NATIONAL GOVERNORS ASSOCIATION
OPENING PLENARY SESSION
Saturday, August 5, 2006
Governor Mike Huckabee, Arkansas--Chairman
Governor Janet Napolitano, Arizona--Vice Chair
TRANSFORMING THE U.S. HEALTH CARE SYSTEM
Guest:
The Honorable Tommy C. Thompson, former Secretary, U.S. Department of Health and Human Services and former Governor of Wisconsin
HEALTHY AMERICA: A VIEW HEALTH FROM THE INDUSTRY
Facilitator:
Charles Bierbauer, Dean, College of Mass Communications and Information Studies, University of South Carolina
Guests:
Donald R. Knauss, President, Coca-Cola North America
Steven S. Reinemund, Chairman and Chief Executive Officer, PepsiCo, Inc.
Stephen W. Sanger, Chairman of the Board and Chief Executive Officer, General Mills, Inc.
DISTINGUISHED SERVICE AWARDS
RECOGNITION OF 15-YEAR CORPORATE FELLOW
RECOGNITION OF OUTGOING GOVERNORS
EXECUTIVE COMMITTEE BUSINESS
REPORTED BY:  Roxanne M. Easterwood, RPR

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APPEARANCE OF GOVERNORS

Governor Easley, North Carolina
Governor Douglas, Vermont
Governor Blanco, Louisiana
Governor Riley, Alabama
Governor Blunt, Missouri
Governor Pawlenty, Minnesota
Governor Owens, Colorado
Governor Gregoire, Washington
Governor Henry, Oklahoma
Governor Acevedo Vila, Puerto Rico
Governor Turnbull, Virgin Islands
Governor Risch, Idaho
Governor Schweitzer, Montana
Governor Manchin, West Virginia
Governor Vilsack, Iowa
Governor Fletcher, Kentucky
Governor Pataki, New York
Governor Lynch, New Hampshire
Governor Kaine, Virginia
Governor Sanford, South Carolina
Governor Romney, Massachusetts
Governor Minner, Delaware
GOVERNOR HUCKABEE: Good afternoon, ladies and gentlemen, and welcome to the 98th annual meeting of the National Governors Association. We appreciate all of you coming from across America. It is going to be a tremendous weekend as we gather together to officially continue and, in essence, conclude the focus over the past year for Healthy America. We're going to be talking about the Healthy America Initiative today and hear from our most esteemed former colleagues of how we can truly reform the United States health system, which I think all of us would agree is in desperate need of some transformation.

Later in this session we'll be joined by one of the esteemed members of the Fourth Estate, Charles Bierbauer, who has moved into the circles of higher education here in South Carolina. Most of us know him from his days in broadcasting. He will be moderating a discussion with three CEOs from three of the largest, most prestigious and successful food companies in America to talk about what's taking place in the industry to help us deal with the true crisis of health.

We'll also be recognizing Distinguished
Service Award winners and 15-year Corporate Fellows, and then of course near the end of the session we'll have a brief meeting that will involve the members of the Executive Committee.

At this time, in order to officially get underway, I need to ask for a motion for the adoption of the rules of procedure for the meeting.

GOVERNOR ROMNEY: So moved.

GOVERNOR HUCKABEE: Governor Romney moves. Is there a second?

GOVERNOR OWENS: Second.

GOVERNOR HUCKABEE: Governor Owens will second. And because this is really generally not something we fight over, I'm not even going to ask for discussion, just call for the vote. All who favor say aye. And it passes. Thank you. We have two entire governors voting on it, so ... Let me just mention that part of the rules that we have require that any governor who wishes to submit a new policy or resolution for adoption at the meeting will need a three-fourths vote to suspend the rules. If you have any policy that you wish to submit, it needs to be presented to David Quam, the Director of Federal Relations for NGA, by 5:00 p.m. tomorrow.
I would now like to announce the appointment of the following governors to the Nominating Committee for the 2006/2007 NGA Executive Committee. They are Governor Manchin, Governor Schweitzer, Governor Romney and Governor Douglas, and Governor Minner will serve as Chair of the Nominating Committee.

I think all of us recognize what a tremendous privilege it is to be in Charleston, South Carolina. It's just simple to say, this is one of America's true treasures. Charleston is a beautiful city, filled with not only historic places, but incredibly hospitable people. If you have not yet been out and been able to enjoy the delightful scenery of Charleston and meet the incredibly kind, gracious and helpful people, then you've already missed one of the great blessings of being in Charleston.

I also want to point out that a year ago we weren't expecting that we would be here in Charleston. Our original intentions and plans according to our long-term schedule was that we were to be in Biloxi, Mississippi, where NGA was scheduled to meet. I think all of us are aware of what happened last Labor Day weekend. And when
Hurricane Katrina pretty well obliterated our prospects for our meeting in Biloxi, we were really pretty desperate for a situation to try to find an alternative site.

The reality is that most cities and states have up to four years to prepare for a National Governors Association Meeting. The logistics of putting this together are simply enormous, between security and securing hotel space and meeting room space and being able to acquire all of the things necessary, and generally four years is just about what it takes, including an extraordinary challenge of the local host committee to raise funds to help subsidize this kind of meeting.

We approached Governor Mark Sanford and his wife Jenny, and we asked would they be willing to host the meeting here in Charleston, and they graciously agreed to do so. They have done in 10 months what it normally would have taken four years to do, and they have done it with an extraordinary sense of graciousness. I told Governor Sanford this morning when we had a press conference to kick off NGA, I said, I want you to know, Mark, you are my new true hero, and he really is.

Governor Sanford and First Lady Jenny have
been magnificent in preparing this city and
preparing, really, South Carolina to welcome us, and
I cannot think of a more wonderful place for us to
be. They've certainly given us a warm welcome.
When someone said it's hot here, indeed.
Someone mentioned that it's hot in Charleston, I
said, tell me where in the United States it isn't
hot today. At least it's very pleasant when you're
in Charleston, and the hottest day in Charleston is
still a delightful day, indeed.
At this time I want to ask Governor
Sanford to come, who will also introduce the mayor.
We're very, very thrilled to be here. Please join
me in welcoming our host governor, Governor Mark
Sanford.
GOVERNOR SANFORD: Thank you for those
very kind words. I appreciate it. Indeed, you are
welcome. We're glad that every one of you is here
in Charleston. We're glad that every one of you is
here in South Carolina. I beg of you to make it a
point to get out and wander around, and I can see
that a number of governors are doing just that this
afternoon, but it is worth exploring Charleston and
the environs because we think we have a lot to offer
in this neck of the woods.
I think that there's a special significance about this conference being held in Charleston, because Charleston is a city of remarkable history. The one thing that we can learn through history are lessons. What we have seen in Charleston is a whole lot of things changed over the last 200 years, and it's a reminder of the significance of the work that every one of you are doing in preparing for the changes in the next 200 years. The one great lesson that can be learned in Charleston is that history and things change. It is vital in terms of the decisions that we make that we prepare for the changes that are yet coming our way.

One of the folks that has been instrumental in preserving the unique and special feel to Charleston as a place is Mayor Riley, who I am about to introduce. He has seen a whole lot of successes in his life, but I think even more significantly, he has lived a life of significance. I mean it in these terms: Russ Crosson wrote a book called *A Life Well Spent*, and it was about moving from success to significance in life.

I have a long list of merit badges that I won't read to you, whether it's president of the
U.S. Conference of Mayors, Outstanding Mayors Award,
National Urban Coalition, Distinguished Citizen,
National Association of Realtors, on and on and on,
a whole list of merit badges, if you will, from the
standpoint of urban design, urban planning, the
Thomas Jefferson Award of the American Institute of
Architects, et cetera, et cetera. But what they all
add up to are not the individual notches, not the
individual merit badges of success, but a
significance in his clarity of vision for
Charleston. Because of the clarity of his vision,
Charleston, indeed, is a special place not just to
visit but, frankly, to live.
Without further adieu, Mayor Riley.
MAYOR RILEY: Thank you very much,
Governor Sanford, Governor Huckabee.
Governors, ladies and gentlemen, it is
such an honor to welcome you to Charleston. We were
so pleased to come to the floor, and I thank
Governor Sanford and Chris Drummond, his associate,
and all people in our community who worked together
to bring to this meeting to Charleston on short
notice. We're proud to have you because, obviously,
we recognize and value the extraordinary leadership
that each of the governors give the citizens of your
I will speak very briefly, as I am directed to do, and understandably so, but I would like to tell you just a couple of things about Charleston quickly. The first is that this is not a city that automatically inherited something from the past. This, like every city in America, is a living, breathing, live city filled with opportunities, hopes and achievements or mistakes. We've worked very hard here to enhance the public realm. This place where you are right now 25 years ago was a vacant lot, and our downtown was almost dead. We worked very hard to put it together piece by piece with the understanding that the public realm in a city isn't only the beautiful parks, which you've seen if you jogged this morning, and public spaces, which are so important, but an enhanced downtown where it is alive and safe and spirited, for that's the place that every citizen owns. The great cities in the world, which can be little or large, are places where the center is a home for the richest and the poorest and the youngest and the oldest, the newest or a visitor and the person who's lived here the longest.

We worked hard to restore what you can
enjoy so that the sense of citizenship, the sense of ownership, the sense of pride of people who visit or people who live here exists in the heart of our city. I would submit to you, governors, that that is an important challenge for every state and every city and town in America because the future of our country is the future of our healthy towns and cities. Whether it's the little county seat or Main Street or the thriving capital city, the health and life and the capacity, safety and beauty of its downtown is extraordinarily important. We're proud to be a leader in that in our country.

On the other end of the spectrum, and you'll go to Drayton Hall, as I understand, the beautiful upper reaches of our Ashley River. That is in the midst of a challenge of necessary regional planning, how we organize and shape the growth of our metropolitan areas, because that's a public realm, too. It's a different public realm, but if it's lovely, if it's environmentally healthy, if the green spaces have been preserved and nourished, if the new developments are part of an organized vision that enhances the environment, whether it's air pollution or the livability or whether it's pedestrianly connected or not, whether it's great
achievements or junk is going to determine how successful our communities are in the future. We're amidst the effort here in Charleston of developing regional planning, and every community needs to do it. Every state needs to encourage it so that the future health and success of our country is enhanced by the quality and livability of our cities.

So, in conclusion, this is a city not languishing in a past, the faded memories of bygone hours thinking we inherited something, but rather a city very committed and feeling the pressure of our responsibility to enhance the beauty and liveability and quality of the place for all of our citizens.

Have a wonderful meeting. I know you will enjoy our beautiful city and the hospitality of our residents. As you go back home, know that you have the admiration and gratitude of the people of the City of Charleston. Thank you very much.

GOVERNOR HUCKABEE: For any city in America who wants to know how to do it right, I think they could come to Charleston and really learn the lessons on making a delightful city, a wonderful downtown and certainly in conjunction with Healthy America, a pedestrian friendly city where it's easy and even pleasurable for people to get out and walk
from one destination to another.

If you were out last night, you probably noticed that you weren't the only one who was out walking the streets of downtown, some of you later than others, but nevertheless enjoying downtown Charleston, which I hope you'll continue to do throughout the weekend.

At this time I'd like to recognize a distinguished guest from Canada, Senator Jerry Grafstein, who is the co-chair of the Canada United States Interparlimentary Group. Senator Grafstein, would you stand and let us recognize you. We are so very honored to have you, and welcome to the National Governors Association.

Over this past year we've had the opportunity collectively as governors to work together to reform Medicaid and present seven different specific Medicaid proposals of reform that we were able to get passed in congress signed on by every one of the governors from both political parties. It was truly, I think, a great act of showing the kind of leadership that governors provide. We've been able to bring new ways of finding innovations to get more people into a health care coverage, but we've also recognized that
the greatest challenge and the most urgent one is
simply to help people to be more healthy so that the
health care system will not continue to be
overburdened at record levels.

We're all aware of the fact that 75
percent of costs in medical care today is chronic
disease driven by three basic behaviors: overeating,
under-exercising and smoking. It's been said that
America looks a lot like an NFL football game on a
Sunday afternoon: You have 22 people who are down
on the field desperately in need of rest, 70,000
people in the stands desperately needing some
exercise, and therein is the picture of America
today and one of the reasons for which we've
launched the Healthy America Initiative.

This year we've also been able to utilize
the task force of governors to look at the
innovation that states were doing. Governor Sanford
and I toured a church just down the street from this
very location, the AME Emmanuel Church, where we saw
an incredible program that is ongoing reaching out
to African American citizens in a regular health
fair and screening process. Iowa Governor Vilsack
and I toured a school that with a little more than
$70,000 literally is changing the lives of students
in a most innovative program that involves parents
and helping to shape what their children eat and the
level of fitness and activity that they receive.

Governor Napolitano and I hosted a Policy Leaders
Meeting in Arizona last December. We had 40 states
represented who sent teams of state leaders to plan
state wellness agendas. In February we hosted the
Healthy America Forum in Washington, D.C., just prior
to the National Governors Meeting. We had record
attendance of governors as well as attendees for
that conference. We heard from respected leaders,
including President Bill Clinton, Secretary Michael
Leavitt, Governor Arnold Schwarzenegger, Wal-Mart
CEO Lee Scott and the Father of Aerobics,
Dr. Kenneth Cooper. But perhaps those who stole the
show, despite all of those distinguished people I
just listed, were when we had Sesame Street
characters Elmo and Rosita. They seemed to get all
of the attention, but they certainly were wonderful
to have.

In the course of that, we developed 15
specific concrete actions that we can take as
governors, and those are now in print form, and
hopefully every governor has them and is borrowing
from them. We had more than 30 of the governors who
actively participated in wellness activities doing everything from proclaiming health months, but particularly to personally leading efforts in their respective states to call attention to the new need to focus not on health care but on health. That's something that we've tried to do, is to change the culture of health from one where our focus is on disease to one where our focus is on preventing it because, frankly, there's not one of us in this room as governors who can really, truly sustain the cost of ongoing chronic disease whether in our Medicaid programs, in the cost of our state employees or in the cost of those employees in the private sector whose employers can no longer be competitive with the rest of the world without some significant changes.

To turn the policy into action, one of the things we wanted to do was to launch the Healthy States Grant Program. We had generous support from corporate donors. I want to recognize them because they made possible the grants that are now going in the form of $100,000 grants to the various states. These states will be in their own laboratories of good government developing the ideas that will be an ongoing best practice prospect for all of the other
states. It's one of the ways that NGA operates most effectively, is giving governors the tools that have been developed in the true crucible of everyday governing in other states. So rather than all 50 of us trying the same thing and finding that it doesn't work, all of us try the things that we think will work and when it does, as you know what happens, the rest of us steal it and call it our own. So we want those states that are getting the grants to come up with some great ideas so everybody else can begin borrowing it.

In the meantime, let me mention these companies that have helped to bring about the grant program. After I've listed them, I'd like for you to join me in just paying tribute to them and really being grateful for their generous contributions: Aetna, Anheuser-Busch, AstraZeneca, General Mills, GlaxoSmithKline, Johnson & Johnson, Novo Nordisk, PepsiCo, Pfizer and Wal-Mart. Please join me in thanking these companies for their participation in our grant program.

One of your partners in Healthy America has been Channel One, who partnered with us to conduct a Town Hall that Governor Bredesen of Tennessee and I participated in with a group of
students. We also conducted a survey, collecting
information about what encourages people to actually
live healthier behaviors. We have a lot of work
left to do, but one of the publications that we have
completed in partnership with Scholastic Magazine is
one that we'd like to reveal today. Each of you as
governors will get a copy. In fact, you'll get
plenty of copies of it. It's very colorful. It's
actually written at a grade level where even
governors can understand it. It's going to be
something that you want to put in the hands of
students in your state. We have hundreds of
thousands of them that will be available. Not only
will Scholastic Magazine be distributing these
wonderful tools, but I would imagine that every
governor here is going to be asking for a supply of
them to make sure that they get in the hands of
students. They're very practical, provide great
health tips, and I hope that you will get this
publication called Go, geared for younger children
and encourages them to eat healthy and to be more
active.

One of the questions sometimes people ask,
what's most important, encouraging people to eat
healthy or to be active? I always like to remind
people, it's like asking which window of the airplane is most important, the one on the left or the one on the right? The reality is that your plane can't fly without both firmly attached to the fuselage. One of the things we've tried to focus on in Healthy America is that it's not just good nutrition; it's also a matter of exercise and activity. That's going to be an important part of an ongoing message and emphasis that we'll get throughout the next coming years.

There are a number of other publications that are in front of each of the governors. The packet of materials, you see the Healthy America folder. There are several pieces in there, one of which is a specific piece regarding innovations in Medicaid policy, the other in food stamp policy. I hope you'll take the opportunity to look at it, share it with your policy advisors from your states because each of these publications will help to further the three pillars of the Healthy America Initiative in communities, schools, as well as in work sites.

Now I have a very special and distinct privilege, and I consider it a very personal honor. That is the opportunity to introduce our first
speaker who will launch our Healthy America session this afternoon.

Every governor knows that when you become a governor, the National Governors Association will assign to you a veteran governor to be your mentor or your helper, your friend. When I became a governor in the middle of someone else's term, moving up from lieutenant governor back 10 years and two weeks ago, I was blessed, truly blessed because the NGA assigned Tommy Thompson, then governor of Wisconsin, to me. I think they did it because they thought that I needed all the help I could get and there was no governor more experienced or capable in America than Governor Thompson, but what a wonderful, providential blessing that turned out to be for me.

This person that all of us know is not only a former chair of this organization, but was elected to a record-breaking four terms as governor of Wisconsin. He was then selected by the president to head the Health and Human Services Department of the federal government, but most of us know him as one of the most keen innovators in solving problems at the state level. His over 40 years of government experience at the state level really brought him
into the forefront as the architect of welfare reform, Medicaid reform and so many other education reforms. Governor Thompson without question has been one of the most esteemed and often copied governors in America. You can't duplicate him. There's only one of him. He is truly one of a kind, but we all would like to be like him in the manner in which we take care of our business. I know you're going to be very excited to hear what he has to say. Join me in welcoming our friend, Governor Tommy Thompson.

GOVERNOR THOMPSON: Thank you very much, Governor Huckabee. When I had the assignment to become associated with you, I would have to say that was probably one of the best days, and I really appreciate the friendship and the tremendous opportunity to get a chance to know you and your lovely family. Thank you for inviting me here today. Thank you for doing such a great job as chairman of this wonderful organization. Governor Napolitano, thank you.

Congratulations. Governor Sanford, Mayor, and fellow governors. It's really an honor for me to come back here and get a chance to speak to you. Eleven years ago I was Chair of this organization.
I can remember that we were in Puerto Rico and I had a chance, and I told the governors at that time we had the best chance ever to distinguish ourselves as governors to develop leadership and become the innovators of America and to be able to change the direction and face of America for the better. That's what governors do.

You don't realize how wonderful it is to be a governor until you leave and go to Washington and become a secretary. When you're a governor, you can wake up in the morning and you can have an idea and you can have somebody working on it by 11:00 o'clock in the morning. When you go to Washington as secretary, you know, I get up, get the same ideas, go in. Then you have to vet it with 67,000 people who all believe sincerely they're smarter than you. Then it goes over to the super God in our society. I didn't know we had a super God until I got to Washington; . . . it's OMB. They turn you down nine times out of 10 just to show you who the boss is. Then if you do get by OMB, it goes to the super intelligentsia in the White House, the young college graduate who has never had a job, who knows everything, and nobody can tell you anything about those individuals because they know everything, and
they don't believe anything original can come out of a secretary. Then if you do get by them, the palace guard, you go to the president. If you get by the president, it goes to congress. If congress ever does pass it, it's time to retire. So you can see, nothing ever really gets done. That's why it is so nice to come back here and have the privilege to be associated with—especially when you're talking about my favorite subject today. I'm passionate about changing health care, as you are. Thank you, because you have the opportunity to really change it and make it better.

That's what I'd like to talk about today, but before I do there were two things that I did just before I left as secretary that I'd like to share with you. One is I had the opportunity to give a waiver to my friend Governor Romney, who came out and started a program in Massachusetts on health insurance for those uninsured. Thank you very much. It's great to be able give a waiver and see it in action. That was the second to last thing I did. The last thing I did was I impaneled a group of world-renowned scientists from all over the world because, I don't know about you, but I get frustrated every morning when I get up and listen to
Fox or CNN News or ABC or CBS, whatever the case may be, and one day they tell you you can eat this and drink that. Six months later some other group of scientists says you can't do that. Coffee now has gone through four iterations in the last 24 months. It was bad for you. It was good for you. It was bad for you. Two weeks ago it's good for you again. I don't know if you know this or not. I don't know if you get frustrated, but I do. So I impaneled this group of scientists. I said, I want you to teach the American public what you can eat, what's good for you and what you can drink. This is what they came up with. These are the health facts. If you don't take anything else from me, take this down because you can use this in your speeches, in your discussions, and here they are: The Japanese eat very little fat, they drink a lot of saki, and they suffer fewer heart attacks than the British or the Americans; now the Mexicans eat a lot of fat, eat a lot of corn, drink a lot of tequila, and they suffer fewer heart attacks than the British or the Americans; now the Africans drink very little red wine, eat a lot of red meat, and they suffer fewer heart attacks than the British or the Americans; our friends, the Italians and the French, drink large
amounts of red wine, eat a lot of white bread, and
they suffer fewer heart attacks than the British or
the Americans; now the Germans drink a lot of beer,
eat lots of sausages and fats, and they suffer fewer
heart attacks than the British or the Americans.
The conclusion by this world-renowned panel of
scientists: Eat and drink whatever you like;
speaking English is apparently what kills you.
Margaret Mead said never doubt that a
small group of thoughtful committed citizens can
change the world. Indeed, it is the only thing that
ever has. When I look around this room and see the
dedication, the leadership, the opportunity to
change health care, it's in this room. It's with
you.
I'd like to talk to you about the status
of health care, because in order to change it, you've
got to understand it. Now, the health care system of
America is in dire straights. I think we have until
2013 to make meaningful changes. Why do I say that?
Well, right now we're spending $2 trillion or 16.2
percent of the GDP on health care. By 2014, seven
years from now, we go from $2 trillion to $4
trillion. That goes from 16 percent to 20 percent
of GDP. Does anybody in this room believe that we
can afford 100 percent increase in seven years in health care?

Secondly, our big competitors, Japan, second largest economic power in the world today, spends seven percent of GDP. How does that impact on the economy in America? All we have to do is look at General Motors. General Motors spends $15,025 per car in bettering every car, more than what they pay for steel, over $5 billion a year on health insurance for the largest part of health care system in America, 1.2 million people. Toyota spends $225. How would you like to be in business where your competitor spends $1300 per vehicle and you have to compete? What do we see? We see automobile sales for General Motors for the first time falling in this country below 25 percent.

Secondly, we see the fact that 2013 is a year that I'm probably the only one in America talks about, about changing, the dramatic change that's needed in America on health care. Come 2013, it's the first year, ladies and gentlemen, that Medicare no longer sheds off any surplus money and it goes into the treasury where congress spends it. Come 2013, that excess money, Dr. Fletcher, is not going to be there and congress is going to have to
supplant that money with new money. Plus, they're
going to have to start paying back those pesky IOUs
that they've been giving for so long. Come 2013,
seven years from now, unless we change in America,
unless governors lead, 2013 governors or congress is
going to have to say we've got three choices: we can go
to a government-controlled system of health care, we
can go to a complete price-control system, or we can
raise taxes. Which one of those three do you think
congress is going to take up? I don't think any of
them. That's why I think we have a chance right now
to change it.
People say, aren't you pessimistic about
the future of health care? I say, no, I'm very
optimistic because what I see in this room, what I
see on this board back here, what I know all that
you're doing, but I'm exhorting you to do more.
That's what my talk is about today, because I'm
optimistic. When you look at health care of that $2
trillion, 75 to 80 percent of it, as Governor
Huckabee rightfully points out, goes for chronic
illnesses--75 to 80 percent. As when Jessie James
was asked, why do you rob banks, what was his
answer? Because that's where the money is. If
you're going to change health care, you go where the
low-hanging fruit is, where you have the opportunity
to dramatically change the system and change a
system from sickness and illness to wellness.

Can you imagine a system that spends $2
trillion, of which 95 percent of that money goes to
wait until people get sick, 95 percent. Less than
five percent of that money goes for prevention. Now
is there anybody in their right mind that would ever
concoct a system like that? Absolutely not. So we
as governors, as leaders of transforming health care
look at chronic illness and say, how is the money
being spent? So you drill down and you find out
that tobacco is still the leading cause of
expenditures in chronic illnesses. About 442,000
Americans died last year from tobacco-related
illness--442,000. Now if you're going to do
something, don't you think the first thing you do is
address that issue? You address that issue by
regulating nicotine. We regulate aspirins. We
don't regulate nicotine. Does that make any sense
at all? Congress has got to offer regulation of
nicotine.

Secondly, when I was secretary I did
something that I would like to see governors do. I
was so frustrated about people and employees still
smoking that I used to go around and police the
building in the morning. I'd take cigarettes out of
my employees' mouths. I got slapped a couple times,
but I did it. I got so frustrated that I did
something. I banned all tobacco smoking, cigarette
smoking on the grounds owned or leased by HHS--6300
buildings. I made them go over to EPA and smoke.
What a downer for those individual employees, but I
did it for a reason.

You can do that. You can lead. What
would be wrong with--you know--I'm a Republican,
and I'm talking about raising taxes on tobacco. I'm
not advocating that for you. But just think of
this: if you raise tobacco for any amount of money
you wanted to but didn't take the money for
yourself, for your state, but you put it into a
program to counsel, purchase drugs, patches for
those people that smoke, because 70 percent--seven-zero--of
smokers want to quit. Let's help them. Let's put a
dedicated fund together and help them quit. Can you
imagine the impact on your Medicaid budgets if you
did that or what you would do to help to improve
public health in your particular state?

Diabetes, diabetes is a situation that is
epidemic. I speak about it all over the country.
Do you know last year 18 million Americans had type II diabetes? This year 21 million Americans have type II diabetes. We spent $145 billion. What scares me is there are 41 million more Americans that are pre-diabetic that will be type II diabetic in five years unless we change it. From $145 billion it goes to $400 billion in five years. Can your system stand that? Absolutely not. Can the Americans health care system stand it? No. NIH did an exhaustive study and said if you walk 30 minutes a day and lose five to 10 percent of your body weight, you can reduce the incidence of type II diabetes by 60 percent. Now you're talking about real money. I counsel companies to bring in a nutritionist into their businesses, educate especially minorities where it's really an epidemic, especially Native Americans and Latinos and African Americans about the need of quality food.

Then the third one, which all of us know about, 70 percent of Americans are overweight or obese. I come from the State of Wisconsin, where every meal tastes better with brats, beer, cheese and cream. But instead of two brats, I only ate one. Instead of two Millers, I just drank one. You know something, I started something. I'm not nearly
as effective as your great leader Governor Huckabee,
but I started a program. You know that there's no
law in any one of your states that says that you
have to eat everything on your plate? It's going to
surprise you, but there's no law. You can leave it
there. No one is going to arrest you. I started a
50 percent plan. I'd take everything but only eat
50 percent. I lost 15 pounds. Hasn't improved my
looks any, but I'm healthier, and every single one
of you can do it. You know something else you can
do? You can be an example for yourself and your
families and your state by doing exercises yourself.
You don't have to run a marathon like Governor
Huckabee, but I started--I could only do five
pushups when I started 18 months ago. I do 60
pushups in the morning, 60 pushups in the evening.
I'm stronger and better. Every single one of you
can do that. Every single person out there can do
it.

Chronic illness is breaking the bank. All
of us can have an impact of showing the leadership
of changing it in our states. Thirty-five states
across America have introduced legislation on
tobacco. Congratulations. Several states like
Governor Huckabee's--Healthy America. All of you can
be the leaders that start to transform it. Congress is not going to do it. You have to do it and start transforming the health care system.

The second big area, information technology. Do you know that doctors have to get a straight A? Governor Fletcher couldn't get into medical school without straight A’s. You certainly don't want a doctor or someone with a C plus average operating on you. But there's only one grade that you don't have to get an A in in order to get into medical school. Do you know what that is? That's handwriting. Governors, handwriting is as bad today as it was 50 years ago. There were 98,000 deaths last year; 98,000 people died last year from mistakes made by doctors, hospitals or clinics. Not my figures; it's the Institute of Medicine. What we have to do is we have to, as governors and as leaders that want to transform the health care system, start talking about using technology. Only 18 percent of the doctors are e-prescribing. Fifty percent of those 98,000 deaths are due to the wrong medicines, the wrong time and the wrong amount to the wrong person. You know something? It can be done easily by technology, by changing technology. That is what we need to do. We need to require governors, or we
need governors to encourage hospitals and clinics in changing the law so hospitals can purchase e-prescribing for their doctors. Isn't it amazing that we have a federal law, anti-fraud law, the Stark Law that prevents that from happening, when you could change the system so that 50 percent of those people that are dying now from the wrong medicine could be changed overnight.

The third thing, of course, is Medicaid. I congratulate you as far as you've gone, but I for one believe we have to go even further. As you know, I've come out with this in my capacity as chairman of a new group to transform Medicaid, because I look at it and I see what's happening. One-size-fits-all doesn't work. You're different in the Virgin Islands than you are in Puerto Rico than you are in California versus Wisconsin versus Arkansas. States should have the responsibility and opportunity and the encouragement to transform Medicaid and be able to set up a program in Louisiana for people from Louisiana, and every governor would do it.

When I started on welfare reform, people used to say it won't work, you can't do it, you can't take on welfare. I started changing
incrementally welfare. Once I started making some successes, other governors followed through. You know something? It became a ground swell. Then they started competing against one another, who could come up with the best welfare program in America, and congress finally took action 10 years ago. It's been 10 years ago since welfare was passed at the national level signed by Bill Clinton. We just celebrated the anniversary. Why I tell you that is... is that it can be done. It can start at one state, like the State of Massachusetts on the uninsured, by coming up with an idea, and that idea is going to resonate through other governors and through other states, especially in the election year. That's the kind of encouragement that we can do in Medicaid.

I would like to split Medicaid. I would like to have the federal government responsible for long-term care, and I'd like to have the states responsible for acute care and the disabled. Why I split it that way is because the federal government really has to address this growing problem coming down the path of people reaching the age of 65 and older. There are great examples of things that can happen out there. The first thing you should do is
be able to encourage elderly to stay in their own 
home. Give a dependent tax credit for sons and 
daughters that want to take care of their mothers or 
fathers or grandfathers or grandmothers and you 
would find a response that you can't believe to keep 
people out of nursing homes and institutionalized 
care. Then allow the states to innovate on acute 
care. Can you imagine what could happen, you know, 
that you could pass a law in the State of West 
Virginia that says, you know, I'm going to have 
every poor child vaccinated and goes out and does 
that under the Medicaid Law of West Virginia, and he 
starts bragging about what he has done in West 
Virginia? It would resonate throughout all of the 
states across America. It's that kind of innovation 
that we need to get back to in America. 
Finally, ladies and gentlemen, there's so 
much new technology out there, exciting things that 
I have had the privilege to become involved in as a 
former governor, former cabinet member. Technology, 
I invited some friends down to show a demonstration 
that could offer technology that can contact every 
single person in your state by the governor within 
hours. Every city could be contacted. If there's 
an emergency, a pandemic flu, you could contact
every single person in that city within minutes and
be able to tell people about an epidemic, about a
hurricane, about a pandemic. So, ladies and
gentlemen, I just would like to say that I am very
optimistic, very optimistic about the future.
I think that if governors want to really
innovate and be able to do things--I'm developing
a book through my chairmanship at the Center for
Health Solutions to give out to all of the
governors all of the waivers out there that I'm
going to be able to have completed by the beginning
of the year so that you will know what waivers are
working and what waivers are not working or how you
might be able to change waivers for your particular
state. Why I'm doing that is because I want
governors--because I don't believe congress is going to act--I want to give governors all of the
support I possibly can, because I was there and I
know how tough the job is and how hard you have to
work and how busy you are to be able to make that
path a little bit easier for you to innovate.
But in the areas of chronic diseases,
information technology, Medicaid and the uninsured,
there are so many ways to be able to come out with
new programs, ladies and gentlemen, that will put
your state apart from other states and start down
the road of transforming health care so we don't end
up in 2013 with the kind of situation where nobody
has listened and nobody has done what is necessary
to prevent that cataclysmic decision of going to
either a government-paid system, price control, or to
raise taxes.

I happen to like our health care system.

It's the best in the world. I've been all over the
world. We're fortunate to have it. All we have to
do to protect it is to change the direction from
illness to wellness, put it on prevention and start
making the necessary changes at the state level to
really do the innovation to transpose and actually
fix the health care system of America.

God love you, and thank you very much for
giving me this opportunity.

GOVERNOR HUCKABEE: That's why he was
elected so many times to be governor of Wisconsin,
and could have continued to be elected as often as
he wanted. Thank you, Tommy. What a pleasure
always to see and to hear you and to be challenged
by you, as all of us are today.

We're going to continue with a discussion
that we started last year with food and beverage
companies, and today I think it's an extraordinary high moment in the life of the National Governors Association when on a weekend in the summer when most folks could easily say weekends are not a good option for me and I have vacations and other obligations, the chief executive officers of three of the most prestigious, largest food and beverage companies in the entire world have chosen to be with us here in Charleston for a discussion on their insights in building future partnerships between governors and the private sector on how do we move toward a healthier America.

To facilitate the discussion with these leaders, I want to invite Charles Bierbauer to come and lead in the discussion. I think most of us all know Charles Bierbauer from his very distinguished career in broadcasting, both as a reporter and as producer for the Discovery Channel's documentary on the September 11 attacks. Prior to the work with the Discovery Channel, you probably remember him from his days at CNN as a correspondent from the Washington bureau. He covered both the Bush (41) and Reagan administrations. He had been with ABC News overseas and the bureau chief for ABC, first in Moscow, later in Bonn. In 1997 he won an Emmy for
anchoring the CNN coverage of the 1996 Olympic Park bombing in Atlanta. Now Mr. Bierbauer has moved from that position to become the first dean of the newly merged College of Mass Communications and Information Studies right here in South Carolina at the University of South Carolina. Please join me in welcoming Charles Bierbauer, who will lead our discussion today.

MR. BIERBAUER: Thank you, governor.

Thank you for this opportunity. It's nice to see so many familiar faces from my previous career covering politics at CNN. I think I've covered some of your campaigns in the past at one point or another.

I certainly appreciate, Governor Huckabee, what you're doing in terms of Healthy America. The new magazine is something that would have interest to me in particular because one of the emphases that we have at our school is to create a cadre, as we are doing, of faculty who are interested in and conducting research and working in the area of health information and health communication. We feel that the need--and I think Governor Sanford would agree--is vital here in South Carolina and certainly across the country.

Let me also thank this corporate panel for
joining us here. Since their products need almost no introduction whatsoever, and since we are limited to 45 minutes for this session, I can be brief, I think, and still fair in introducing you, and it will be instantly apparent whom you represent and the impact that you have in terms of these three major and global food and beverage corporations.

I will introduce you as I look across from my left. Stephen Sanger is chairman and chief executive officer of General Mills. He has also led the Big G cereal and the Yoplait divisions. Steven Reinemund is chairman and chief executive officer of PepsiCo, where he's has also been CEO of Pepsi's Pizza Hut and Frito-Lay divisions. Donald Knauss is president of Coca-Cola North America, responsible for all company operations in the U.S. and Canada, previously headed Coke's southern Africa division.

We want to discuss this afternoon the role, the impact and the responsibilities of these corporations, particularly in regard to their sales in the nation's schools. Earlier this year, as you probably know, Coke and Pepsi and other beverage marketers agreed to stop selling sugared soft drinks at elementary, middle and high schools and to limit, among other things, the size, the caloric content of
other beverages that they do sell.

I suppose by way of full disclosure of my interest, I should say that the University of South Carolina does have a vending contract with one of these companies, for which I bear absolutely no responsibility. I do serve on the board of directors of my son's school and yours, Governor Sanford, where we have a policy that limits vending machine sales to only water, juice and sports drinks. And I must confess that around the journalism school I'm known as the original cookie monster. So I have a real concern about healthy foods.

We're most interested in what each of you can tell us about what you are doing and in response to the nation's health concerns. You have been asked to take perhaps about three minutes each to give us a sense of what you're doing, then I will have a bit of dialogue and we'll expand to include the governors in this conversation.

If I might, let me start with you then, Mr. Sanger.

MR. SANGER: Thank you, Charles. And thanks to Governor Huckabee for including us in this discussion today. Good afternoon to all of you
Governors.

General Mills' roots in the grain business go back more than 100 years, and our efforts to bring healthy foods go back nearly that far. Those of you who are in my generation may remember Bob Richards, the Olympic pole vaulter, preaching to you about getting a whole kernel of wheat in every Wheaties flake. That was back in the 1950s that we were doing that.

Today we sell a wide variety of foods, still mostly a lot of breakfast cereals: Cheerios, Wheaties, Lucky Charms, Progresso Soup, Green Giant vegetables, Yoplait yogurt, Betty Crocker dessert mixes and dinners, Pillsbury cookies, a wide variety of foods. Our products are found in 98 percent of the pantries in America. So for us it very definitely is a corporate responsibility but also a business imperative that we address the health and nutrition of America.

Now, American consumers play a big role in this whole thing. They have their own priorities. They really have a hierarchy of needs. It's about three things. The first thing is it has to taste good. This is rule number one in the food business. No matter how good something is for somebody, if
they don't like it, they won't eat it. Second, it
has to be easy to make, easy to consume. If it
tastes good and it's easy, then you can get them to
consider the third priority, which is is it good for
me. If you can deliver all three of these things,
you have really hit the trifecta.

For a company like us, our job is to
innovate and try to make products both healthier and
easier and better tasting. A lot of them they are
healthier today than they were yesterday. We've got a
lot of ways we try to do that. I just want to share
one of them with you today. That is our whole grain
initiative. Nutrition professionals agree that
whole grains are absolutely crucial to a healthy
diet. Consumption of whole grain is associated with
lower incidence of heart attack, lower incidence of
some cancers, of diabetes, of controlling obesity.
The USDA food guidelines recommend three servings of
whole grain a day. Only 10 percent of Americans
actually get that much.

In January of last year General Mills
converted all of our cereals to be either a good or
excellent source of whole grain. That's either a
half a serving or full serving per bowl. Some of
them like Cheerios and Wheaties already were, but
most of them weren't. So we had to change. We had to reformulate the cereals to get that whole grain in there. We had to do it without changing the way they taste. Remember, I said rule number one is they've got to like the way it tastes. So it was hard. It cost us money, but by taking that single step, it enabled us to deliver 27 million servings of whole grain across America every day, which adds up to more than 1.5 billion additional servings of whole grain without consumers having to change a single thing that they did.

Former FDA commissioner David Kesler called that change the most comprehensive improvement in the nation's food supply since the government began mandatory fortification of grains in the 1940s. Now we're pleased to see Governor Huckabee in the alliance for a healthier generation recommend whole grains be served daily in our schools. That's one example.

Green Giant vegetables: We're trying to make those easier and more convenient for people to eat. Everybody knows you should eat more vegetables, and we'd certainly like to see people do that. We're a leading producer of organic products: Muri Glen tomato products, Cascadian Farm products.
We're helping people manage their weight with 100 calorie products like Progresso soup and Yoplait light yogurt, and we've added sterols to our Healthy Heart granola bars, soluble fiber to Honey Nut Cheerios. These are things that help reduce cholesterol. In just the last two years we have improved the health benefits of some 20 percent of our product line. Of course, a lot of them are pretty healthy already.

The only other thing I'd say that I think is very important beside just improving the health profile of products is, we know that educating people about good nutrition and regular exercise is pretty important. The governors have alluded to that. We have made nutrition education, nutrition information more prominent on our package. General Mills contributes five percent of our pre-tax profits to community programs. One of our key priorities is youth nutrition and fitness. In just the last four years we've invested $8 million in these programs around the country. One of them was referenced today in your Healthy America Program. We sponsor thousands of kids who earn President's Active Lifestyle Awards every year. In fact, we're partnering with Governor Pawlenty in our own home.
state of Minnesota to sponsor this program for all
Minnesota kids who are in the third grade or higher,
and we know that exercise is a critical priority for
kids.

This is a place where I think private
industry and you as public leaders really can work
together to make sure that in our schools where our
kids are learning about life, they're also learning
about nutrition and the importance of exercise. I
would urge not only you but my colleagues in
industry to support those efforts both with our
money and with our know-how. I know my colleagues
here on this panel are doing that, but I think there
is more that we can do together, and we'd certainly
be happy to do that, because educating kids early on
about the basics of good nutrition and the
importance of physical activity is probably the most
important way that we can work together to make a
real difference in the health of America.

So thank you for inviting me here today.
I look forward to discussing the subject with you.

MR. BIERBAUER: Thank you, Mr. Reinemund.
MR. REINEMUND: Thank you, Charles. And
thank you, Governor Huckabee. Thank you for setting
this up.
I think if there’s one message that I would like to leave from my few comments this afternoon is that speaking not so much for PepsiCo but for all of us, both Steve and Don and the rest of us in the food community, we would like for you all to view us in this desire to deal with the real epidemic of obesity, we’d like to have you view us as part of the solution and not as part of the problem.

I think as you understand and recognize the difficulty of this complex challenge, it might be helpful to spend just a minute to give to you a little bit of a brief summary of some of the things that we’ve been doing at PepsiCo on this journey, as Steve has in his journey of General Mills. We’ve actually been on the journey for a number of years. You can start at a lot of different points in history, but one place you might start is the introduction of diet colas back in the '80s, and that may have been an early start but certainly a significant one.

And for us, in the early '90s we moved to actively start developing non-carbonated beverages with our partnerships with Lipton Tea, the beginning of Aquafina and then in the later '90s the purchase
of Tropicana, and then with our acquisition of Quaker in 2000 we acquired the Gatorade brand. So we now have a portfolio, large portfolio, fast-growing portfolio of non-carbonated beverages as well as carbonated beverages. Again, in this carbonated beverage side we have lots of alternatives, but maybe the biggest alternative in this whole area of dealing with obesity and health and wellness would be the diets.

On the Frito side, which is really the snack side, which is the larger side of our business, we started in this journey for health and wellness back again in the early '90s. We were one of the first companies to introduce fat-free pretzels, and then we went on to introduce baked products, baked Lays and baked Tostitos, all of which had reduced fat and calories.

As I see this journey in primarily the food side of the business, but it's true in beverages as well. The consumer has increasing awareness of the qualities in the foods. Now, some people look at these issues that we've looked at over the last 15 years as fads, but I think they're really part of an overall trend. So if you think of awareness of health and wellness of food as sort of
an increasing line, it's really driven I think by fads, up and down fads, which are driven by awareness of fat, calories, trans fats and these other issues that come on the screen. And those of us in the food companies, as these issues have become mainstream in the consumers' minds, we've worked hard to try to come up with products that meet those needs along that line.

I would just tell you that—and I don't think I speak for myself. I believe I represent many of the other food companies, that health and wellness is one of the key strategies that supersedes all the other objectives that we have in our business today. I know myself, I spend the overwhelming majority of my time on four initiatives across all of PepsiCo worldwide. One of them is health and wellness. I believe that is critical not only because it's the right thing to do, but it's also good for business. We've been able to prove that over the past few years, but by a fact that I think has been certainly important to us, and that is that our health and wellness oriented foods in the United States are growing at two and half times the growth rate of the portfolio overall. Last year 70 percent of the growth of our products in the
United States came from products that were
designated as healthier products.

Part of that healthy effort in our mind,
and Governor Huckabee talked about it a little bit
when he used his plane analogy about the two wings,
this obesity issue is really around energy in and
energy out as the two wings of many plane. We think
we can be helpful as food companies in making
awareness and making changes in both those areas.

We, as well as Coke and General Mills and other
companies in the food arena, are sponsoring many
energy-out types of programs. America on the Move
is one that we sponsor. All of us have taken on
different projects to help the consumer understand
the importance of exercise.

On the energy-in side, which is really our
business, the important thing there I think is
education. A consumer who is well educated about
the kinds of products that they should consume for
their body is going to be a healthier consumer, and
it's going to be what we're trying to advocate.

Two years ago we introduced in the United
States a program called Smart Spot, and it's a
little green spot that we put on our products that
are deemed to be healthier products. These are
guidelines that we developed in concert with the FDA and the National Academy of Science, and I'm proud to say that almost 50 percent of our products in the United States carry this label and that last year the growth rate of those products were two and a half times the growth rate of the overall portfolio.

I think you can see that this effort is good for consumers. As Steve talked about, consumers are not going to buy the product if they don't taste good. Assuming they taste good, these are the products that consumers look for. We think working together with you as governors, as leaders of your states, we can help come up with programs that will be supportive of trying to work against this problem that we all face, and that is the growing obesity in the United States.

We appreciate the opportunity to be here today to have dialogue about things that are on your mind. I think this constructive dialogue is something that will help us be better companies and hopefully give us a chance to respond to some of the needs that you might have. So, Charles, thank you for this opportunity.

MR. BIERBAUER: Thank you, Mr. Reinemund.

Mr. Knauss.
MR. KNAUSS: Thanks, Charles. Good afternoon to the governors and ladies and gentlemen.

I would echo a lot of what Steve said in terms of our company's commitment to health and wellness as well. I would, too, like to stop and thank Governor Huckabee. I think in a time when change is certain and progress is not, I think we are starting to make a lot of progress, and you have been a wonderful catalyst for the industry.

I just want to assure all of the governors around the table that, like Steve said, Coca-Cola is committed and is with you in terms of focusing on improving the health and wellness of our citizens, especially our children. I think we're really committed to finding the right solutions. We're committed for two reasons, basically. One is that it's the right thing to do. We think it puts us on the right side of the angels, if you will. But the second is it's in our economic self-interest to do it. This is where the trends are.

We see three broad trends around the world today. Health and wellness is one. Convenience is another, and sustainability is the third. We as a corporation need to really gain insights to our consumers against those three trends. So we believe
in taking a responsible and I would say a very
responsive set of actions to health and wellness.
I'd like to tell you a little bit about
the four-pronged approach we take to this issue, to
this trend that's going on. First, it starts with
having a broad range of products. Just in the last
18 months we have launched almost 40 products just
in the United States and Canada that really address
this need for lower calorie options and also
nutrition and hydration. For example, we just
launched an Odwalla soy milk, which has DHA or Omega
Threes really to promote brain health and bone
health. We just launched Minute Maid Heartwise with
plant sterols, which Steve mentioned in cereals, to
reduce cholesterols. We launched Powerade Option,
which has 80 percent fewer calories than regular
sports drinks. So we're trying to really give
consumers a broad range of products that meet this
need around health and wellness, but it's not just
about products; it's about programs that promote
this lifestyle.
Just some examples of what we're doing to
promote an active lifestyle, which is so critical,
Live It is a program we launched with Lance
Armstrong last year in middle schools. We've
literally touched four million students in school districts across all of your states last year with Live It, which really promotes education around health and wellness and nutrition and how to eat right but also how to get moving. We promoted the program of taking 10,000 steps a day and gave all of these students stepometers. We also launched in collaboration with Kraft a program called Triple Play with the Boys and Girls Clubs. It's really the first after-school program designed alongside health and wellness in collaboration with the U.S. Department of Health & Human Services. Lastly, we're obviously very active in sports. Sports is part of the fabric of this world. Coca-Cola touched a record of 480 youth soccer teams this year, almost 7000 players across many of your states, in that tournament to promote soccer and just getting up and down and moving across that field.

Third, it's about information: How are we helping consumers really make informed choices about beverages, which is much like Steve's program that he talked about, the Green Spot. We've launched a program called Make Every Drop Count, for television, print, and to give people sound science-based information about beverages and what really impacts
their health. We also founded the Beverage Institute of Health and Wellness in Houston, where our Minute Maid division is headquartered, to really deepen our knowledge through clinical studies on everything from hydration to bone and joint health, heart and weight management; to really get to the science of how that will impact our beverages.

Finally, we're committed to the fourth that is really to be a responsible marketer. We adhere to the guidelines of the Children's Advertising Review Unit (CARU), and the self-regulatory body that sets standards for advertising to children under 12, which we simply won't do. We respect the classroom as a commercial-free zone. That's what really led to this new set of guidelines. We recognize that schools are a unique environment, and our partnership for the Alliance for a Healthier Generation, which includes the American Heart Association and the Clinton Foundation and the American Beverage Association, which Governor Huckabee helped us pull together, led to the adoption of these new school guidelines just a few months ago. We really wanted to participate in that because we thought it was a broad-ranging program. It wasn't just about singling out any industry, any
single industry or any single food or beverage. It was a holistic program around exercise and information/education and also what you eat and what you drink.

I think we all have to remember that science and common sense tell us that obesity is a fairly simple issue when you come down to it: it's calories in and it's calories out. Now the answer to that isn't so simple, but there is no one food or beverage that is to blame for that or that is a solution to that.

We look forward to partnering with the alliance in the future to really focus on the importance of exercise and education along with all of the things we're doing to develop a full range of products. Again, I would echo with my colleagues here and say we're very much committed to doing the right thing, and we're really committed to working with all of you as we go forward to really advance the health and wellness of all of our citizens, especially our children as we go forward. Thanks, Charles.

MR. BIERBAUER: Thank you, Mr. Knauss. Let me pose just a couple of quick questions, then we'll open it up more broadly. What's the least
controllable, what's the variable that gives you the
biggest difficulty, the greatest difficulty in
trying to do the things that each of you has said
you want to do and feel that there is merit? Mr.
Sanger.

MR. SANGER: Well, I would say that in our
business the consumer makes the ultimate decision.
So we would be absolutely delighted if they would
eat twice as much Green Giant vegetables. I think
it would be good for people if they did that, but
they like the cookies, too.

We tried, we've offered low fat cookies.
We've offered sugar free cookies. There are some
people that buy those, but most of the time people
say, hey, when I'm having a cookie, I know that it's
a treat and that's what I want.

So the consumers ultimately will make the
decision about what they--how many calories they
want to take in. We give them more and more healthy
options, but in our business you can't control what
people ultimately do. So trying to give them
options that really taste good, that they really,
really like that are healthy for them, that is a
challenge and that's the best thing we can do.

MR. REINEMUND: I agree. Clearly the
consumer rules. But I think underneath that, science would probably be the next thing I would come in to talk about. That is, in our efforts to improve our products, we have basically three tiers of efforts. One is to improve the core of all the products we have. Second is to invent new products that have healthier attributes that the consumers like, which is a little bit of what Steve was talking about. Unfortunately, that's controlled really by what the consumers' desires are. The third would be, in our case, to acquire capabilities that we don't have to develop products. That could be people capabilities or other companies, smaller companies.

But back to the point of science. In our case, we took trans fats out of all Frito-Lay products three years ago, actually before trans fats became a mainstream issue. We were the first company to do that. The controlling factor there--and obviously--it was expensive. The controlling factor was coming up with the science that allowed us to remove that trans fat without changing the taste. So that was three years ago.

This year we're actually changing the oil in all of our potato chip products to a sunflower
mixture that will actually reduce substantially the saturated fat. You might ask why didn't you do that three years ago? The science, at least our ability to develop that science, wasn't there. We've been working hard to do it.

One of the major efforts we have is to improve the core ingredients in every product we make around the world, and it's driven by our capabilities to find the science to do it.

MR. KNAUSS: Yeah, I would say the science is also one of the critical issues. Consumers are the king and queen in this. They make the decisions, but a lot of times consumers will tell you one thing and do another. You really need to ferret out really what they do want. Just as Steve said about if the food doesn't taste good they're not going to eat it, and if the beverage doesn't taste good they're not going to drink it.

I think one of the things, though, just for an example, we brought out some new diet carbonated beverages that we think are sciened around the ability to mimic sugar with different sweetener systems which have much lower caloric content is really improving. One of the barriers to getting people to switch to diet sodas has always
been the taste, and I think we're getting better in
our taste profile. Once you do that, you start to
see the trends moving that way because the taste
becomes much more acceptable. So we continue to
work on the science and putting the focus on that
kind of innovation.

MR. BIERBAUER: The consumer is a pretty
malleable entity. Each of you recognizes that, and
it's a society that persuaded people to spend $2, $3
for a 12-ounce bottle of water. So the consumer can
be lead, one would suspect.

Are you really saying that ultimately if
it comes down to the consumer saying I want this,
which I know is no darn good for me, that you're
going to deliver that?

MR. REINEMUND: I would say that the issue
of marketing is our biggest opportunity to change
consumers' perceptions. I know that in the case of
products like water, the packaging around water can
be very helpful in getting consumers to move into
that product. So the marketing side of influencing
consumers can't be underestimated, which really gets
into another whole area of advertising, and one of
the sticky pieces about legislation against
advertisement is that we as the food manufacturers
have some capabilities in marketing and influencing people. And as we develop healthier products, the use of that advertising to change habits I think can be very helpful.

My only caution as we talk in industry groups around advertising regulation is that we don't want to stifle the ability to help change the consumers' movement towards healthier products over time as those products are developed. So I would say marketing is the biggest single aspect that we can bring as a consumer products company to change those habits over time.

MR. BIERBAUER: Thank you, sir, for leading me to a point that I wanted to get to. It was something that Mr. Knauss mentioned in terms of not advertising on children's television, not advertising to children, but there are other ways, and there are other things that we see.

Mr. Reinemund gets a point for product placement with his Healthy Spot on the team over there. But product placement, advertising or things that we're seeing in video games, things that we're seeing in a variety of other venues that are not outright advertising, what are you doing? What can you do? What are your concerns in that area?
MR. SANGER: At General Mills we have the same standards for our advertising in all types, including the emerging media such as Web sites and computer games. In our particular company, our advertising standard is that we will only advertise products to kids under 12 which meet a standard, being low caloric density and high nutritive density, and there's very specific dimensions to that, and that applies not just to TV or radio but to all forms of advertising.

MR. KNAUSS: For us at Coca-Cola, I mentioned, Charles, the program Make Every Drop Count. What we're trying to do is provide parents and educators with the nutritional news and information about all of the products that we market so that they can make that decision for their children. For example, Minute Maid orange juice, that was something I would want my daughter, who is 12 now, to drink. Now, we don't advertise to her, but we certainly advertise to her mother and other mothers to make that decision for her. So for 50 years we haven't advertised on television programs, for example, Saturday morning cartoons, but we really made a focus of trying to educate the parents about what is acceptable and what's not acceptable.
MR. BIERBAUER: Let me invite the governors to join in this dialogue. Yes, Governor Blanco.

GOVERNOR BLANCO: It certainly is a struggle to bring a healthy product to the marketplace that is acceptable. I understand that. We last year in taking a note off the page of Governor Huckabee's Healthy Living tried to limit cold drinks in school vending machines, and we had quite a war. So I want to compliment you on doing that voluntarily in elementary and secondary schools now. I appreciate the help there.

A lot of times I see things that concern me with some parents having so much concern about not consuming calories that they are pushing children to the diet drinks that contain such things as Aspartame. I hear that you're trying to develop other kinds of sweeteners. I appreciate it because I can tell you that I don't think that's a very healthy thing for children to be consuming, having had some personal experiences, short-term memory losses and things like that originating from Aspartame.

But I am personally concerned as a parent and as a governor that parents are encouraging their
children to consume such things, and I would like to
know what kinds of measures are you taking or what
kinds of gains are you making moving to other more
acceptable kinds of sweeteners?

MR. REINEMUND: Well, governor, I
appreciate your making comments about the agreement
we had. I just want to take the opportunity to
thank Governor Huckabee, along with President
Clinton, for really enabling us to have that
discussion. Without the alliance opening the door
for the discussion, positive discussion, we would
never have gotten there. This is a debate that has
been fought in the airways with really no positive
result for several years. Until Governor Huckabee
and President Clinton and that alliance brought us
to the table to have constructive discussion, this
thing was going nowhere. I think the thanks goes to
the governor and president for having done that. We
were happy to be part of it.

As far as the school offerings are
concerned, I think that the difficulty, as most of
us as parents and grandparents recognize, is that
forbidding products is not a very productive way to
educate and not a productive way to solve this
issue. I always fall back to my history growing up.
I went to a public school. When I was in school you brought your lunch in a paper bag or you ate the lunch that was offered or you went hungry. There were no opportunities to get anything in the school. Frankly, if we could go back to those days, I for one would sign up for that, but that's not the alternative that's out there. The alternative that's out there--and we got here through a circuitous route--but as I could quickly summarize as I know it, in the '70s or so many of the schools allowed students to leave school at lunchtime to go off and do their lunch off the campus, and then all kinds of problems happened: truancy, drug and alcohol abuse, so educators were forced to bring alternatives to the school to get the students back on the campus. That happened at the same time that many of the local communities cut funding for key programs like athletics and arts and so forth. So we ended up with this hybrid solution that met the needs of the times.

Now what do you do? The question I think is . . . and that's why I think the alliance really did a positive thing. I think education along with the right alternative choices is the long-term solution for where we are today, and to educate those students
so that when they graduate from high school they'll make smart choices, is really the best alternative that we can have. At the same time, to your point, governor, continuous improvements and innovations that Don talked about and that we're going to try to continuously improve that portfolio of offerings will certainly help the process, but the best thing we can do is to educate our students on the right balance in their lives and have the right balance with alternatives in both food and beverage. That's a tough challenge. As a food industry, we'd like to be part of that educational process. We, along with a number of other companies, are spending a lot of money on educational opportunities.

You know better than we do the difficulties in funding education for nutritional... for the nutritionists in your schools. We went to a national conference and we had a packet, a little sort of education-in-a box on nutrition. We had 5000 school nutritionists lined up to get this box. We ran out, because they just don't have the resources to even understand and teach nutrition or lead it in their schools. So we think this collaborative effort can work.

I'm not trying to side step your comment,
governor, about the alternatives that we offer. My only suggestion would be if the machine had just water, the high schools, public high schools and most places would have another complete problem, and that is students would be leaving the campuses to go out where there would be even worse alternatives. So the practical solution I think is one that we have now, and I'm enthusiastic that working together with the local schools we can help them with that educational process.

MR. BIERBAUER: Mr. Knauss, did you want to respond to that question as well?

MR. KNAUSS: Yes. I can just build on what Steve said about education and come directly at the Aspartame issue. There is work going on in the industry for alternative sweeteners. I would say, though, that Aspartame, which is used in over 6000 food and beverage products for over 20 years, has been proven do be safe. Now, certainly there are folks who may have a preference to not use Aspartame. That's, for example, why we came out with Diet Coke with Splenda, to offer people the choice. It certainly has been proven safe over the years. In fact, the National Cancer Institute just reaffirmed the safety of Aspartame. So I think
that, you know, we're continuing working on it.

For example, today Stevia, a plant, is
used as a food supplement, a sweetener from a plant
source which is 100 percent natural. That's
approved in Japan today. It's also approved in
Brazil. So there's word going out across the
industry. So we'll continue to offer the consumers
the facts. We'll continue to offer them
alternatives, and we'll go forward on that basis.

MR. BIERBAUER: Governor Sanford.

GOVERNOR SANFORD: One slight diversion,
if you'll permit me. Since each one of your
corporate leaders represent partnership with those
in public positions of leadership--I don't know if
Reverend Witherspoon is still here. Reverend
Witherspoon, are you here? There he is. Would you
come forward to a mike just for one second? If I
could put you on the spot for one second. I
apologize for doing so, but Governor Huckabee
mentioned just a moment ago a health fair that was
put on by Emmanuel AME Church here in Charleston.

When you're talking about partnership, I
just think it would be instructive since we are in
South Carolina to highlight for just one second, and
if you just take not more than two minutes to do so,
but what the AME Church has done in South Carolina in partnering both with folks in public policy and folks in the private sector with regard to raising awareness on health care and fairly innovative health care solutions? Would you, sir?

REVEREND WITHERSPOON: What the AME Church has done is partnered with various institutions. It's pretty much kind of competitive what we do in terms of good health, health care, nutrition, diet, exercise, a whole combination of things so that if we have a healthy congregation, we'll have somebody to minister to as opposed to people being unhealthy. And when people are unhealthy, it causes the cost for health care to go up. And a lot of times people do not have access to a lot of health care. So we just think that if people are healthier, then they can live longer and have more productive lives and better contribute to society.

GOVERNOR SANFORD: In the last 30 seconds, just mention two of the things that y'all have done in getting that word out there, because I think it might be useful to others governors, the public and to the churches.

REVEREND WITHERSPOON: We do have a health coordinator for the entire state and through a
published newsletter, Web site, we try to get the
word out, and people have responded very well. It's
not just for the AME Church. We have just kind of
done it, and it's open. It's an open model for
anybody to pattern after and use.

MR. BIERBAUER: Thank you. Perhaps that's
a dialogue you can pick up on after the session
here.

Governor Pawlenty.

GOVERNOR PAWLENTY: This is more of a
comment than a question about food. President
Clinton was here at the summit, and he and Secretary
Thompson, former Secretary Thompson, and others have
noted it's an energy-in versus energy-out equation.
I think it's a reality of life that kids like sweet
things and fatty things and interesting things to
eat.

I think over time the technology and the
chemistry of that has improved, is improving and
will improve some more. While that's happening,
though, we see a dramatic increase in diabetes, a
dramatic increase in obesity. So while the food is
arguably getting healthier or better, the indicators
of health are not. In fact, in some categories
they're getting substantially worse. So I think
spending some time on the other side of the equation is very important, and that is the energy-out side.

In my life I've got two daughters who play travelling sports, and they're running hard. I mean, really hard four, five nights a week. They probably couldn't be obese if they wanted to. They eat like little junk machines, but they run it off in terms of their makeup.

One of the things I see is by the time kids hit middle school, unless you're in a elite status or competitive status, most kids drop out of sports because they're intimidated. The message to them is if you're not on a junior Olympic track or high school varsity patterned pathway, you know, there's a winnowing process that basically winnows most of the kids out of sports by about junior high school or certainly winnows them out even sooner.

So you see 20 percent of the kids getting 90 percent of the exercise. Some of this can be mitigated by what goes on in schools, but candidly, particularly if you're in junior high, there's limits to what they can really get done in school in terms of physical fitness, rigorous physical fitness, particularly as the kids get older.

I'm intrigued by some of these grassroots
organizations like Let Them Play where the purpose of it is to try to allow more kids to stay in sports for fun and for exercise, and the whole theme is you don't have to compete or play against the elite athletes; you can just come with kids who are similarly situated in skill. The attitude is much more emphasis on fun and exercise. It seems to have some success. If we could get more kids to stay in organized sports; that is, rigorous, even if in a non-intimidating setting, it seems it would help a lot on the energy outside.

Again, the data is that the food is improving. The health outcomes aren't. They're getting worse. We hope technology saves us. But the bottom-line reality is we have way too many kids sitting around playing video games or worse and we have to find ways to get them more energized. And the school gym class, while helpful, can't be the only piece of the puzzle. It's not enough. That's more of a comment than a question.

MR. BIERBAUER: Yes, Mr. Sanger.

MR. SANGER: I just say, and I think my colleagues probably would, too, that we agree very strongly with Governor Pawlenty. I know Coke and Pepsi have invested in programs with Boys and Girls
Clubs, with the Y. General Mills has a program called Champions for Healthy Kids where we give grants, $10,000 grants to 50 organizations that are trying to--around the country for innovative programs to try either to--improve nutrition education or more exercise, and so I think you're absolutely right. The schools are a good place to get that habit going, particularly for the younger kids. So I think it does take a balance. If we can get more physical education in the schools and through whatever resources we can provide to help do that, too, coupled with innovative non-school related programs, because getting kids moving would make a big dent in this. I mean, the amount of time sitting around, the amount of time spent in front of a screen of one kind or another is moving up. You can correlate the weight gain with that.

MR. BIERBAUER: The implicit question in what Governor Pawlenty was saying is, is there a tension between what you do on the one hand, which is putting the ads on the score boards at the stadium where Governor Thompson described there are 22 on the field and 70,000 sitting, is there a tension between that and getting to the kids who
just need exercise?

MR. REINEMUND: I don't think there's a
tension between. I think they're two separate
activities. My response, governor, to your comment
is: that's why I think these kind of discussions
between industry and your leadership is helpful,
challenge us to support your individual
entrepreneurial physical education type programs in
your state. I know Governor Huckabee has done that.
Secretary Thompson when he was at Health and Human
Services challenged companies to step forward and
support those efforts.

I do believe, just as we heard from the
program here in South Carolina, these
entrepreneurial, small, hands-on, personal programs
do have impact on kids. They make a difference.
These big, gigantic national programs, I sometimes
wonder if they really work, but the local ones will,
and challenge us to come up and support those
because we'd like to be part of those activities
because they do make a difference.

GOVERNOR PAWLENTY: General Mills, I
should point out, I think all of you probably have
in your own ways, but do fantastic in partnering
with us. But in closing, I don't see a lot of
obesity and diabetes in kids who are active in
sports. I see a lot of obesity and diabetes in kids
who aren't.

MR. BIERBAUER: Governor Vilsack. This I
am told should be the last question. Thank you.

GOVERNOR VILSACK: I'm interested in what
your interaction is with other corporate entities
like McDonalds, Burger King, so forth as they deal
with this whole issue of super-sizing portions. Has
there been conversation between your companies about
supervising and how you define that?

I was in a McDonalds not too long ago, and
I've got to tell you that super-size portions were
very, very large. I'm not quite sure who needs all
that food. I'm curious to know if there has been
conversation.

MR. KNAUSS: It's interesting. With
McDonalds, on the beverage side, Governor, about 18
months ago we worked with McDonalds and eliminated
the super size beverage portions in McDonalds. They
took that step, and we supported it. Even though it
certainly -- in the short term one would say, well,
aren't you in the business to sell more beverage,
and we certainly are, but that was the right move,
and they made that move.
Now, what they'll do on the food side remains to be seen, but obviously the introduction of salads and a lot of the other things they're putting into their range of products I think is helping them tone it down.

My conversations with our customers: McDonalds, Burger King, Wendy's, Sonic, all those customers have that approach. I think they all look at health and wellness in the center of their plate, if you will. I think they're all trying to augment their menus with a full range of products to give people choice, and that's what it's about. They're also trying to, in their core business, burgers, the fries, trying to make those products healthier by eliminating trans fats, et cetera.

MR. REINEMUND: I'd also add that not only in the restaurant retail side, but in the supermarkets, the portion control packaging is one of the hottest items out there. Consumers want that. When they're offered that, I think it's a huge opportunity.

To me, portion control is part of the education process. If we can get our kids to understand what the right portion size is early on, that's probably more important, at least I think,
than probably any other educational thing we can do, because if they eat the right portion size of something full sugar versus four or five portions sizes of something that's reduced sugar, they're better off learning the right portion size. So I do believe the whole education process, portion is a huge part of it.

MR. BIERBAUER: Y'all will have a hard time getting parents to adopt Secretary Thompson's 50 percent idea of leaving half the food on their plate.

Mr. Sanger, if you'd like, you can get the last word on that question.

MR. SANGER: We don't, to my knowledge, have any products that are super sized in the food service channel. Again, if they would super size our vegetables we would be more than pleased, and probably there would be a lot of parents would, too. I do think that portion control is a growing opportunity. We have, as have many other food companies, found that consumers react positively to that. They like to know I have 100 calorie portion of something.

I think that's an opportunity for restaurants. I ate in a restaurant the other day
that said everything in this group of foods is less than 300 calories, their lunches. I thought, that's
great. I'd really like to know that.

So the more we can get to communicating these things, here is how much you should eat to get this many calories, I think is going to be very helpful in this whole effort.

MR. BIERBAUER: Gentleman, thank you very much. I certainly, as a parent and school administrator, I appreciate your candor and your thoughtfulness and your clear interest in moving in the kinds of directions that you have been. I thank you, Governor Huckabee, for allowing me to participate here. Thank you.

GOVERNOR HUCKABEE: Let me begin by saying a special thank you to Charles Bierbauer for doing an excellent job of moderating the discussion. I also want to thank the three CEOs for being here. They had no idea what kind of audience they might face, and it was pretty bold on their part to be willing to face governors from around the country and take whatever questions we tossed to them.

Let me mention something that I know Steve Reinemund brought attention to. When the beverage
companies of America voluntarily came forward in
meeting with President Clinton and myself through
the Healthy Alliance for Tomorrow's Children, it was
really an incredibly significant moment that the
industry--not prompted by law, regulation or the
threat of litigation, but rather by the desire to be
a part of a solution rather than simply continually
see this problem escalate--came to the table and
brought about what really was a limitation upon
their own marketing capacity to students and
children and schools. I'm not sure that we have
fully as a nation really said thank you enough for
their initiative in taking that step. I want to
just tell you how much I appreciate, not just your
being here, but also for the extraordinary steps
that you've taken to come to, not just this table,
but to the table of solutions, and I think my
colleagues around the table join me in expressing
appreciation. Thank you very much for being here.
We appreciate it.
The next order of business we have is a
very special one that dates back for some 30 years.
In fact, this is the 30th anniversary of the
National Governors Association Awards for
Distinguished Service to the State Government and to
the Arts. This program presents governors with the unique opportunity to present their special civil servants as well as private citizens, focusing on commitment of state administrators and the important contribution that private citizens make to both state government as well as the to the arts. Each of these very distinguished honorees have made selfless and invaluable contributions to state government as well as to public service.

On behalf of all the governors of the United States, I'm very honored to commend these extraordinary individuals for their commitment to improve their states and indeed their country. I also want to say a thank you to all the governors who nominated.

I wish that there was a capacity that every single nominee could be awarded, but it is a very competitive process. There are far more nominations than could ever be awarded. Frankly, I wouldn't want the task, so I didn't accept the task. I handed it off to other people, including Ray Handley of Arkansas, who chaired the Selection Committee.

I want to say thanks, Ray, to you and the other members of that committee for going through
the nominations and then personally thank someone who may speak to me again for this assignment, that is the First Lady of Arkansas, my wife Janet, who chaired the Arts Review Panel.

I will note for the record that no one from Arkansas won in any category thanks to the fact that I appointed Arkansas people to help chair. So I probably messed up dramatically by doing that.

As I announce each of the winners, I'd like to ask that you come forward, along with your governor, if he or she is present. I'll ask the governors to step to the podium and make some remarks regarding the award winner.

First of all, we'll begin with the state official category, and the winner of that award is Cheryl Frasca, director of the Alaska Office of Management and Budget. Unfortunately, Governor Murkowski couldn't be with us today, but he did ask for me to let you know a little bit about Cheryl.

For the past 29 years Cheryl has served the public in Alaska as an aide to two governors, numerous Alaska state legislators as well as a mayor. Her leadership in introducing performance measures to improve state services is a true example of her exceptional work for the public sector. Her
commitment to making government accountable to constituents is realized in the establishment of the Missions and Measures Program. She now directs that program. It communicates results to citizens, primarily through up-to-date results from each agency on the state's Web site. Program managers and division directors also receive training that enables them to use performance measurement as a management tool. Articulating the important difference between activities and results--think about that for government, that's unique--has helped establish a fiscally responsible administration. Governor Murkowski says this, and I quote him: "Alaska is simply a much better place because of Cheryl's efforts and dedication to the State of Alaska."

Join me in recognizing Cheryl Frasca.

Notice the photographer always takes two pictures. For those of you that wonder why, if one of them turns out bad, the local paper will print it. Governors got that. No one else did. I can't wait to see the one I'll have of the paper next time.

Our next award winner in the state official category is Dora Schriro, who is director
of the Arizona Department of Corrections. And quite
appropriately, I'll turn it over to Governor
Napolitano to make this presentation.

GOVERNOR NAPOLITANO: Thank you. I
brought Dora to Arizona three and a half years ago
with the goal of putting corrections back into the
Department of Corrections. She has done that with a
bang. We have a 32,000 inmate population in our
state. More than 96 percent of them will be
ultimately released into the public. When Director
Schriro came, she implemented something in our
prison system called the Parallel Universe. It is
an approach that recognizes that prison life on the
inside should resemble life on the outside with all
of its attendant responsibilities.

In our state, corrections employees now
are aware that their job is twofold: to provide for
public safety now through sound correctional
security practices inside and to take care of public
safety later by preparing inmates for the outside
world. They are focused on literacy, sobriety and
employability skills to reduce the three Rs:
relapse, revocation and recidivism. The results
have been outstanding. Just to give you a few, in
2003 when Director Schriro arrived, only 791 inmates
had received their GEDs. In 2005 that number was 3125. Inmates are told from day one that in order to get a job on the outside you have to get a high school education, and that is coming through loud and clear.

Her other efforts have also been appreciated. She helped push through a record raise for our Department of Corrections employees and has really improved the morale and capability of that incredible staff. Last, but certainly not least, she led the effort several years ago when we had two of our officers taken hostage in a tower in the middle of our maximum security yard to negotiate over the course of 15 days their safe release with no loss of life. So, Director, we really appreciate your commitment to Arizona.

GOVERNOR HUCKABEE: Our next state official winner is Lonice Barrett, who is the director of implementation for the Commission for a New Georgia. Unfortunately, Governor Perdue was not able to be with us today, so I have the privilege of presenting Mr. Barrett with this award.

Lonice Barrett's distinguished career in state government is characterized by exemplary service, leadership, citizen involvement,
stewardship, innovation and extraordinary achievements that have resulted in better government for the State of Georgia. In 2004, after 36 years of service to his state, Mr. Barrett postponed his retirement to accept Governor Perdue’s request to implement the recommendations of the Commission for a New Georgia so they could achieve a highly effective state government. Mr. Barrett has directed more than a dozen major innovation initiatives in a remarkable span of government operations and services, including statewide procurement services, capital asset management, workforce development, tourism marketing, customer service, leadership development and strategic industries. The results in documented cost savings have surpassed $37 million with project revenues and savings of more than $200 million a year from the newly implemented programs.

I have to ask, was Governor Perdue generous enough to give you a commission of those $37 million? No wonder he’s not here. He was ashamed not to admit that he was... well, I would have done it if you had been in Arkansas and saved us $37 million.

Governor Perdue said of Mr. Barrett, he
was named by *Georgia Trend Magazine* in 2004 as Georgia's top public servant, and I quote: "His intelligence, integrity and humility have won the lasting trust, credibility and admiration of legislators, colleagues and citizens throughout Georgia."

Please join me in paying tribute to Lonice Barrett. What a gracious man. Thank you, Lonice, so very much.

First from Iowa in the private citizen category is Holmes Foster, who is unable to join us today. I'd like to ask Governor Tom Vilsack to come and tell us a little about this outstanding individual.

GOVERNOR VILSACK: Mr. Chair, thank you very much. Holmes Foster is an individual who has achieved greatness in his life without acquiring a great ego. He is an extraordinary individual who was very successful in a banking career. Following his banking career, rather than retiring, he was called into service in a number of different categories. First he became the superintendent of banking and completely restructured our entire banking organization in the State of Iowa and did so voluntarily and without a great deal of angst. He
then served as the Chair of the Iowa Values Fund, which is the largest economic development program the state has ever had, in establishing new good-paying jobs for our state. He then served as a director of the Department of Commerce. He also served in his capacity as the co-chair of the Iowa Privacy Task Force. He worked on the Revenue Estimating Conference to insure that we had accurate estimates of revenues for the state from which we determined our budget. He worked as a trustee of the local college of Iowa in my hometown. He served on numerous fundraising activities. He did this all after he retired. He is an extraordinary individual, and I simply want to take this opportunity to thank the Chairman and the National Governors Association for giving me this opportunity to acknowledge the service of one of Iowa's great private citizens. Thanks, Mr. Chair.

GOVERNOR HUCKABEE: Tom did not want his picture made with me, so we're not gonna do that. I'm deeply offended and hurt. I'll probably have to take half a baby aspirin just to get to sleep tonight thinking about that. I can't blame you. I'm glad the microphone . . . I hope no one heard you. Our next award winner in the private
citizen category is Dr. Juan Panelli Ramery from Puerto Rico. At this time I'd like to ask Governor Acevedo Vila to join me at the podium to make some remarks about Dr. Ramery.

GOVERNOR ACEVEDO VILA: Thank you, Governor Huckabee. It's really an honor to me to present our honoree today, Dr. Juan Panelli.

Professionally, he's a dentist and oral surgeon from Ponce, which is the main southern town in Puerto Rico, but he's more than just a doctor. He runs his life by his motto, and I'm going to translate:

"There's no problem big or small that we cannot tackle. There is always something we can do to help our people, our communities, our quality of life. Those who learn how to receive while giving will never be unfulfilled."

If you learn about what he has done in the last 15 years, definitely Dr. Panelli will never be unfulfilled. He started his community service out of Puerto Rico in Latin America, doing community service in Venezuela, in the Amazon area, Costa Rica, Haiti, Guatemala, Nicaragua and the Dominican Republic giving dental services, health services to the most needy in those countries. Once he decided to come back home, of course he went to his Ponce,
and there he started a project called, in Spanish, *Proyecto Amor que Sana*--the way to translate, Love That Heals--in the City of Ponce. This is a community-based organization, runs through volunteers and offers services to homeless, drug addicts, alcoholics and those who are HIV positive. This is how I met him. After hearing a lot about what he was doing even from my chief of police, I went to visit one of his centers in Ponce. It's one of those places that, yes, you don't want to go, but yet it's part of our reality, especially in inner cities. It's a place called, in Spanish, *el La-Massane*, the warehouse, but there are no goods there. There's no real services there. It's just a place where the addicts go to get what they call in Spanish, *la curar*, their fix.

Dr. Panelli goes there with his groups, I think it's every Wednesday, just to try to save them. Over there I saw both sides of the pictures. Those who are still drug addicts who still don't have the will to change, but nevertheless there he was with his team giving medical services to them. But then also I met some who had been saved by Dr. Panelli and his group and who were there just to tell the governor, please, give support to this
The government of Puerto Rico has recruited Proyecto Amor que Sana to be its partner in administering HIV and prevention in sexually transmitted disease in Ponce, and also Dr. Panelli is moving his effort outside of Ponce to some other areas in Puerto Rico, particularly in the southern part of the island.

So not only on behalf of the NGA, but in my case on behalf of the people of Puerto Rico, Dr. Panelli, thank you for what you're doing, and thank you for the passion you have in doing all that work. Thank you. Muchas gracias.

GOVERNOR HUCKABEE: Our next honoree is John O. Wynne of Virginia. I'd like to call upon Governor Tim Kaine to present his award winner.

GOVERNOR KAINE: Dubby, welcome. It's good to be with you all to tell you about a great Virginian, Dubby Wynne. I have a trait that I know I share with every governor, which is when Virginia is ever ranked in a ranking and we come up near the top, I talk about it all the time. The other ones I may not mention, but when we're near the top I talk about it. We had a very nice honor in 2005, when
"Governing Magazine" did a survey of states and named Virginia the best managed state. We do a lot of things right.

The reason that I put Dubby Wynne for this nomination is he, maybe more than any other individual in Virginia, is the reason that we have received recognition recently for positive management. I guess the way I would describe what Dubby has done for us is that he noticed a design flaw in state government. Now, you've got to question the courage of a guy noticing a design flaw in something that Thomas Jefferson designed, but that is, in fact, what--Dubby is not bashful that that's in fact, what--he did.

The design flaw in Virginia government has been the absence of long-term planning. We have an unusual system: the governor can't succeed himself.

So we have a four-year period where there's executive leadership, and then there's always a transition. We have a two-year legislative election cycle. So over time as the society has grown bigger and more complicated, I think Virginia has occasionally been very good at what we would say is rowing. We're good rowers, but sometimes we're not good steerers. What we needed was somebody who
would recognize the design flaw and really tackle it
with passion and push us to be better steerers.

Dubby, first working with Governor Warner
on an initiative of the Committee on Effectiveness
and Efficiency, worked and got into the guts of state
government and noticed a lot of things we could do
better on the management side to save money and
serve citizens better, but coming out of that
initiative he really noticed what we really needed
to move ahead was a long-term planning capacity. So

Dubby became the champion of an initiative called
Coalition for Virginia's Future, fought hard to get
it through the legislature. The idea to put
together a public private planning apparatus that
would involve legislators and the governor but also
those from the private sector to set longer-term
goals for the state so we could steer by a true
compass point and not go back and forth on two- or
four-year election cycles.

Dubby's work has helped us save a lot of
money on basic efficiencies and effectiveness
because he comes from the private sector and has
served as a philanthropist and leader in the
non-profit community in Hampton Roads as well. The
real value of this initiative is that we are now
focused, and the legislature has bought into the
idea because of Dubby's tremendous work on the idea
of setting longer-term goals for the Commonwealth
and then across administration steering towards
longer-term goals. Not an easy thing to do with 140
legislators and a governor that changes every four
years, but Dubby's passion has made it happen, and
it is going to help us be a much, much better state
because of his efforts. So I was proud to nominate
and, Governor Huckabee, so glad that he was selected
by the committee.

Dubby, congratulations.

GOVERNOR HUCKABEE: Next we're going to
be recognizing winners in the arts category. From
Minnesota, the winner in the artistic production
category is the Walker Arts Center.

Governor Pawlenty is going to come say a
few words about this outstanding organization and
accept the award on their behalf.

GOVERNOR PAWLENTY: I think we all
appreciate the role that art plays in a creative and
innovative society. There's an increasing premium
on those traits as we move to the hyper-competitive
global economy and America's place in that and our
state's place in that economy. There's increasing
premium on creative thought, innovative thinking and the like. The arts play an important part in that. We have an institution in Minnesota called the Walker Arts Center, which is 130 years old, 13 decades old. *Newsweek* magazine called it perhaps the best contemporary art museum in America. We're very proud of it.

Jan Huckabee had a chance to come and visit, the First Lady of Arkansas. I think she was duly impressed. We are very proud of it, and we're very grateful for the award and are honored by it.

Thank you very much.

GOVERNOR HUCKABEE: I want to just mention that Monday there's going to be an absolutely phenomenal speaker. If you have never heard Sir Ken Robinson, he's going to be speaking on the importance of creativity and the arts. I can promise you not just because he has a British accent, which always makes people sound smarter than the rest of us, but he truly is one of the most remarkably entertaining but provocative speakers. As we're talking about special people in the arts, I just urge you if your plans are that you have to leave early, rearrange those plans. Don't miss his presentation. It absolutely will be
enthralling, one of the most challenging
presentations to governors I think that we've heard
in a long time at NGA.

Our final award winner in the art support
category could not be here as well. Let me tell you
a little bit about him. He's Donald B. Anderson of
Roswell, New Mexico. An oil company chief executive
who has a lifetime passion for art. He's dedicated
himself to the cultural environment of Roswell,
and southeastern New Mexico by bringing artists of
national importance to live and work in the
tranquility of the high plains.

In 1967 Mr. Anderson established the
Roswell Artist in Residence Program, which provides
artists the gift of time, an opportunity to work
without distraction in their efforts so that they
can break new ground and to focus on their own
individual artistic goals. The program has become a
real model for artists throughout the world. Gifted
studio-based visual artists are given a unique
opportunity to concentrate their work in a
supportive, collaborative environment for an entire
year.

In 1994 Anderson opened the Anderson
Museum of Contemporary Art, which showcases art
produced by alumni of the program. Governor Richardson says of Mr. Anderson that: “The museum and the residency program have been catalysts in broadening community understanding and appreciation of contemporary art in New Mexico. Donald Anderson's efforts also have put Roswell on the map as an arts destination, helping to promote economic development as well as tourism in New Mexico.”

Join me in giving a round of applause to all of our award winners today who bring great honor and distinction to those. (Applause.)

At this year's annual meeting we also are recognizing the General Motors Corporation for 15 years of membership in the NGA's Corporate Fellows Program. This is a program founded in 1998. The Corporate Fellows Program promotes the exchange of information between private sector and governors, also focusing on emerging trends and factors that affect both business as well as governors. The corporate fellows share their unique experiences, their perspectives and their expertise through the NGA's Center for Best Practices, which is the nation's only dedicated consulting firm that is uniquely geared toward governors and their key policy staff. Through their support, member
companies demonstrate a commitment to improving the cooperation and understanding between state government and industry and help develop some true bipartisan and collaborative responses and solutions that affect all of us in the country.

Accepting on behalf of General Motors is Mr. Ed Barry. We thank him for 15 years of General Motors' participation as an NGA corporate fellow.

This is the part of the program that is a little bittersweet, particularly because it means that as transitions go, some governors come in and some governors go out. At least 10 new governors will be sitting in chairs occupied by those of us who currently sit in those seats right now because there will be a significant turnover. There may be more than 10 but at least 10 because of term limits. Of our 10 departing governors, one was elected in the class of 1994. Seven of us became governor later in the 1990s, and two more began serving after the beginning of the new century.

I know that every one of us would tell you that there's probably never been a greater experience in the world than being a governor of a state. Not just an honor, but what an incredible opportunity to affect the lives of the people in our
states. Over and over and over I have heard people in all walks of life say the best job they ever had was being governor of their state, and I can understand why people would feel that way.

We're going to recognize a few of our governors at this session, and then the balance we'll recognize at the closing on Monday. I'd like to ask as I call the governor's name for him to join me at the podium.

The first tribute goes, understandably enough and appropriately enough, Governor Tom Vilsack. Governor Vilsack is completing a second term as Iowa's 39th governor. He started in the class of 1998. Governor Vilsack and his spouse Christie have been tremendous supporters and extremely active in NGA. Tom and Christie and their staffs did a magnificent job of hosting us in Des Moines last year at one of our most memorable NGA meetings. We'll always treasure that experience and their tremendous hospitality and leadership.

He served on the NGA Executive Committee. He chaired the Natural Resources Committee. He's been one of the lead governors in agriculture as well as one of our key governors on the Healthy America Task Force and the Medicaid Working Group,
one of most time-consuming parts of being in NGA that any of us have ever experienced.

Even with all that he's done on behalf of NGA, he's also effectively managed his state. He's well known for his common sense and his approach to his efficiency in government. He's strengthened communities throughout Iowa with a comprehensive economic growth strategy, made significant investments in Iowa's education system and has increased the number of Iowans with health care coverage. He's achieved all of these goals at the same time eliminating three state departments, reducing the number of state employees by eight percent and providing targeted tax relief to working families and doing that without raising overall taxes.

He's placed improving education at the center piece of his administration. Class sizes have decreased. Teacher pay, on the other hand, has increased, and higher standards of achievement has challenged every one of the students of Iowa to succeed. He created Iowa Values Fund, an $800 million 10-year program that is transforming the Iowa economy. He launched the Vision Iowa program, utilizing $270 million in state funding to attract
$2 billion in total investment, creating 14,000 jobs and attracting hundreds of thousands of tourists to the state. He’s worked to build a sustainable energy infrastructure, whether it be wind energy or ethanol. And having made considerable investments in renewable fuels and alternative sources of energy, Iowa now produces one fourth of the entire nation's ethanol production facilities.

The Vilsack administration has worked cooperatively with schools, medical providers, businesses, faith-based organizations as well as other entities to expand health care coverage to more than 90,000 previously uninsured children. Ninety-four percent of all Iowa children have health insurance. NGA and all of us as governors are certainly going to miss Tom and Christie. We wish them nothing but great success.

I want to say on a personal level that when I was going through a process of trying to recapture my health and indicated that I was training for and would run the Little Rock Marathon, the most amazing thing happened. We were at one of those Medicaid task force meetings in Washington. Tom came up to me, he said: I hear you're going to run a marathon. I said: I'm gonna give it a shot.
He said: You know, that's remarkable; I'm really proud of you for doing that. He said: I think I'm going to come down and run with you. Quite frankly, I didn't take him seriously. I thought, why would a Democrat governor from Iowa come to Arkansas and run 26.2 miles with a Republican. Doesn't make sense. But you know what? He did it. I'll tell you, to this day nobody can ever say anything unkind about this man in my presence because in one of the most remarkable, I think, demonstrations of true bipartisan friendship and what makes me value this organization and the relationship with each of you, Tom Vilsack did something that certainly I'll never forget, that showed his class, his character and certainly the reason we're going to miss him.

Please join me in paying tribute to our friend Tom Vilsack.

Our next tribute goes to Governor Bill Owens, who is Colorado's 40th governor. He is finishing his second term, starting in the class with 1998, some eight years ago.

Governor, I want to say we've always appreciated your participation in NGA initiatives. We've enjoyed your presence and that of Francis. Governor Owens has been the chair of the
NGA Natural Resources Committee, where he's given
great leadership. He comes, as you can certainly
understand, from a state where natural resources are
critical. He's been a true leader in that effort.
He's been on the task force to help us with the NGA
Center Initiative on Economic Competitiveness. In
Colorado Governor Owens secured the largest tax
relief package in the history of Colorado, which
included cuts in the sales tax, capital gains tax,
personal income tax as well as the marriage penalty.
He also created an education accountability system
which included detailed online school report cards.
Under his leadership, in 2004 Colorado
became the first state in the nation to send
students to college with vouchers. The College
Opportunity Fund replaced blocked subsidies to
colleges and universities with individual stipends
for students so that they could use those stipends
at the school of their choice.
He's also accelerated $1.7 billion in
transportation projects statewide that could have
taken up to a quarter of a century to complete,
projects that now will be done within a decade, and
he did it without increasing taxes, and we're quite
jealous.
Governor, we're going to miss you and Francis and your wonderful participation in NGA and, of course, the Mile High State will miss your vision. Join me in recognizing our friend, Bill Owens.

Well, at this point we have the responsibility now to take care of some executive committee business, and so we're going to convene a meeting of the NGA Executive Committee. All governors are welcome to participate, but only members of the Executive Committee may vote. This should not take long. I first need a motion and a second to approve the minutes of the May 17, 2006, executive meeting. Thank you very much. Motion and second. All in favor say aye (Shouts of ayes.) No opposed.

I'd like to call on Governor Napolitano to summarize and move the Executive Committee proposed policy position on EC17, the implementation of the Deficit Reduction Act of 2005.

GOVERNOR NAPOLITANO: Thank you, Mr. Chairman. The Executive Committee is proposing one new policy position, implementation of the Deficit Reduction Act of 2005. It is contained in the packet at your places.

The proposed policy recognizes the
increased flexibilities states were given to manage
state Medicaid programs as part of the Deficit
Reduction Act of 2005. It also calls on congress
and the administration to work closely with
governors to implement any required changes to
Medicaid and the tandem programs under DRA.
I move that the Executive Committee
approve this proposed policy, which will then be
voted on by full association at the close of the
plenary session on Monday.
GOVERNOR HUCKABEE: We have a motion and
a second. Any discussion? Hearing none, all in
favor say aye. (Shouts of ayes.) Any opposed say no. The ayes
have it. The motion is passed.
And I want to just point out that,
Governor Napolitano, you have done a great job of
emptying the room with your presentation there.
GOVERNOR NAPOLITANO: It is a gift.
GOVERNOR HUCKABEE: So what I'm going to
do is now call upon you to further empty the room by
giving a year-to-date financial update.
GOVERNOR NAPOLITANO: Thank you very
much, Mr. Chairman. As of May 31, 2006, the
financial statements show operating fund surpluses
for both NGA and the Center. Although total
operating funds revenue is under budget at 68 percent, operating expenses are further under budget at 66 percent. Expenses are lower than expected due to staffing vacancies and lower than anticipated sub-grant reimbursement requests from the states. NGA and the Center are expected to end the June 30 fiscal year in good financial standing.

GOVERNOR HUCKABEE: Any questions on the report? I want to thank all of the governors for their thorough participation in the report.

Jim, you and Tom, thank you for being faithful to the end. Ladies and gentlemen, that concludes this session. Meeting adjourned.

(The meeting was adjourned at 4:13 p.m.)
PLENARY SESSION
MONDAY, AUGUST 7, 2006
10:00 a.m. - 11:30 a.m.

Governor Mike Huckabee, Arkansas--Chairman
Governor Janet Napolitano, Arizona--Vice Chair
Honor States Grant Update
Governor Tim Pawlenty, Minnesota
Governor Timothy M. Kaine, Virginia
Tom Vander Ark, Executive Director, Education,
Bill and Melinda Gates Foundation

Back to Basics: Learning to be Creative

Guest:
Sir Ken Robinson, Ph.D., International Expert on
Creativity, Innovation and Education

Consideration of Proposed Policies

Recognition of Outgoing Governors

Remarks by the 2006-2007 NGA Chair

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1 APPEARANCES OF GOVERNORS:

2 Governor Easley, North Carolina
   Governor Douglas, Vermont

3 Governor Blanco, Louisiana
   Governor Riley, Alabama

4 Governor Blunt, Missouri
   Governor Pawlenty, Minnesota

5 Governor Owens, Colorado
   Governor Gregorie, Washington

6 Governor Henry, Oklahoma
   Governor Acevedo Vila, Puerto Rico

7 Governor Turnbull, Virgin Islands
   Governor Risch, Idaho

8 Governor Schweitzer, Montana
   Governor Manchin, West Virginia

9 Governor Vilsack, Iowa
   Governor Fletcher, Kentucky

10 Governor Pataki, New York
    Governor Lynch, New Hampshire

11 Governor Kaine, Virginia
    Governor Sanford, South Carolina

12 Governor Romney, Massachusetts
    Governor Minner, Delaware

13 Governor Barbour, Mississippi

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CHAIRMAN HUCKABEE: Welcome to the closing session of the 2006 NGA annual meeting. Today we're going to be hearing a report from some of the governors on updates in education and then we're going to have one of the most dynamic presentations I think that National Governors have been exposed to in many years by Sir Ken Robinson on the importance of creativity, something I've been touting through the weekend and encouraging people to be here for, and hopefully governors will continue to be coming in.

But as we have stated, we will begin on time, we will end on time because we want to be respectful of everyone's schedules, including those of you who have planes to catch, places to be. And if you have any money left to spend, I know the people of Charleston would be ever so grateful for your spending your last dime of it here before you left the friendly confines of South Carolina.

Last year there were 10 states, Arkansas was one of those included, and we were selected by an independent panel to participate in the first phase of an NGA Honor Grant State Program. This is a $24-million program that was generously supported by the Bill and Melinda
Gates Foundation, the whole point of which was to make high school more rigorous but also more relevant. At the same time, governors throughout America have been working to make sure that high school students can graduate who are ready to take advantage of the opportunities that are before them.

In our state, like so many of yours, we've made a lot of progress, and this fall for the very first time, each high school student will have an electronic transcript that can follow him or her into the field of higher education. In addition to that, we've been able to implement the Graduation Rate Compact signed at last year's annual meeting and Arkansas, like so many other states, will be able to report an accurate high school graduation rate. I think it's one of the most significant things that proves the value of the National Governors Association for each of us.

Today the NGA Center for Best Practices will be releasing a report that indicates state progress toward implementation of the graduation rates that have been signed by 51 governors last year. We undertook this commitment because we knew that there needed to be a standard that we all
lived under that helped define what it really meant
to graduate, what it meant in terms of a dropout
rate because with 50-plus different standards in
the states and territories, there was really no way
of understanding what that meant. For the first
time, the compact signed by all the governors gives
us standardization and makes it possible for us to
really see how we are tracking in terms of progress
for education.

Let me just mention to any of you who
are interested in sort of drilling down a little
deeper into this issue. The graduation rate
progress report is on the NGA Web site. It's
located at www.NGA.org. The progress that we've
made is something that you can track on that Web
site, and I think you'll be impressed with what has
happened in terms of the governor's efforts in
their own individual states.

Let me give some of my colleagues an
opportunity to talk about what they've been doing
in their own states. Governor Tim Pawlenty will be
sharing with us how Minnesota is making some
progress with the Honor States Grant in that fine
state.

Governor Pawlenty.
GOVERNOR PAWLENTY: Good morning, Mr. Chairman. Good morning, governors and our special guests. I just wanted to provide a quick update on some of the highlights of Minnesota's use of the Honor States Program. Currently, there are 29 states implementing an action agenda as a result of the NGA Center's Honor States Grant Program. Grants range anywhere from $50,000 to $2 million over the next couple of years to help a variety of initiatives, but a particular focus is on graduating more kids from high school, getting them more college ready and a particular emphasis on science, technology, engineering and math or the STEM disciplines.

In Minnesota we received a generous Honor State Grant. We're using it in a number of ways. First is to improve the standards and the focus on STEM disciplines. We convened a STEM summit where we brought together business leaders, community leaders, education leaders, scientific community leaders around the topic of how do we get more kids more interested in more rigorous and more relevant math and science, technology and engineering experiences. It was a terrific summit. It was good in the sense of getting consensus
around these issues and moving the state forward from a public policy standpoint.

Our area of focus—and we know there are many things that need to be done—is a follow-on to Mark Warner's focus on reinventing the American high school and high school reform. We've taken that very seriously in Minnesota. We have tried to bring more preparatory college credit-earning experiences into the high school. We are requiring our state colleges and universities to recognize that if a child completes a college preparatory class of that type of rigor and relevance and completes the CLEP test that the colleges in Minnesota recognize at the completion of a class and the passage of the test for college credit. This is giving more children more incentive with more focus in high school and is having good results.

We're also reinventing the high school with respect to our high school graduation standards. Minnesota has a nation-leading high school graduation rate, but our high school graduation test was quite anemic. It was taken in eighth grade or higher, but many experts believe the test was a sixth-grade test so we threw that
out and made it much more rigorous and much more relevant. Starting next year, kids will be taking the high school graduation test between ninth and eleventh grade in a series of topics, and by all accounts the test is going to be much more rigorous.

We also know that like many other states, while our graduation rate is very high in Minnesota, if you desegregate the data that is not the case for disadvantaged populations, populations of color, areas in urban centers in our state and around the country. The graduation rate in disadvantaged populations is just wholly unacceptable and has been for many years, in fact decades. And so as a nation and as individual states, we need to be more bold and more aggressive about that, so we're also using the Honor States Grants to explore ways to keep children in school, particularly disadvantaged children in school, with a particular emphasis on finding themes or areas of passion that will be of interest to them and then using that as the hook to then make sure they stay on track and on pace with the broader curriculum as well.

So Mr. Chairman, those are a few of the
highlights. It goes on, but we're very grateful for the NGA and the Honors Grant Program because it's a chance to have some flexible money to experiment with and innovate in the great tradition of NGA in the states and we are grateful for the grant.

CHAIRMAN HUCKABEE: And the primary reason we have the report, to make sure that you are spending that money wisely and make you accountable before the nation on live television. Fortunately, you passed the test.

GOVERNOR PAWLENTY: Thank you, sir.

CHAIRMAN HUCKABEE: Speaking of passing the test, Virginia has a unique situation. Their governor only gets one term so they have to hit the ground running. Governor Tim Kaine has certainly done that with his leadership of the state and education reform.

Governor Kaine, would you like to give us an update on what's happening in Virginia?

GOVERNOR KAINÉ: Thank you, Governor Huckabee, and it's good to report a little bit today. We're very pleased to be one of the Honor Grant states through the NGA and appreciate the Gates Foundation support.
Let me start with a great phrase that's in Virginia's constitution: Progress in government and all else depends upon the broadest possible diffusion of knowledge among the general population. And that was written by Thomas Jefferson when he was ambassador to Paris in the 1780s. He wouldn't have imagined when he was writing that that would be a world where you could download all digital knowledge with a fingertip, and yet that's really what he was writing about, broadly diffuse knowledge among the general population and you'll succeed.

I want to report a little bit on what we're doing in the area of high school reform with a particular focus on how we're using funds with the Honor States Grant. Our focus in education here for the next four years is moving from a competence-based minimum standards testing, which we have proudly promoted and that's worked well, to an excellence-based system that's more about excellence and success than just competence.

We begin in Virginia with something that is a wonderful thing, the Governor's School network. This program began 30 years ago as a summer program for 400 kids at a state college.
campus, but it's now grown so that we have a Governor's School network that serves every community in Virginia--17 academic-year Governor's Schools. These are regional public accelerated high schools. Usually eight to nine jurisdictions send students to each one. We have 16 residential summer Governor's Schools and then a whole series of summer day Governor's Schools programs. Together they serve about eight or nine thousand of our best and brightest high school students in Virginia.

This Governor's School network in these accelerated public high schools deliver results. Two of our three--or, I'm sorry--two of the 16 year-round schools are in the top in the world in terms of their performance on AP exams, the numbers of kids who perform with a three or better on AP exams, the Maggie Walker Governor's School that I helped start in Richmond when I was mayor, the Thomas Jefferson Governor's School. One of the NGA science fair award winners yesterday was from the TJ Governor's School. And so that is where we begin by celebrating excellence and promoting the best.

We also want to promote the best in the area of career and technical education, recognizing
that not all are focused particularly on an academic curriculum. And we want to raise—and I know every governor wrestles with this—raise career and technical education from kind of a stigmatized voc. ed. track to something really powerful and meaningful. The way we've tried to do it is by implementing verifiable and transportable industry certifications as the key to our career and technical education so that students who are in a career and tech track get certifications, that if they move to Ohio or California would mean something to employers in that region. There's a National Occupational Competency Testing exam that tests this in a national and verifiable way and we have many students—nearly 10,000 in 2003 and 2004, the most recent data—who have been able to pass those tests and obtain those credits.

The focus on excellence isn't just for career and tech and then for students at the Governor's Schools. We have to focus on all these students who might otherwise kind of be in the middle. And that's what we've used the Honor States Grant I think, particularly for kids in Virginia, to give these students greater options. So the Honor States Grant in Virginia we used in a couple
of ways, first Project Graduation. Because we have high-stakes testing, we usually can tell by about halfway through a student's high school career whether they're on track to get enough credits to graduate either with the standard diploma or the advanced diploma. Project Graduation targets students who appear that they're not going to be able to achieve the graduation requirements and through tutoring and intense personal instruction helps them do it. We've helped over 5,000 students pass one of the exit exams, the standard or advanced diploma, by this intervention that the Honor States Grant has helped us through Project Graduation.

We have a Commonwealth Scholars program. We give two different high school diplomas in Virginia, standard diploma and an advanced diploma depending upon the number of verified credits students get. A lot of our standard diploma kids may not have enough to get the advanced diploma, but they can go a little farther than just the minimum requirements of the standard diploma. So the Commonwealth Scholars program again through personal tutoring tries to help those kids who are going to get the standard
diploma to get a few more credits and get a head start on what they might do in college.

We have an Early College Scholars program that the Honor Grant has helped us with, helping students try to get at least 15 verified college credits during the time they are in high school. The colleges love it because their space is filled and if they can have a student come in and graduate in three-and-a-half years rather than four-and-a-half or five it helps them and obviously families love it as well because it's an economical way to get college credit.

And then finally, like many governors, we have a Virtual Advanced Placement program. Virginia has the second highest rate of participation in AP exams taken in the country and we're in the top five in performance on AP exams. We have nearly 9,000 students taking AP exams through virtual coursework. They are not able to attain it through live instruction in their schools, but virtual coursework helps them reach that.

Another way we use the Honor States Grant is in dropout prevention, which has been a serious problem. One of the things we saw as we
went into the competency testing is you can have a high performance rate on competency testing if you would kind of give a message to some of your poor performers that they'd be better going elsewhere. Well, that shouldn't be defined as success. We want to reduce the dropout rates, and we really praise the NGA's effort to standardize graduation and dropout rate reporting so that we all kind of know what we're dealing with year to year. And so we have a Career Prep Academy that we use these honor grants for where students . . . we help students who have left finish diploma requirements but finish them on community college campuses where the ages of the students are more similar to them than trying to get them back into a high school environment where they no longer feel comfortable. And then finally, we're also working pretty heavily with our divisions of Juvenile Justice and Criminal Justice Service to come up with a resource book to help kids stay in school who had some problems with the criminal justice system.

One last thing I'll mention because while the main purpose of this is to talk about reforming high school, I'm really compelled to
mention this because I think it's part of our strategy in pre-K. About 26,000 third-graders in Virginia every year flunk the third-grade reading exam. We have about 100,000 kids in any cohort. We know of the 26,000 of those that flunk, 13,000 of them will flunk the fifth grade reading exam and they also don't do well on the social studies, math and science exams. If a kid passes the third-grade reading exam, there's a 95 percent chance they'll pass the fifth-grade reading exam.

And so we're trying through a standard pre-K and some curricular reform in the K through 3 level to drive that 26,000 annual number down to less than 10,000. That's the goal I've set for the end of my administration. It's a goal that makes everybody gulp who works with me, but it's something that we really want to strive for because I do believe--and I know you've experienced this in your own states--that most of our achievement gaps are really readiness gaps and they're readiness gaps that you can tell very early in life. And it's more efficient to put the dollars in to keeping the readiness gaps from manifesting themselves than trying to fix it later.

A friend of mine who grew up in China
learned this motto and he taught it to me and it
just strikes me as having a lot of sense: It's
easier to build a child than repair an adult. And
so we're trying to do that, and I think that will
have a lot of impact ultimately on how we're doing
at the high school level too if we expand early
childhood opportunities. The Honor States Grant
has given us--it's nice, it's flexible--it gives
us these opportunities to tackle some of the
challenges with the middle-performing students and
then reducing dropout rates, and we look forward to
continuing to work with the NGA and others to
advance the ball.

CHAIRMAN HUCKABEE: Thank you very
much, Governor Kaine. Let me remind you that at
each of your places there are reports, the
implementing graduation count state progress to
date; so governors, you might want to take a look
at that and be sure to get it to the proper person
on your education staff taking a look at it.

Also, next month NGA Center for Best
Practices will be releasing a report that
highlights the progress of the 10 states that have
been participating in Phase 1 of the grant process.
That's going to be at a policy forum in Washington
where state leaders will be convening to discuss the progress.

One of the things that's very clear: the preliminary reports indicate that governors are taking a true leadership role in helping to bring about a genuine reform--not just some whitewashing of the fence but some real change in the structure of American schools--because we know that without that our capacity to be competitive is certainly going to be compromised.

In addition to the work that you've just heard about from these governors from Minnesota and Virginia, we've seen a lot of evidence of strong gubernatorial leadership all across America. It's not to say that we don't have a lot of work to do, but part of the reason that we're optimistic is because we've had generous support from organizations like the Gates Foundation. A person who knows perhaps as much as anyone in America about the necessity and also the criteria of redesigning the American high school is our next guest, Tom Vander Ark, executive director of education for the Bill and Melinda Gates Foundation, who is familiar to all of us here at the National Governors Association.
Tom, I want you to know the governors appreciate the leadership you've brought and also the results-oriented challenge that you've given us to take it on as a project to redesign the American high school in particular but education in general, and I want to thank you for the support that the foundation has given to the NGA Center for Best Practices. Frankly, we couldn't do any of the things we're doing in redesign efforts had it not been for the generous support and the stimulation that we got from Bill Gates himself when he came and spoke to us and laid it out pretty boldly that the American high school today is obsolete. And from that moment, it has been a seminal moment in NGA life and for the governors to really look at the redesign.

Please join me in welcoming the director of education for the Gates Foundation, Tom Vander Ark.

MR. VANDER ARK: Thank you, governor, it's good to be here. And we are thrilled by the response that governors have made to the challenge in 2005.

I want to go back to 2004 and remind you of some of the questions that governors and
governors' staffs were asking themselves: Do we need more college and work-ready graduates in our state? How do we help more low-income and minority students graduate ready for college and work? The NGA staff was contemplating those questions. The staff at ACHIEVE Incorporated were contemplating those questions, and the work that they did late in 2004 led to a really extraordinary National Governors Association summit in February of 2005. Once again, we see that America rises to important challenges and particularly American governors rise to important challenges, so I'd like to spend a few minutes today telling you about the exciting results.

Just by way of background, the NGA Honor States Program and its complement, the American Diploma Project led by ACHIEVE, both of those really boil down to two important promises that we owe every young person in America. The first is that a high school diploma in America ought to mean you're ready for college and work. You're ready to get a family wage job and if you choose, can continue learning in an institution of post secondary learning. And the second promise ought to be that every young person in America
ought to have access to great schools that help
them earn that diploma. Those are the real
promises that are embodied by the Honor States
Grant Programs through the great work that we've
heard of in Minnesota and Virginia. It really
boils down to college and work-ready standards and
curriculum and assessment and sound data systems
that drive accountability.

So I'm here to report really exciting
progress in just two years. It's remarkable to
note that over 35 states have signed on to either
the American Diploma Project or the Honor States
Grant Program and either have in place or plan to
put in place college and work-ready standards.
It's extraordinary. It's a response that's just
much greater than what I anticipated back in 2004
when we were putting this program together. It's
really exciting.

Secondly, we've had about 20 states put
college and work-ready graduation requirements in
place.

Third, we've had 14 states either put
the policies in place or have plans to put the
policies in place to have a college-ready
assessment in high school. Why is this so
important? It's because there's the hidden gateway in America that most young people think we have open-enrollment colleges; that they can graduate from high school and go to a community college and once they get there, they find out there's a placement exam and about half of them flunk that placement exam, and they end up going back and doing things that they should have done in high school. And 14 states have made a commit to the end that, to make college readiness transparent by letting young people and their parents and teachers know if they're college ready. That gives them a great chance to take more rigorous courses when they're a senior so that they have a good chance of going to college and being college ready.

Fourthly, 34 states have signed up to create a longitudinal data system so we can actually track student progress from year to year and school to school.

And finally, as Governor Huckabee said, we've had 51 governors sign the Graduation Rate Compact, and as Governor Kaine said, that's really a vital step to begin telling the truth about how our young people are doing and how many are making it through high school on time.
I also want to report that we're seeing the beginning of really strong improvement in student outcomes. After almost 20 years of flat graduation rates, since 2000 we've seen an increase of about a point and a half a year. Many states are improving by over two points per year, which is really great. After 20 years of stagnation, we're beginning to see improved graduation rates. I think that's the beginning of the outcomes of the hard work that all of you have done to improve your elementary schools. It's the outcome of making the dropout problem more evident to parents and to young people and to their teachers. We can all be proud of that sort of increase.

My sense is that if we can continue that progress in this decade, by the most conservative measure, we can improve American graduation rates from 70 percent to 80 percent. Now, why is that important? There's about four million young people that will go back to school this month. At an 80 percent graduation rate, almost 500,000 more young people will graduate than would with a 70 percent graduation rate; 500,000 young people that will have better lives, will be more likely to finish a college degree, will be
less likely to cost society money in negative ways;  
500,000 young people--because of the work that  
you're doing.

Another really exciting trend is that  
for 10 years we've seen a steady improvement in  
the number of graduates that are ready for college.  
That number in 1993 was about 22 percent of  
incoming 9th-graders left high school ready for  
college. It's now about 34 percent. And I think  
if we work hard, if we implement the commitments  
that many of the governors here have made, that over  
the next eight years, maybe less, that we can  
double the number of American kids that leave our  
high schools ready for college. Maybe even more  
important than that, I think we can double the  
percentage of low-income and minority kids that  
leave our high schools ready for college and work.  
That would be an extraordinary accomplishment, an  
extraordinary accomplishment of economic  
development, but also an extraordinary  
accomplishment of social justice if we can double  
the rate at which low-income and minority kids in  
this country leave high school ready for college.  
So we have in front of us a dual  
agenda, a dual agenda of several sorts. We have a
dual agenda of setting high standards and achieving
high graduation rates. We have a dual agenda of
promoting wide-scale improvement and innovation.
That dual agenda: improvement-innovation. I want to
give you just a handful of examples from around
the country of people that are combining
improvement and innovation. I'll start in
Missouri.

We're really excited about the work in
Kansas City, both Kansas City, Kansas, and Kansas
City, Missouri. They're working together as a
metro area with a comprehensive plan to implement a
rigorous curriculum to improve the quality of
teaching to give kids better guidance and to do so
in a personalized environment. It's an exciting
plan and Kansas City, Missouri, is now on the same
sort of improvement trajectory that Kansas City,
Kansas, was, and Bill mentioned that in his speech
in 2005.

We're excited about the work that's
going on in Boston, where they're improving all
their existing high schools with a rigorous
curriculum in small learning communities, and
they're starting innovative new pilot schools.

Just in New York City they've launched
over 200 innovative new schools, many of which are opened in concert with a community-based organization--schools that really build on the local assets of the community.

In Chicago you can see evidence of an improvement and innovation agenda. Chicago was one of the most decentralized urban systems in America and, not coincidentally, one of the worst about 10 years ago. Chicago just adopted a new math and English curriculum which will be a city-wide curriculum. And in addition to that, like New York, they're closing the lowest-performing schools and replacing those with innovative new schools, a great example of citywide improvement and citywide innovation.

We're seeing those signs all over the country in all of the Honor states, in all of the American Diploma Project states. We're really proud of the leadership that the National Governors Association has lent to this effort. It has been a great investment for us and more important than that, it's been a great investment for America.

Thanks.

CHAIRMAN HUCKABEE: Thank you very much, Tom. Once again, I think it's pretty clear
that around this table and around the country, the innovations that are changing American policy at the governmental level are happening with states and with governors, and it's another good reason for us to highlight some of those changes here at the meeting of the National Governors Association.

Perhaps one of the great passions in my life has been to try to emphasize that music and arts in education are not an extracurricular activity. It's not expendable; it's not extraneous, but it's essential. Everyone who's ever read Richard Florida's book, *The Rise Of The Creative Class*, knows that he puts a high focus on the changing economy of America; that it's not going to be an industrial or just technological economy; that the raw sense of human capital is really about creative capital; and that for us to remain competitive, it's not enough just to have a wonderful education in math and science and to have good reading standards, but both sides of the brain have to be properly developed, the left and the right.

Over the past couple of years working with the Education Commission of the States, we've put a real focus on that, and one of the people that
I've had an opportunity to get to know on a very personal level is our next speaker. This is a book he's written that I believe is one of the pivotal books that I would encourage every governor to read, and I wish every superintendent in America would read it. It's a book called, *Out of Our Minds: Learning to be Creative*, and it really is a remarkable, substantive, compelling--I think perhaps--presentation of why as governors we cannot afford to allow music and arts education and the whole creative side of student achievement to be something that we say, we'll deal with that only if we have enough money. It has to be an issue that we must make enough money to ensure that every student in America has access to an opportunity to fully engage in their creative side.

When we invited Sir Ken Robinson to be here today, I knew that his presentation would be provocative; I knew that it would be entertaining; but most of all, I'm hoping that it will be a challenge and a call to arms to all of us. His report on *All of our Futures: Creativity, Culture and Education* has had an impact already on both government and corporate attitudes toward creativity.
If I ask you who's a person who is a native of Liverpool who was knighted by Queen Elizabeth, your first inclination might be to say Sir Paul McCartney, and, of course, you would be correct; but there's another person who is a native of Liverpool, England, also knighted by Queen Elizabeth II, in his case for his outstanding achievements as a writer, speaker and leader in creativity, the arts and education. I would say by golly if he's good enough for the Queen, he's good enough for us. Welcome Ken Robinson please.

SIR ROBINSON: Thank you, Mike. Actually, I was in Liverpool last week with Paul McCartney, so there. Thank you. Paul McCartney, or Paul as I call him, is the patron of the Liverpool Institute for Performing Arts, which is an institution he's created with others from the school he went to in Liverpool in the '50s and '60s, and I was talking about it with him last week. I was honored to get an honorary degree from the school because I helped to set it up in the early days, and he was telling me that he found music at school tremendously boring. In fact, he went through the entire process of his elementary and high school education without anybody ever...
suspecting he had any musical talent at all. Paul
McCartney we're talking about; I gather he wasn't
allowed in the school choir. They said he wasn't
good enough. How good was that choir? I mean, how
good can a choir be, frankly?

Actually, my first contact with America
was in 1964. I have a pen friend in Michigan, and
then I had about six more pen friends in Michigan
in 1964. They all wrote to me every week. The
reason they wrote to me every week was they were
under the impression that I was at school with The
Beatles. They got this impression from me, as a
matter of fact! I didn't say I was at school with
The Beatles, that would have been lying, but it was
the same city at the same time, just a different
school. It was a detail so far as I could see,
frankly.

But I now live in America and I wanted
to say a few words of comparison between what's
happening in Europe, Asia and in the U.S. But I
want to begin truthfully with a note of thanks to
Governor Huckabee for his leadership of the NGA
this year but also for his extraordinary leadership of
the Education Commission of the States where he
really has given a high profile to the arts and
also to the NGA itself.

I want to talk a little bit about education, and I think of all the complex challenges that governors face, education has to be very near the top of the list. I think it would be wrong to underestimate any of the complexities or challenges that face all of us globally in education, but I do want to focus on something which I believe often goes by the wayside and ironically, it should be at the very heart of our concerns for the future. This is the idea of creativity.

I want to put three questions to you. One is: Why is it essential to promote creativity as a core competence in education? My belief--and I'm not alone in having it--is that creativity now is as important as literacy and math. It's a lot different from either of them, but we should set about cultivating creativity with the same determination that we have applied ourselves to literacy and to math. So I want to say a few words about why that might be.

Secondly, what's the problem? It strikes me always that many adults have a problem around creativity. Actually, many policymakers, I think, have a problem with creativity. I think
it's because creativity is often associated with people running wild, knocking the furniture down and being off the leash and in some ways I think in some people's mind associated with progressive education of the 1960s, as a result of which we now all have to try and raise standards. I believe there are several misconceptions around the idea of creativity. And I'll give you some credentials for thinking this in just a moment, but there are three anyway. One is that creativity is about special people, that only really rare people have creativity capacity. I believe profoundly this isn't true. To believe that only a few people have creative capacity is comparable to believing only a few people are capable of learning to read and write. And in the 19th century, there were those who did think that only a few people were capable of learning to read and write. We would now take that idea to be offensive, and I believe we have an historic challenge now to recognize the importance and the operational practicality of promoting creativity in the way that we have applied ourselves to literacy. And the reasons are just as compelling. The second misconception is that
creativity is about special things, mainly the arts. It isn't. The arts are tremendously creative, but so is everything potentially-- science, technology, politics, math. Anything at all that involves human intelligence is a scene of creative achievement. I used to supervise doctoral programs when I was at the University of Warwick in England, and I remember talking to a math professor who supervised doctoral dissertations in pure math. I couldn't imagine such a thing, frankly.

I wasn't terribly good at math at school. In fact, I remember my daughter until she was 14 thought I knew everything and this was an impression I was very keen to encourage. And she came to me one day at maybe 13 with a page full of quadratic equations, and I felt the old familiar panic attack, you know, and so I introduced learning by discovery methods at this point. I said, Kate, there's no point in me telling you the answer; frankly, that is not how we learn. We have to discover this for ourselves. I'll be outside having a gin and tonic. And even when you know the answer, there's no point showing it to me, frankly, that's what teachers are for.

Anyway, she came a few days later with
a cartoon strip, and there are three panels on the
strip. This is for you. The first one, it was a
father helping a daughter with homework and on the
first panel he said, what have you got to do? He's
leaning over her shoulder. And she said, I've got
to find the lowest common denominator. And he
said, are they still looking for that? I was
trying to find that when I was at school.
I wasn't great with math so I was
intrigued to meet a professor of pure mathematics
and I said, how do you assess a Ph.D. in pure math?
And, I mean, presumably he's right I thought, you
know. You'd be annoyed, wouldn't you, to spend
five years getting your Ph.D. in pure math, it
comes back wrong, you know, see me, eight out of
10. He said, no, they're normally right. So I
said, well, how did you judge them? He said, there
are two criteria for a Ph.D. in pure math. The
first is originality. It has to break new ground.
It has to open up new conception or understanding
so it's the creative quotient.
And the second intrigued me even more.
He said, it's aesthetic. I said, what do you mean
by that? He said, it's the beauty of the proof.
There's a very powerful feeling among
mathematicians that the more elegant the proof, the
more likely it is to be true. And any
mathematicians among you will know that's the case,
that a mathematician could be equally talking about
music or poetry. You can be creative at anything
that involves your intelligence.

And the third misconception is there's
nothing much you can do about it. You're either
creative or you're not and that's the end of it.

Well, actually, there's a lot you can do. That's
like saying there's no way you can teach anybody to
drive or to write. You can't make them, but you
can create the conditions under which they are more
likely to flourish, and I believe it's powerfully
important now that we create those conditions.

I came across a great story recently
which I'm very fond of telling which is of a
six-year-old girl who is taking a drawing class, a
rare enough thing in her school since the arts have
been cut. And the teacher was a bit intrigued
because she said this girl normally didn't pay
attention. So the teacher went over to her and
said, what are you drawing? And the girl who
hadn't looked up for 20 minutes said, I'm drawing a
picture of God. And the teacher said, but nobody
knows what God looks like. And the girl said, they
will in a minute.

Isn't that great? What it speaks to
for me is that all children are born with
tremendous capacities of imagination. By the time
we get to be in our 20s, many of us have lost
that capacity and it isn't an accident. Picasso
once said that all children are born artists. The
problem is to remain an artist as we grow up. Many
tings in the end stultify children's capacities
for imagination, but one of the principal ones is
education. We educate our children out of their
creative capacity. We don't do it deliberately,
but we do it systematically. It's in the culture.
Actually, education was never designed to promote
creativity. It was designed to promote something
else, essentially a certain form of academic
reasoning.

So I believe these three
misconceptions, special people, special activities
and there's nothing you can do about it, have to be
reengineered if we're to really make progress in
the 21st century. So I think it's urgent. I think
that there's a problem, but I think we can fix it.
And I just want to say a few words about how we
might set about it.

I was invited—in '97 after Tony Blair was elected prime minister in Britain—he talked a lot about creativity and innovation, and he was right to. And he talked a lot about the need to rethink some of the fundamental assumptions of education, and he was right to. I became concerned though in Britain at the time that in practice, the reform movement didn't seem to me to be a radical reappraisal. It was really based on the premise that the way we face the future is to do better what we did in the past, but somehow the issue is just about falling standards and if we can kind of rack them up again, everything will be okay.

My really heartfelt contention is that this is a mistake, that our present systems of education in the West, throughout the West, were conceived in a different time for a different purpose. They were conceived at the height of industrialism to provide the workforce that was required for an essentially industrial-agrarian economy. And you see that in one striking way:

Almost everywhere you go there's a similar hierarchy of subjects in schools.

We moved from England to America five
years ago. And by the way, I am now a permanent resident so you can't get rid of me. I'm here. We moved out to California. I was living previously near Stratford-on-Avon in England, and we moved from Stratford-on-Avon to Los Angeles. So you can imagine what a seamless transition this proved to be.

I might just say something about this. I want to come back to it later on. One of the things that you notice when you change continents or travel globally as many of you do is there are striking similarities emerging in popular culture, but there are also resilient differences which are hard to eradicate and that we don't really want to eradicate, subtle local cultural differences. One of them is our sense of time. In Europe, a century isn't anything to get very excited about really. Our house in Stratford was built in 1860 and this was one of the newer developments in Stratford, you know. In Los Angeles where we live now, which I love by the way, any house that's been up for 20 years is a heritage property. You know, school buses pull up outside of the house and children are brought to gaze at it, you know. This house was built in the last century, meaning the last
century.

There was a commercial I heard on the radio which struck me as telling because I find that people say decade in the way that in Europe people say century because I think it sounds similar. And there was a commercial for radio--on the air for a local company--and it said it seemed to me a lovely example of something straining for a sense of tradition. It said this company proudly is serving Los Angeles for almost half a decade. Sounded so great, you know, you think, what, three years, we don't know.

A few months ago I was in Beijing doing some work with Fortune and Time magazines as one of their principal voices, and I remember complimenting a chef in a restaurant on a meal. And I said, this is a beautiful meal and--actually, it was the waitress. She said, well, thank you very much. And I said, but I love Chinese food by the way. And she said, well, thank you very much, but this isn't really a Chinese dish. I said, is it not? She said, no, this method of cooking fish was introduced into China by the Mongols 900 years ago. So this could be a fad, you know, in Chinese terms, no way of knowing if this will really eventually
catch on.

Do you remember Kelly Lane in 1949 was asked what did he think had been the impact of the French Revolution on Western Civilization and he said, it's too soon to say. And he's right, of course, if you consider the events in France over the past 18 months. I mean, what is that except a continuing struggle for French identity?

So I'm saying these long cycles of history are rather important. China has now embarked on the largest reform of education on earth and interestingly, they are committing themselves to promoting creative thinking at the heart of the reform program. They believe that their traditional ways of teaching children are too focused on content, too focused on high-stakes assessments, too driven by examinations and that they are killing children's capacity for creative thinking. And China believes that the only way to face the future is not to kill creative thinking but to kindle it in a systematic way. And this is a reform movement now which they are anticipating to go to 2020 and beyond.

This is one of the things I really want to emphasize. Education reform isn't a quick fix.
It's a long-term process, but we have to calibrate the instruments properly. So I came to the idea as having put together with others a strategy for creative development in the UK, recorded *All Our Futures*, as Governor Huckabee said. It's led to, I think, a series of remarkable changes in UK education, which I'd be happy to talk to people about later on if you'd be interested. I did a similar strategy in Northern Ireland as part of the peace process, and I was involved in the strategy in Singapore.

I mentioned this hierarchy of subjects so wherever you go, it's there. It's becoming moderated. It's a list. At the top of the hierarchy are English and math or language and math, then science and then the humanities and then the arts. This hierarchy is something we mainly take for granted in educational planning, and the thing that struck me in the UK is that the biggest obstacles to real reform are not the problems you recognize but the things that we take for granted.

One of the things we take for granted is that the hierarchy of subjects is a natural scheme of things. Actually, it isn't. We take for granted that science speaks to the intellect and is
about hard work and objectivity and that the arts
are about emotions and feelings and something to do
with leisure and recreation. They're not. In
every culture on earth everywhere, the arts have
emerged as part of the common practice of being a
human being. It's only really in education that
they become marginalized. It's a very interesting
process, this, that outside of education, the arts
are high-stakers, high impact, low paid; but, inside
education they're low-stakers almost everywhere.
And yet the greatest achievements of American
culture have been driven forward by a congruence of
science, technology, design and art, have they not?
But in education, we have tended to resolve them
into a hierarchy. So one of the issues for me is
how we resolve the hierarchy issue.

Every system pretty much on earth is
being reformed. When we came to America, I put my
two kids in high school in Santa Monica. My son
James was a bit traumatized by the whole thing. He
had to learn new subjects that had never come
before in his junior year. He had American
history, which we don't teach in England. In fact,
our policy is to suppress it if we can, wrap it
round with a series of apologies, you know, we're
very sorry--we messed up. In fact, we stay indoors on July the 4th! We draw the shades and look at pictures of our family and weep for times past.

But I was very struck that the dominant process of reform in America is similar to what we were seeing in Europe a little while ago. It's focusing on math and science, very important, and literacy--of course they're important. It uses high-stakes assessment as the primary instrument, standardized testing and so on. My view is that the challenges that face America are those that face every country; but honestly, I think some countries are now moving in a different direction, and I sense that from the work of the NGA and the account we just heard from the Gates Foundation. And I know from states that I've worked with around the country that there are other initiatives moving, and I believe that these are really the seedbed of the new growth of education.

If you think of it, there are really three major challenges that we all face worldwide. The first is economic. Every country has tried to figure out how do we educate our children to take their place in the extraordinary new economies of the 21st century; how do we do that?
I was born in 1950, as some of the
governors here were, I guess, or thereabouts,
within reach of 1950, '60. I don't want to offend
anybody. You're over 30, come on. And in 1950, in
the '60s, we were told a story that was true. The
story was if you went to school, graduated, worked
hard, certainly if you went to college and got a
college degree, you would have a job for life and
there would be no question of it. The idea that
you would be unemployed with a college degree was
preposterous.

It isn't preposterous now. In fact,
most employers take a degree for granted. You are
certainly better off having a degree than not
having a degree, but the degree in itself and of
itself is no guarantee of a job in the way it was
25 years ago. It used to be a passport to security
until recently; a degree now is a visa. It gets you
in but doesn't give you permanent residence. You
have to do something else to achieve that. The
reason is that the whole structure of education was
different, and the world is changing around us
faster than most of us--I honestly think--can yet
conceive.

If any of you here have children of the
age of five or less, think of this: They will be
starting school maybe this September. They will be
retiring in 2070 or thereabouts. Nobody has the
faintest conception what the world may look like in
2070. In 1950 we thought we did know what the
world would look like during our working lives and
it was more or less right. It isn't true anymore.
There are two major drivers that have
changed. The first is technology, which is
transforming everything. The Gates Foundation, I
believe, is doing extraordinary work in America, and
Bill Gates' own commitment to the issues is
exemplary. Bill Gates is among the richest people
in history. He sits atop the pyramid of world
wealth. He acquired his wealth in a business that
didn't exist when he was at school, when any of us
were at school. It was an inconceivable idea.

Now, the technology is far from over.
It's racing away from us at a rate we can hardly
anticipate. One of the things that we're looking
forward to now is the extreme miniaturization of
information systems and an event which Ray Kurzweil
calls singularity. Singularity is the point at
which human intelligence may merge with information
systems in the foreseeable future.
At the moment, no computer comes anywhere near the processing power of your brain. It's anticipated within the reasonable future it will. So how's that going to feel, you know, when you're sitting in front of a laptop computer that's as smart as you are? You know, you give it an instruction, and it hesitates, you know. Well, really, have you thought this through? I am not sure that you have, you know. I'm told that quite soon we may be able to use our bodies as broadband receivers, our own bodies, so we don't need to find hot spots in hotels anymore. I mean, you may continue to look for one, and apparently on that basis we will be able to exchange files with people just by holding hands with them or whatever method you prefer. You know, it's entirely up to you, according to what the situation demands. So technology hasn't stopped evolving. It's evolving even faster. What will your grandchildren be taking for granted technologically? If you handed your grandparents a BlackBerry back in 1950, they would have thought you were Captain Kirk, and now we take it for granted. So it's not stopped. It's getting faster with immense cultural implications.
And the second big driver is demography, the pattern of population growth. This week America's population reaches 300 million for the first time in history, and one in eight of the population is now Hispanic. Now, the Hispanic and minority economies in America are growing at about three times the rate of the economy as a whole. It's a huge change. The birth rate in most of America is declining. The growth here is by immigration. But in other parts of the world, the population is growing by birth rate, notably in China, the Middle East and Asia. I was in Saudi Arabia a little while ago and there 50 percent of the population is under 15.

Well, you know what this is producing in effect? The technology and demographic changes are shifting the axis of the world's economy and of the world's cultural profile much more towards Asia than in the past. I think it's reasonable to say, isn't it, that in the 19th century, the world was more or less dominated by Europe, perhaps especially by the UK? There's no question that the 20th century belonged to the U.S. It's an open question who will own the 21st century. There are no facts about the future. What we do know is that
the challenges around the world are being met by a
determined attempt in many countries to promote
innovation systematically.

So let me just quickly say what I think
this might involve. There are two reasons why we
have to think about promoting innovation and
creativity systematically. The first is that
economically and culturally, the capacity for new
ideas is the lifeblood of social and economic
stability, the capacity to create new jobs, to
create new industries, to attract people to your
state so they'll want to work, raise their children
and have a life that has meaning and purpose.

Innovation is what made America great, and it's what
you will depend upon for future greatness.

The irony as I see it as I travel
around is other countries are learning the lessons
of early American success and applying them in
their own education systems. There is an ironic
possibility, if I can say it, that the direct and
almost exclusive focus on certain sorts of testing
and academic ability will halt the very process
which made America what it is. At least it may not
reverse things, but other people are catching up
fast on the rails, and innovation is America's
hallmark and it begins in education. The current process may be about to stall it as I see it.

Let me just define exactly what I'm talking about. By the way, I said there are two challenges. One is economic. The second is cultural, our sense of identity. There are three big terms here. My passionate belief is we can make innovation systematic and operational in the way we teach literacy. There are three identities. First is imagination. Imagination is the gift of human intelligence. It's the thing that makes us human, the capacity to bring to mind alternative possibilities.

Creativity is a step on. It's the application of imagination to the solution of a problem or to conceive an alternative way of doing things. In a sense, creativity is applied imagination, and it's a very practical process. It can apply in science, in math, in music, in art, anywhere that involves our intelligence.

Innovation is a step on from there. It's putting good ideas into practice. So I define creativity as the process of having original ideas that have value. Innovation is putting them into practice and testing them in the real world. It's a
function of intelligence.

One of the problems for all of us, I think, is that our education systems in the West historically have been built on two pillars. The first is economic, the assumption that some subjects would be more useful than others for getting jobs, and in an industrial economy it was true. People were steered away from certain programs on the basis they would not get a job if they did that, isn't this true? Don't do art, you won't be an artist. Don't do music, you won't be a musician. Don't do dancing, you won't be a dancer. Actually, now, well-constructed, well-thought-out, rigorous arts programs in particular teach many of the skills that are necessary for the innovation economies of the 21st century.

But there's something else going on because people did not say, don't do math, you won't be a mathematician. There's an assumption that some subjects are more intellectually rigorous than others, and this is because our intellectual culture is rooted in the enlightenment of intelligence. We've come to conflate intelligence with a certain type of academic reasoning, and truthfully, intelligence goes way beyond it.
Otherwise, culture would not be as rich and diverse as it is.

I think we know three things about intelligence. One is it's diverse. We think about the world in many complex ways. We think visually, we think in sound, we think in movement, we think in words, we think in numbers. It's diverse.

Secondly, it's dynamic. Intelligence is wonderfully interactive. The best mathematicians think visually. The best dancers think mathematically. The human mind is intensely dynamic and interactive. And thirdly, it's distinct. The way our intelligence configures in our individual capacity is unique to us, to our own history, our own genetics and our experiences. Each of us has a unique profile.

Education as traditionally construed, I think, contradicts these principles of diversity, dynamism and distinctiveness; firstly, because the school curriculum typically has a hierarchy which prioritizes certain ways of thinking over others. So it's possible for highly-creative, ingenious, innovative people to pass through the whole of their education never recognizing what they are good at or feeling valued for the thing they do.
Secondly, we tend to segregate our curricula and still the very dynamics of creative thinking which have driven innovation forward. So math is on a Tuesday, French is on a Thursday, and we know they're different because they're on different days. Actually, real innovation comes from the interaction between them.

And distinctiveness is thwarted because we are tending to impose standardizing procedures on our children to promote conformity rather than natural diversity. So I've been involved in a number of issues around the world to try and, so to speak, reengineer education to promote a different way of thinking; and it has these implications--I'll just close with this. It has these implications.

If you are really concerned to promote creativity systematically, there are four areas of action. The first is the school curriculum. We have to rebalance the curriculum to show the equal power and weight in the growth of a child's mind of the different ways of thinking that are represented in the arts and science and mathematics and the humanities. The Renaissance, oddly one of the
greatest periods of human creativity ever, wasn't born out of exclusive science projects. Da Vinci and the other great leaders of the Renaissance didn't think of themselves as scientists. They thought of themselves as scientists-artists-humanitarians, and they achieved wonders.

The Internet, the greatest communication system in the history of the earth, has not only been wrought by scientists acting alone or technologists acting independently, but by writers, by designers, by musicians. And the great work happens in creative teams. The great companies like Microsoft don't just employ technologists. They have commerce with creative minds of all sorts. And the great growth of the American economy is being driven in that way. The great Industrial Revolution here was driven by many minds meeting around common issues.

The Academies of Science and Engineering and the Institute of Medicine wrote a compelling report you remember last year called Facing The Gathering Storm, and they proper your attention to the threat to science education in America. I believe that's right, but I really believe we should put alongside of it a broader
Concept of curriculum so that we see that science is part of a broader map of human enterprise and intelligence. The great scientists I know are also deeply interested in the forms of creative work.

The second area is teaching. Great education comes from great teaching and it concerns me in many innovation movements in many reform movements in education around the world. There's been an attempt to make education teacherproof and actually, we should be investing in the professional skills of teachers heavily. China has recognized this historically. Teaching in China is an honored profession, and they know they can't reform education without reforming teachers and enriching and extending their expertise and their capacities for creative thinking themselves.

The third area is assessment and accountability. Everything I'm talking about is susceptible to proper public accountability because it isn't that we're doing creativity at the end of the day. Creativity is at work within every discipline, so to speak, to let a thousand flowers bloom. It's a different way of conceiving the process of education, and we've done a lot of work to show how that can be properly assessable.
And the final area is partnership. I strongly believe in the future that we have to move away, so to speak, from the factory model of education where children are taken to separate facilities and taught. Some of the best examples around the country, and I think it was implicit in what we heard from the Gates Foundation, are collaborative programs where schools and cultural organizations and others are working in partnership rather than isolation. Now, I believe it's a perfectly operable agenda. The truth is the UK, Singapore, South Korea, China and the other major centers of innovation are already engaged in this process. I believe that historically America as the world's center for innovation and ingenuity has much to teach the rest of the world, but I believe passionately the processes of creativity have to become embedded in a new way of thinking about the curriculum and the way we train our teachers, one in which the arts and sciences are given equal weight.

There are some great programs already happening around the country, and I'll just mention them in passing. The first is I'm delighted to be involved essentially in a statewide project in
Oklahoma. Governor Henry is here this morning and we're involved with the universities, with the great companies in Oklahoma, with the cultural foundation, the Oklahoma Creativity Project, which is to try and promote creative thinking and innovation across the whole state.

The Partnership for 20th Century Skills I think has a focus on many of the correct issues and is working closely with West Virginia, I know, and with North Carolina. Governor Huckabee has done tremendous work in Arkansas in promoting a broader focus of the curriculum. California has recently passed a new budget to promote the arts and to put them back on the same footing as other disciplines. I know there's great work happening in Michigan; I was there last week, and also in Arizona and in other states around the country. It's also the case that the A+ Schools movement, for example, Data Institute and others are developing new models.

I think really to me this comes to a request that promoting a more creative approach to education is really a way of saying let's develop all of our children's talents, let's recognize the diversity of talent and the skills and rigor that
come from looking into somebody's eyes and recognizing who they are. America has always been the scene of the great pragmatic movements in human history, and I believe passionately that if America were to engage fully with a program of innovation that began in our schools, you would be as unstoppable as you were in the 20th century. But at the moment, I think there's a risk that a narrow focus on some parts of the curriculum and on standardized testing may subvert the interests of the reform movement to set itself.

There's a wonderful comment by von Humboldt, you remember the German philosopher, who said, what you would have in the life of a nation you must first put into its schools. What you would have in the life of a nation you must first put into its schools.

Somebody was saying earlier you can't fix this very easily down the line, but you can get it right at the outset of elementary education. So I would hope that individual governors, most of whom I know recognize the importance of the agenda, might commit among the other movements that are happening, to auditing what the opportunities are in your own state which are promoting opportunities
for creative thinking or inhibiting them that we might gather data around those issues. The NGA might act as a clearinghouse for good practice and for mutual support to see what practices are achieving, what's required in different parts of the country and that together there might be, so to speak, the kind of movement towards creativity that we saw in the '60s in response to Sputnik. It just seems to me that the creative challenge now is comparable in scale and scope to the challenge that galvanized America with the launch of Sputnik in the '80s. It's on that kind of a scale.

There was a wonderful comment I heard recently which said the problem for all of us often in education is not that we aim too high and fail but that we aim too low and succeed. And America, it seems, has never settled for second best, and it certainly can't afford to aim too low just now.

Thank you.

CHAIRMAN HUCKABEE: Thank you very much, Sir Ken. We're going to take a couple of very brief questions from a couple of governors. If you have questions, we'll squeeze them in very quickly.

Does anyone have a question they wish
to ask? Governor Manchin from West Virginia.

GOVERNOR MANCHIN: Sir, first of all, I enjoyed very much your presentation and I'd like to ask you, is there a period of time--I know preschool--we talked about preschool and how important the early times are for a child to develop. Where do you find the most innovative time that a child should be intervened if they're going to go on and succeed? Is it fifth through eighth grade the way our system is set up now? Is it preschool? Is it, you know, grade school or is it 9 through 12?

SIR ROBINSON: Well, I--can you hear me on this?--I personally think preschool is vitally important. One of the things that I think we're learning now from studies of the brain is that children are born with extraordinary capacities, but they become focused and specialized quite early on. I mean, I know, for example--take language as an example. If a child is brought up in a multilingual household, they just learn every language they're exposed to. Might be five, it might be six. And there doesn't seem to be a natural limit to it. They don't suddenly get exhausted and say, kick my grandmother out of here,
you know, I can't handle one more dialect, you know, this is completely doing me in. You know, they just learn the languages. But if you're brought up in a monolingual household, you learn that language and then you try learning a second language when you're 15; your brain at that point has become very specialized.

So I really think that investing in early years education is terribly important. But I might say that there are some great programs happening in different parts of the country. I know of the one in Oklahoma because I've been exposed to it, but I know there are others too. But I believe it's a progression; that we want with our very young children to give them confidence in ways of thinking. The elementary school it seems to me should be very broadly based, but there is a very solid case for specializing more in the high school.

I was very struck when we moved to America of this major difference: In the UK, and I think in most European countries, there reaches a point where at the age of 15 or 16 where kids can specialize in subjects they enjoy most and feel most resonant with the way they think. So in the
UK, you can drop some subjects and focus on five.

I was, I must say, struck that in the American system you have to continue with all subjects until the end of 12th grade, and I think it contributes somewhat to the sense of disaffection some kids have. Seems to me at that point, people know kind of much more who they are. It's that sense of conformity, but I would start--I think preschool is especially important.

CHAIRMAN HUCKABEE: Governor Douglas for the final question.

GOVERNOR DOUGLAS: Mr. Ken, thank you very much for your presentation this morning. I was intrigued by your suggestion that we'll all be interacting with computers smarter than we, a frightening prospect perhaps, but I wonder if you think that there's any concern we should have about that impeding creativity of young people because here the kids don't have to learn to spell anymore, for example, because it's all done for them or conversely, is there a way to use that technology to enhance creativity?

SIR ROBINSON: I do honestly have some concerns about it, and I don't know if it's because I am as old as I am, but I think there's some
evidence to shore this up. A guy called Marc Prensky made a very interesting distinction a few years ago between what he called digital natives and digital immigrants. What he means by that is if you're over 25, you were born before the digital revolution happened so most of us have a kind of fumbling relationship with the technology. You know, we do PowerPoint and have PDA's and feel we're groovy but not really. If you look at your teenage children, they have a facility with this technology which is way beyond anything we can aspire to. Somebody once called them screenagers. Our children are tremendously connected.

And can I just ask how many people in the whole room here have a page on myspace.com? There you go. If this was a room full of teenagers, probably every hand would be up. This was launched three years ago. It now has 18 million members and counting, and most kids are on line if they can afford to be a great deal. What we don't know yet is what the impact is on their socialization, on their face-to-face contact, and I think that may prove to be a loss to them. We certainly try with our kids to keep them as connected as we can. I mean, not that they resist
it, but I do feel that they are tremendous tools here for creative thinking, but we ought not to lose sight of the traditional ways of face-to-face interaction.

CHAIRMAN HUCKABEE: Please join me again in thanking Sir Ken Robinson for a wonderful presentation.

We now have the adoption of proposed policy positions alphabetically by committee. They were originally sent to governors on July the 14th and you have a packet in front of you that reflects those policies that were adopted by the committees yesterday. They require two-thirds votes of those who are present and voting and to expedite the matters, I'm going to ask each committee chair if they would to move the adoption of their committee policies in block.

Governor Brad Henry of Oklahoma, chair of the Economic Development and Commerce Committee, I'll call upon you for your report.

GOVERNOR HENRY: Thank you, governor.

Yesterday the Economic Development and Commerce Committee passed five policies, two in the nature of a substitution. In addition, we had a very lively and robust roundtable discussion regarding
the timely topic of telecommunications reform.
Thank you.
I'd move adoption.
CHAIRMAN HUCKABEE: Motion is to move the adoption of the report. Is there a second?
We have a second. Any discussion?
All in favor say aye.
Any opposed say no.
The ayes have it.
Governor Tim Pawlenty of Minnesota, chair of the Education, Early Childhood and Workforce Committee, you are called upon for your report.
GOVERNOR PAWLENTY: Thank you, Mr. Chairman. Governors, yesterday the Education, Early Childhood and Workforce Committee met to discuss business and government working together to attract students into science careers. Sir Ken Robinson, you should have attended this session. We appreciated your comments, by the way, and we focused yesterday on science and technology, which as you acknowledged is an important part of the curriculum and what you are describing is in addition to our rebalancing.
We heard from distinguished panelists
from the National Science Foundation, the 3M Foundation, the GE Foundation, president of the Museum of Flight, and, importantly, a group of young high school students who are here as part of an NGA science fair. And these are spectacularly bright and engaging young men and women who were stunning in their presentations of their science projects and their affinity of science and technology.

We have three policies for consideration today without changes. We recommend to the NGA membership adoption of amendments to ECW 11, 13 and 14, Mr. Chairman.

On behalf of the committee I move adoption of the policy recommendations.

CHAIRMAN HUCKABEE: Is there a second?

And there is. Any discussion?

All in favor say aye.

Any opposed would say no.

The ayes have it. Report is adopted.

Now I'll call upon Governor Haley Barbour of Mississippi, chair of the Health and Human Services Committee, for a report.

GOVERNOR BARBOUR: Thank you, Mr. Chairman. The Committee on Health and Human Services heard a very bold presentation from the
Secretary of Health and Human Services, Mike Leavitt, about action to improve the healthcare system in the United States. We also heard from two other presenters who demonstrated that they have already done in their businesses or in their states parts of what Secretary Leavitt proposed. We had a very good meeting. We also adopted six amendments to our policies for HHS 56710, 13 and 14.

I'd move the adoption of those amendments.

CHAIRMAN HUCKABEE: Is there a second?

We have a second. Any discussion on the report?

All in favor would say aye.

Any opposed would say no.

The ayes have it. The report is adopted.

Now Governor Joe Manchin of West Virginia, chair of the Natural Resources Committee, I call upon you for a report.

GOVERNOR MANCHIN: Chairman Huckabee, the Natural Resources Committee met yesterday and had an excellent discussion regarding the high cost
of energy and the effects on all 300 million
Americans that's happened and also the challenges
and opportunities presented by the alternative
transportation fuels. We also approved revised NGA
policies on the following five issues: Water
resource management; farm agriculture policy;
global climate change; improved pipeline safety; and
improved cooperative management of invasive
species.

Mr. Chairman, I now request that these
policies be moved in block.

CHAIRMAN HUCKABEE: You've heard the
motion. Is there a second?
And there are several so we'll now ask
for any discussion.

All in favor say aye.
Any opposed would say no.
The ayes have it. The report's
adopted.

I'd like to call upon the vice
chairman, Governor Napolitano, regarding Executive
Committee policies.

VICE CHAIR NAPOLITANO: Yes, Mr. Chair,
the Executive Committee proposes one new policy
position, implementation of the Deficit Reduction
Act of 2005 contained in the purple packet. It recognizes the increased flexibility states were given to manage state Medicaid programs as part of the Deficit Reduction Act. It also calls on Congress and the administration to work closely with governors to implement any required changes to Medicaid and the Tanner programs under the DRA.

On behalf of the Executive Committee,

I'd like to move adoption of the policy.

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

We have a second. Any discussion?

All in favor would say aye.

Any opposed would say no.

The ayes have it and the report is adopted.

I want to say thanks to all the committee chairmen for putting together some excellent committees yesterday. I heard great reports out of all of them, and it's to your credit for the great work that you've done to help further the work of the governors.

Before we recognize the outgoing governors, I want to take just a moment to express appreciation for folks that rarely get recognized
but deserve extraordinary kudos because without them, not just this meeting but the work that goes on year-round simply wouldn't happen, and that's the staff of the National Governors Association. From Director Ray Scheppach and all the policy staff down to the folks who just run up and down the hallways doing the things that we don't even see--but without them, we simply wouldn't have the effective organization we do.

There's a reason that the National Governors Association is considered one of the, quote, Big Seven, a prestigious organization that gets things done and has an impact on policy as it relates to government in the United States. And it's largely because those of us who serve as governors, in addition to our own staffs from our states, have a tremendous partnership with the staff of the National Governors Association.

As a chairman, it has been an absolute delight to work with a group of professional people who somehow manage to steer through these waters in a very bipartisan way, which is a challenge in itself, and I commend them for that. And frankly, I don't know the political affiliations of virtually any of them, but I know that they are
affiliated with good government; they are
affiliated with efficiency in their jobs; and all of
us owe them a great deal of gratitude.

Join me in saying a special thanks to
Ray and all the folks at the National Governors
Association.

On Saturday of the opening plenary
session, we started our tributes to some of our
departing colleagues. Gee, that sounds so final,
doesn't it, like a funeral service? But it's not
quite like that. We certainly recognize that in
the course of serving in these positions, we have
temporary titles, temporary duties but permanent
appreciation for the opportunity to have served.
At this time, I'd like to ask some of our
colleagues to join me here at the podium as I call
their names so that we can pay tribute to their
service, not just to their states but to their
nation through the NGA.

Governor Mitt Romney of Massachusetts,
please come and join me. Governor Mitt Romney was
elected governor of Massachusetts --

GOVERNOR ROMNEY: Do I get a watch or
something?

CHAIRMAN HUCKABEE: No, not a watch, a
calendar.

He was elected governor of Massachusetts in 2002 and during these nearly four years of service as governor widely recognized for both leadership and significant accomplishments.

We want to thank Governor Romney and his wife Ann for their commitment to public service. He's been a very effective and strong member of the NGA Executive Committee. He served as one of the NGA's lead governors on homeland security. He's been active on the NGA Finance Committee, Health and Human Services Committee and one of the most time-consuming tasks ever to be asked for any governor, the Medicaid Working Group as well as on the NGA Center for Best Practices.

Without raising taxes or increasing debt, Governor Romney proposed--and he signed into law--a balanced budget during each year of his administration, closing a $3-billion budget deficit that he started with in his first year in office, which is remarkable in itself. He rooted out waste, streamlined government services, and he enacted comprehensive economic reforms to help spur growth in Massachusetts. He went from a $3-billion deficit and without raising
taxes, ended up helping the state achieve a surplus of $1 billion. He will be available after the meeting to take on your personal investment accounts if any of you have them.

Hundreds of companies have expanded or moved to Massachusetts. The state has added more than 37,000 jobs in the last two years alone. Most notably earlier this year, Governor Romney signed some historic legislation that provides healthcare insurance for every one of his state's citizens through private market reforms and without a government takeover of the healthcare system.

The National Governors Association wishes to thank Governor Romney and Ann for outstanding leadership and genuine participation in this time of his service not just in Massachusetts but to the United States.

Governor Romney.

GOVERNOR ROMNEY: Thank you.

CHAIRMAN HUCKABEE: Next I'd like to ask Governor James Risch to come forward. Governor Risch.

Governor Risch became Idaho's governor just a short time ago, on May 26th following Dirk Kempthorne's confirmation to be the US Secretary of
the Interior. It's always difficult to finish a
term that someone else began, but Jim Risch and his
wife Vicki came to the office well prepared to
serve the people of Idaho as governor and first
lady. He's been Idaho's lieutenant governor for
three years and served as a strong and effective
advocate of economic development for the people of
Idaho. The administrative knowledge and
legislative expertise that he's gained in 22 years
as a state senator, then as majority leader and
president pro tem, has served him well as he assumed
these duties as governor.

His first task was a reorganization of
the Department of Health and Welfare, implementing
a new system of delivery for Medicaid benefits to
the people of Idaho. He oversaw a
$26-million parks initiative to improve the
state parks of his state as well as the
implementation of GARVEE highway funding
initiatives that will utilize bonding of federal
highway funds for transportation projects.

We wish Governor Risch and Vicki a very
successful campaign and four more successful years
as he now runs for another term as lieutenant
governor. We want to thank him for his
participation with us and I congratulate him on his
service to the people of Idaho.

GOVERNOR RISCH: Chairman Huckabee, I
don't want to think that we're ungrateful to the
NGA, but we thought maybe if you'd let me get half
of my term behind me before you eased me out the
door, it would have been really nice, but thank you
very much.

CHAIRMAN HUCKABEE: Finally, I'd like
to ask Governor Charles Turnbull to join me at the
podium. Governor Turnbull is completing his second
term as governor of the Virgin Islands, having
begun with the Class of 1998, and since his
becoming governor, he has served many years on the
NGA Natural Resources Committee. He's also been on
the Committee of Human Resources, Health and Human
Services and Economic Development and Commerce.
In 2004, he served as one of the lead
governors on technology. Working with the
legislature, Governor Turnbull made tough decisions
that have led the U.S. Virgin Islands, St. Croix, St.
John, and St. Thomas to solid economic growth,
record government revenues and to increased
investment in public infrastructure. There's now
over $1 billion in public and private
sector investment forecast for the territory in this year alone.

On St. Thomas, the Yacht Haven Grande development will become the world's largest mega yachts facility later this year generating over $300 million in annual economic activity as well as an estimated 600 permanent new jobs. By implementing an effective post-911 national marketing and advertising plan, Governor Turnbull has contributed to increased tourism and business meetings and conventions, which has pumped more than $4 billion into that economy.

As his term of office concludes, the government expects to end this fiscal year with a surplus of nearly $100 million. There is an unprecedented housing construction boom that's taking place, leaving the next administration with a solid foundation on which to build a better Virgin Islands. It's my understanding that in retirement, Dr. Turnbull, who is also Governor Turnbull, intends to write an account of his public service career which spans half a century and is going to be teaching history both in the territory as well as on the mainland. It sounds like a pretty active retirement and I'm
sure that any of the governors here would be more than willing to come and serve as adjunct professors for a couple of weeks down in St. Thomas should the need arise. I just want to begin by volunteering, and I'm sure all my colleagues would join me so we look forward to that.

Governor, I want to say as I did yesterday a special thanks for the active participation. As one of the territorial governors, I know it's a very challenging situation to get to the meetings. You come from a great distance and yet you have been one of our most faithful members attending every meeting from beginning gavel to the ending gavel. For that I genuinely thank you and salute you and appreciate your service.

There are a number of our colleagues who were not able to be with us during this session that I certainly want to acknowledge that will be leaving our ranks at the end of this term. From the Class of 1996, three-term Governor George Pataki of New York, and from the Class of 1998, two-term Governors Bob Taft of Ohio, Jeb Bush of Florida and Kenny Guinn of Nevada. We certainly enjoyed working with all of them. They've been
great partners with NGA and wish them the very best
in their future endeavors.

At this time, it's absolutely a joy to
say a special word of thanks to two very special
people who did a remarkable thing less than a year
ago. We were scheduled to be in Biloxi,
Mississippi, as all of you know and for a few years
Governor Haley Barbour and the people of
Mississippi had been planning, preparing, even
raising money for the NGA to come to Biloxi the
summer of 2006. We all are quite aware of what
happened to Governor Barbour and all those along
the Gulf Coast when Hurricanes Katrina and then
Rita devastated that coastline and particularly hit
hard upon Biloxi and the Gulf Port area.

I remember conversations that Governor
Barbour and I had within days and while he would
have loved to have held the meeting in Mississippi,
it really was logistically impossible for them to
have done so considering the tremendous time that
he needed to devote to the rebuilding of the
Mississippi Gulf Coast. Even though he would have
been willing to have done so, Governor Barbour was
willing to also allow NGA to look for another site
as an alternative with the understanding we'd be
going to Mississippi in future years, but who could
take on such a challenge in a short period of time?
The reality is most states, most cities have
anywhere from two minimum to up to four years to
begin planning, preparing and raising the necessary
capital to put a meeting of this size on.

We called Governor Sanford, knowing
that the City of Charleston had expressed at an
erlier time an interest in hosting the NGA.
Frankly, we weren't sure that they would even
entertain the thought because of the tremendous
challenges of securing meeting space, hotel space,
arranging security and all the logistical concerns
that go into putting a meeting together. Not
only did they agree to do it, but they did it
enthusiastically.

This week we have seen the tremendous
result of his leadership and that of First Lady
Jenny Sanford. We've seen their capacity to
organize hundreds and hundreds of volunteers
throughout the State of South Carolina and to
mobilize this incredibly hospitable group of people
here in Charleston who have given us the welcome of
a lifetime. I don't know of any city in America
who not only could have taken on this task so
quickly and so effectively, but who could have made
us feel so very welcome and have given us the kind
of warmth that we've had that will endear us ever
to the people of Charleston.

Governor Sanford, from all of us, to
all of you here in South Carolina, I want you to
know my heartfelt thanks for your extraordinary
leadership. You and Jenny have done a great,
great, great event and it was capped off by this
incredible fireworks last night for which my ears
are still ringing and some of us thought
Fort Sumter is coming back again; my gosh, we're in
the wrong place at the wrong time.

Join me in expressing our thanks to
Governor Mark Sanford and his wife Jenny. Thank
you.

I want to say a thanks to everyone for
a tremendous year as we've talked about Healthy
America. It has been a remarkable opportunity for
us to help frame the debate away from healthcare to
health and that's really such a necessity as we
look at the ever-increasing challenge of trying to
find ways that we don't just save money by cutting
back benefits to really sick people, but we change
the paradigm so that there aren't that many sick
people, that instead we have healthy citizens
living long, productive, fruitful and less-costly
lives.

Secretary Leavitt gave us a great
challenge yesterday to find ways to be more
accountable, more responsible. Our state took
leadership two years ago and also four years ago
when we passed legislation to do the very thing
he's talking about, ensuring quality management
reporting in terms of exactly what kind of service
people are getting who contract with the state. We
extended it beyond that, and anyone who contracts
with the state also has to report all of their
information, not just that which is dealing with
state employees.

I think it's the positive step in a
very positive and important direction, but
throughout this year as we focused both at our
February meeting in Washington and again here, I
think all of us have come to the conclusion that we
can't afford the just inexplicable growth of
chronic disease.

And it's not just what it's doing to us
economically, though clearly it's making us
noncompetitive. It's what it's doing to our
capacity to live life to our fullest. If there's any one common thing that really ties Americans together, it's an incredible zest and zeal for life itself. That can't happen when people are so sick that they really can't afford to enjoy what most of us consider the heart of the American dream. It's pretty evident that if there's going to be leadership on the front of creating a healthier America, it probably won't be happening out of the beltway. It's going to be happening out of your state capital and state capitals just like it across the country.

I want to say thanks to the governors because over 40 governors have participated in statewide initiatives. We've had more governors and states apply for grants than any other program, and we're going to see some real innovations come out of those 13 states that have been awarded our Healthy America grants. It's been an extraordinary pleasure, and I want to say again thanks to the staff of NGA and all of our partners in the private sector who helped to make this a most remarkable and effective experience.

I now want to call on Governor Ruth Ann Minner for the report of the Nominating Committee.
for the 2006-2007 Executive Committee.

GOVERNOR MINNER: Thank you, Mr. Chair.

On behalf of the Nominating Committee, I'm proud to nominate the following governors to serve on the 2006-2007 Executive Committee: Governor Haley Barbour of Mississippi; Governor Jim Doyle of Wisconsin; Governor Mike Huckabee of Arkansas; Governor Sonny Perdue of Georgia; Governor Ed Rendell of Pennsylvania; Governor Mike Rounds of South Dakota; Governor Kathleen Sebelius of Kansas; as vice-president and chairman-elect, Governor Tim Pawlenty of Minnesota; and as chair--Mr. Chair, I think the first time the governors association will have a woman serving as the leader of this organization and--it is indeed our pleasure to nominate Governor Janet Napolitano of Arizona.

CHAIRMAN HUCKABEE: I will now call for a vote on accepting the recommendations of the Nominating Committee. All in favor of the Nominating Committee report, would you say aye.

Any opposed would be signing up for one of the positions so would anyone like to do that? Of course you wouldn't. So you wouldn't say anything, and therefore we will now agree to the
Nominating Committee report.

It is now my extreme pleasure with great joy and, quite frankly, a great deal of enthusiasm to turn the gavel over to the person who will lead the National Governors Association into the next year, and I'm convinced will do it quite ably, a person who has become a very good friend as well as an able colleague, Governor Janet Napolitano of Arizona.

VICE CHAIR NAPOLITANO: Well, thank you very much, and I echo the thanks to Governor Sanford and the first lady of South Carolina, the people of South Carolina for their extraordinary hospitality.

My first order of business as chair of the NGA is to ask Mike Huckabee to join me at the podium. You're not done yet. Governor Huckabee as you know is concluding his 10th year as governor of Arkansas. He succeeded the office in July of 1996 and was elected to full four-year terms in 1998 and in 2002.

Now, there's a great amount to say about the marathon-running governor, and of course he could not have done it without Janet's tremendous efforts. She shares Mike's commitment
to making a difference in the lives of Arkansas family and children. In addition to supporting childhood immunization and underage drinking prevention, she's also a strong advocate for Habitat For Humanity International and Heifer International. She has been a dedicated member of the NGA Spouses Leadership Committee, serving as chair this past year.

Arkansas has benefited from Governor Huckabee's leadership. His Smart Start and Smart Step initiatives placed a heavy emphasis on reading and mathematics for students. They resulted in increased standardized test scores. The ARKids First program extended health insurance coverage to tens of thousands of children. Governor Huckabee led a ballot initiative that devoted all of the state's tobacco settlement money to improving the health of Arkansas.

And of course, Governor Huckabee has led by example and provided inspiration in the Healthy Arkansas campaign and the Healthy America campaign. His efforts to improve his own health have received national attention. Diagnosed with Type II diabetes in 2003, he lost 110 pounds, and in March of 2005 Governor Huckabee completed the
Little Rock Marathon. His story has served as an inspiration to many Arkansans and Americans to change their lifestyles. And a recent survey says 92 percent of Americans believe that prevention and preventative healthcare are good for the economy. Governor Huckabee's work is making that a reality.

Governor, you and Janet will be greatly missed by NGA and your leadership will be greatly missed by the great citizens of Arkansas. Thank you.

CHAIRMAN HUCKABEE: Thank you.
VICE CHAIR NAPOLITANO: We have another memento for you, Governor Huckabee, so please remain with me. As NGA chair, Governor Huckabee energized all of us with his chaired initiative Healthy America. The 5K runs speak for themselves.

Governor, your initiative has proven to be an extremely worthwhile endeavor that has encouraged our citizens to lead healthier, more active lifestyles. You should be proud of your efforts to educate Americans about how to achieve wellness where they live, work and learn. Last week you awarded $100,000 in grants to 13 states to create new, innovative state programs. You also witnessed 35 states highlighting your
initiative during Healthy America Week.

To parallel your state initiative, you provided leadership to enact federal Medicaid reforms that provide states with enhanced flexibility on copayments, benefit structures, drugs and how assets are transferred. Not only will these changes provide states with more options to control costs, they will also provide governors with new options to support a Healthy America agenda.

Prior to being elected as chair of the NGA, Governor Huckabee was NGA vice chair. He was also the Finance Committee chair. He served on the Executive Committee for six years and on the Legal Affairs Committee in 2005. He was chair of the Medicaid Working Group, served on the Health and Human Services Committee and chaired the Education, Early Childhood and Workforce Committee. In other words, you have run the table with the NGA.

Most important, both as vice chair and chair, you set the standard for working on a bipartisan basis and given the divisions in Washington, D.C., these days, that has become ever more difficult. The combination of your commitment to bipartisanship, the fact that you care about
your fellow governors and your Southern way held us
together as an association, and for that and
speaking on behalf of all the governors of the
United States, I'd like to present you with a
commemorative chairman's gavel.
I know we're running a little bit over
time and actually, the prologue really for my
chairman's initiative announcement was really given
by Sir Ken Robinson. The initiative that I have
chosen for NGA this year is entitled, Innovation
America. In this initiative, we're going to do a
number of important things and it will have several
components. One is an education component. That
will focus on math and science but not math and
science just to learn formulas and equations but
math and science as a pathway to creating
innovators out of the students in our schools.
We will also have a component that
focuses on incentivizing business innovation. In
other words, as we graduate students who have these
capabilities, they must be able to go into a
business market that allows them to exercise those
capabilities.
We'll focus on key policy strategies
that governors can use, including modernizing the K
through 12 math and science teaching force,
benchmarking state standards to high-performing
countries, and aligning assessments to those
standards, creating new math and science academies
that focus on rigor relevance, the assessment of
student learning and student innovation, creating
an educated workforce proficient in math and
science as part of a long-term strategy toward
innovation. We'll be talking with governors about
fostering business innovation, promoting regional
strategies, innovative entrepreneurship
opportunities, investing creatively and creating a
post secondary education system that fits the 21st
century.

To help guide these efforts--and I
recognize they are ambitious, but as Sir Robinson
said, we need to aim high and not low and we're
aiming high this year. To help guide the efforts--
I will create a task force that includes governors,
corporate CEO's and university presidents.
Governor Pawlenty, the incoming vice chair, will
co-chair the task force with me.

In early December, I will host a
national forum involving the task force, the
governor staff leaders from every state, and we're
already reaching out to a number of public sector
and private sector entities, all of whom are doing
something with innovation but all in a somewhat
disconnected way. We're going to use this
initiative to start putting together a nationwide
thrust and a nationwide urgency with respect to
innovation.

In the spring, we will host two more
national meetings. In addition, we will publish a
series of governors’ guides on key innovation
issues.

Finally, I've asked the NGA Center on
Best Practices to convene a series of learning labs
and offer other forms of intensive technical
assistance to the states. Challenges we face, I
think we all agree, are great. So is the capacity
of Americans to respond and especially so is the
capacity of the nation's governors. Working
together, let's seize upon Innovation America, take
this opportunity to grow our workforce, increase
our capability and retain our place as the number
one innovation country in the world.

Thank you, and I look forward to working
with all of you on the initiative.

I think, in fact, that is the last
order of business at this summer's meeting. Thank you all for being here. I will entertain a motion to adjourn. All in favor?

Thank you all.

(WHEREUPON, the proceedings concluded at 11:43 a.m.)
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