON: Congressman Hoyer is going to have to leave us, but comment.

REPRESENTATIVE HOYER: I wanted to comment, Governor, very briefly. I just asked
1 because I want to confirm if you take the No Child
2 Left Behind Act authorization -- I said it was $7
3 billion behind in 2003 -- given the level of funding
4 that we gave it, the 2004 budget that has now been
5 talked about and presented is $9 billion behind. Of
6 course that’s the add-on from what we didn’t do in
7 2003 and the expectation of what we’re going to do in
8 2004.
9
10 Now there is no expectation that we have
11 $9 billion extra dollars in this area, in the
12 Medicaid area. I mean the needs are obvious and the
13 articulated objectives are very, very large. But
14 clearly we need to get much closer than continuing to
15 fall behind the promises that we made in No Child
16 Left Behind, if the states are going to be able to
17 accomplish the objectives. I think we all agree it’s
18 the states that are going to deliver these services.
19
20 I think it’s somewhat ironic when
21 President Clinton proposed some testing, voluntary
22 testing, to give some standards that the then-
23 Chairman of the Education Committee was very opposed
24 to that bill.
And that if you compared what the Clinton proposal was in terms of requirements on the states, they were substantially less than the requirements that ultimately ended up in the No Child Left Behind Act. I tended to agree with President Clinton and I agree with President Bush that citizens who invest substantial sums need to have some thought, is my child being educated in Iowa or my child in Maryland going to be able to compete with the child in Iowa where you have a very good system.

I think parents have a right to that knowledge and will be more willing to invest in education if in fact they are getting that product. But it seems to me we cannot expect the states to perform if we continue to under fund a program with the promise that the states are going to have to meet but they don't have the funding to do so.

GOVERNOR LEAVITT: Governor Patton?

MR. PATTON: Are you going to be able to stay just a minute? Great, okay.

GOVERNOR LEAVITT: Can I just ask one quick question. You mentioned earlier in your
remarks Medicaid. There are 40 plus of us now that
are in the position of fighting through the process
of having to reduce benefits against our better
judgment and will in many cases. You alluded to the
concern you have, at least I interpreted it to be
sending flexibility to us to manage that problem.

   Could you tell me --

REPRESENTATIVE HOYER: I don’t have a
concern with giving flexibility Governor in a certain
sense. I think there’s a national responsibility to
ensure that our citizens have the availability and
again in the richest nation on the face of the earth,
of health care.

   Now the problem you have at the federal
level, we raised taxes, we have dollars to spend and
we want to accomplish what we say we want to
accomplish. If we do so and then say well here’s the
money for the states, i.e., a revenue sharing program
and the objective does not get accomplished because
the states under real fiscal pressure, if they have
great flexibility, don’t apply it to certain
objectives that people think at the federal level may
be necessary, but at the state level the judgment is made differently. That's the problem.

But let me tell you, Governor, my experience at the state level and very active in NCSL and my concern always was that when somebody tells you they're going to give you in effect a block grant and give you flexibility, inevitably it is meant they're going to cap the dollars that you get either short term or long term.

Now as you know, the full program's not on the table so we don't know exactly what it is, but so I understand it, for seven years you're going to get some more money and then in three years you're going to have to make it up. So the ten-year program is essentially a zero funded game for you. That may not be absolutely correct but the shorthand I've read so far seems to indicate that.

But if I gave you the impression that I fear flexibility at the state level, I don't. As I say, I voted for the Welfare Reform Bill. The democrats were divided 98/98 on the Welfare Reform Bill that President Clinton signed and the
overwhelming number of Republicans voted for the very bipartisan effort which gave some flexibility.

Very frankly, what we’re now doing is we’re going to cut down your flexibility to some degree as we under fund welfare reform. We had an alternative that we offered that would have helped you with the expenses that were commensurate with the Welfare Reform Bill and the increase somebody mentioned earlier.

Our Bill gave education as a credit for part of the increased work that was called for in our bill and at the Republican bill. But I don’t have any problem with flexibility in the states. I think obviously there are different ways to do things in different areas. Dorgan made that point, Byron Dorgan made that point; things weren’t the same in North Dakota as they are in New York or California.

GOVERNOR LEAVITT: Conceptually, I would like to drill down a little bit because we’re just in the early process now of formulating as a group our approach on this. Conceptually if we’re talking about taking the same amount of money we’ve been
expending in the past or more, and working to spread
the benefit of that over more people, so as to
protect access. In reality what it may mean is that
more people get slightly less but more people, it's
better for everyone to have some as opposed to a few
to have everything.

    Conceptually is that a place that you
think the states could fruitfully pursue?

REPRESENTATIVE HOYER: I don't want to
discuss the ramifications of what you mean by some
people get less. Obviously, there are points at
which if you get less, you essentially get very
little or it's not effective, and there are obviously
at the federal level, certain levels we want to make
absolutely sure have access.

    But conceptually I don't think the concept
is wrong, but when you say "same amount of money;
we'll just spread it thinner" it depends upon the
ramifications to those from whom you take and who you
add.

GOVERNOR LEAVITT: Just as a matter of
information, there are literally 40 of us now that
are in a position or more that are in a position of having to deal with this. As it is now, if we have to do anything to adjust those dollars, every piece of our budget and I think every other state is down, down, down, except one and that's Medicaid and it's up, up, up.

So in order to mitigate the level of how many more dollars we're spending at the expense of education, for example, we're having to eliminate entire groups. The last one that was in our state added was the blind, aged and disabled. I was proud to be there to add coverage for them, but they're the next group, the logical one to say, do you really want to take blind, aged, and disabled people off the Medicaid rolls.

The answer to that is no. If I could provide some copays among the rest of the population, that just seems like a lot better option. It's the same tool that any other private sector manager or any health care manager at the state level or federal level, we're all deploying the same thing, but we don't have those flexibilities.
What that really amounts to is that somebody might be paying a copay or there may be a benefit they don't receive no. But it allows us to keep the blind, aged and disabled on the rolls. That's the kind of access flexibility we're talking about.

I know there are those who will dispute the reduction of any benefit but as it's currently structured, we're going to take entire groups, entire blocks of benefits away and we're losing people off Medicaid.

REPRESENTATIVE HOYER: Governor I understand what you're saying an the decisions we're making at the federal level -- and I talked about it and I know it's a tough thing for you, I know I read about in Utah you're having a terrible time now talking about whether you want to raise taxes.

Nobody wants to raise taxes. You don't want to raise taxes. But life is a series of tradeoffs. If you don't want to raise the revenues available, then you either have to take the blind and disabled off the list, or somehow spread a lesser
some amount among those remaining.

GOVERNOR LEAVITT: Or a greater sum.

REPRESENTATIVE HOYER: Those are tough choices. Our party has been losing in this battle, the battle being that in 2001, we had plenty of money, we had $5.6 trillion dollar surplus that we’re going to have over the next ten years. Some of us said that’s pie in the sky; you’re kidding yourself. Forget about the downturn in the economy. We’ve got a mandatory minimum tax, an alternative minimum tax as you know that’s going to cost us a very large sum of money to fix as we go from about one or two million being affected to 30 million people being affected because we didn’t index in 1986 the alternative minimum tax. That’s a figure that everybody knows we’re going to fix, but is not being considered within the budget framework.

Now if we’re going to fix that, we need to pay for it. If we’re going to pay for it, we ought not to be cutting our revenues. Prospectively I’m not talking about raising people’s taxes; I’m talking about not cutting them prospectively on the theory
that you have enough money to accomplish; not cutting
the blind, lame and disabled off the rolls.

But I certainly think if we get to a point
where those are eh alternatives, then ameliorating,
which is what you’re talking the adverse impact on
people, certainly we at the Washington level daggone
well ought to be accommodating in that effort if we
make the decision that that has to be done.

MR. PATTON: Amen. I know he’s go to
leave. I want Congressman Castle to comment but I
want Congressman Hoyer to hear the fact is sir, he
states have reached he limit of what they can pay
for, so we do need to engage in negotiation on these
issues. We’re not going to have a perfect world.

Thank you, sir.

Mr. Castle?

(Applause.)

REPRESENTATIVE CASTLE: Thank you,
Governor. Mike, the bottomline is you can’t reinvent
the wheel too many more times here. You can come up
with all the flexibility plans or whatever you want
to do in terms of Medicaid, Medicare or health
insurance or whatever. But if you look at the
demography lines of this country and you realize the
aging of the population, the risks that involves from
the health point of view including long-term care, the
costs and I was talking to Governor Rendell about
this, but the cost of equipment in hospitals today,
the cost of prescription drugs, this country is going
to have to commit a greater percentage of its gross
product to health care at some point if we're going to
live longer and high quality lives.

I think the American people are willing to
pay for that. It may come out in a whole lot of
forms. It may be a government program such as
Medicaid, Medicare. It may be copayment, it may be
an effort to hold down costs. It's probably going to
be a combination of all those things but that crisis
is arriving I think, and I think it's going to
involve the governors, the president and the Congress
of the United States to sit down and say what is the
longer term solution with respect to health care in
general.

If people want it, they are willing to pay
than they are now, and we seem to be a little bit unwilling to undertake that political struggle but I think it’s going to have to happen.

MR. PATTON: Thank you Congressman Castle. We’re going to have to draw this discussion to a close. Thank you for being here. We have the attention of the Congress and the Administration.

Governors have a great opportunity over the next seven or eight months to effectuate some of the things, not all of the things, but some of the things that we’ve talked about during these four days. It’s going to take the personal involvement of the Governors, and so before we conclude our business session in a moment, it’s my plea to all of the Governors to devote yourself personally to getting involved in all of these issues, helping us maintain our consensus approach and then convince the Congress one on one with your Congressional Delegation.

If we can do that, the Governors and the people of the country are going to have a relatively successful year.

With that, let us go to our final
concluding part of the program to get our policies acted upon.

I would like for the sake of time if we an move the policies en bloc if there is no objection, we'll do that. Governor Johanns, Chairman of the Committee on Economic Development and Commerce is recognized. Governor Johanns.

GOVERNOR JOHANNS: Thank you, Mr. Chairman. Our number one priority was reauthorization of T21. We have a policy on that. We have amendments to six existing policies and reaffirmation of another policy. If there's no objection, I would move the adoption of these policies en block.

MR. PATTON: Is there a second?

VOICES: Second.

MR. PATTON: All in favor say aye?

(Chorus of ayes.)

MR. PATTON: Opposed, no.

(No response.)

MR. PATTON: The policies are adopted.

Governor O'Bannon, Chairman of the Policy
GOVERNOR O'BANNON: We had a very full meeting with great speakers that came before us, and certainly moved forward. House Approved Resolution 43 Principals for Medicaid Reform, which I think will be a big help in our task forces, as you move forward, but I would like to recommend on behalf of the Committee on Human Resources one new policy position. Amendments to ten existing policy positions, two in the form of substitutes. These have been approved by our Committee and I so move to have them approved.

MR. PATTON: Is there a second?

VOICES: Yes.

MR. PATTON: All in favor say aye.

(Chorus of ayes.)

MR. PATTON: Opposed, no?

(No response.)

MR. PATTON: The policies are adopted.

Governor Wise, Chairman of the Committee on Natural Resources.

GOVERNOR WISE: Thank you, Mr. Chairman.
The Vice Chairman Governor Owens and I conducted in
the Natural Resources Committee met on Sunday, heard
a set of interesting and informative presentations on
drought and on energy legislation.

Our first considered discussed drought
prepared in this legislation featuring Congressman
Alcee Hasings and U.S. Department of Agriculture
Under Secretary Mark Ray.

Our second panel reviewed issues
surrounding energy legislation in the 108th Congress
and he prospects for passage. The Committee adopted
amendments to give existing policies and reaffirmed
four policies without change. The policies
recommended to the NGM membership for amendment
include NR Four Super Fund and Osha Coastal and Zone
Management, NR 23, abandoned mine reclamation and
NR 24, investing outer continental shelf revenues.

All these policies were adopted
unanimously except for NR 23 with the Committee
noting the objection of Governor Friedenthal of
Wyoming. In addition, last October the National
Resources Committee adopted an interim amendment to
NR 18, comprehensive energy policy. The amendment added a new section recommending multi-state entities for planning and citing electricity transmission lines. That amendment requires favorable action by the membership to become a permanent part of NR 18.

On behalf of the Committee, I would move the adoption of our policy recommendations.

MR. PATTON: Is there a second?

VOICES: Second.

MR. PATTON: All in favor say aye.

(Chorus of ayes.)

MR. PATTON: All opposed, no?

(No response.)

MR. PATTON: Mr. Musgrove, do you want to make a comment?

GOVERNOR MUSGROVE: Mr. Chairman, I didn't understand what you said about Governor Friedenthal. I was just wondering would the same thing he noted in the Committee, would it be appropriate that he give you instruction to note that?

GOVERNOR WISE: It's my understanding he gave me instructions and permission to note his
Again, let me express my personal thanks on behalf of the Chair and the Vice Chair for all of the work that the many Governors have done over these last three or four days to come to consensus on some vital policies. It's been a productive meeting, and I'm pleased to now call it adjourned. Thank you all and good day.

(Whereupon, at 11:40 a.m., the hearing was...
adjourned.)
From applause to capital
From capitol to control
From dorkin to featuring
From influenced to lived
NGA - Winter Meeting - Plenary Session - February 25, 2003

Look-See(11)

From point's to reclamation