

1 NATIONAL GOVERNORS ASSOCIATION

2 OPENING PLENARY SESSION

3 Saturday, August 5, 2006

4 Governor Mike Huckabee, Arkansas--Chairman

5 Governor Janet Napolitano, Arizona--Vice Chair

6 TRANSFORMING THE U.S. HEALTH CARE SYSTEM

7 Guest:

8 The Honorable Tommy C. Thompson, former Secretary, U.S.
9 Department of Health and Human Services and former Governor
of Wisconsin

10 HEALTHY AMERICA: A VIEW HEALTH FROM THE INDUSTRY

11 Facilitator:

12 Charles Bierbauer, Dean, College of Mass Communications and
13 Information Studies, University of South Carolina

14 Guests:

15 Donald R. Knauss, President, Coca-Cola North America

16 Steven S. Reinemund, Chairman and Chief Executive Officer,
PepsiCo, Inc.

17 Stephen W. Sanger, Chairman of the Board and Chief Executive
18 Officer, General Mills, Inc.

19 DISTINGUISHED SERVICE AWARDS

20 RECOGNITION OF 15-YEAR CORPORATE FELLOW

21 RECOGNITION OF OUTGOING GOVERNORS

22 EXECUTIVE COMMITTEE BUSINESS

23

24 REPORTED BY: Roxanne M. Easterwood, RPR

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1 APPEARANCE OF GOVERNORS

- 2 Governor Easley, North Carolina
- 3 Governor Douglas, Vermont
- 4 Governor Blanco, Louisiana
- 5 Governor Riley, Alabama
- 6 Governor Blunt, Missouri
- 7 Governor Pawlenty, Minnesota
- 8 Governor Owens, Colorado
- 9 Governor Gregoire, Washington
- 10 Governor Henry, Oklahoma
- 11 Governor Acevedo Vila, Puerto Rico
- 12 Governor Turnbull, Virgin Islands
- 13 Governor Risch, Idaho
- 14 Governor Schweitzer, Montana
- 15 Governor Manchin, West Virginia
- 16 Governor Vilsack, Iowa
- 17 Governor Fletcher, Kentucky
- 18 Governor Pataki, New York
- 19 Governor Lynch, New Hampshire
- 20 Governor Kaine, Virginia
- 21 Governor Sanford, South Carolina
- 22 Governor Romney, Massachusetts
- 23 Governor Minner, Delaware
- 24
- 25

1 PROCEEDINGS

2 GOVERNOR HUCKABEE: Good afternoon,
3 ladies and gentlemen, and welcome to the 98th annual
4 meeting of the National Governors Association. We
5 appreciate all of you coming from across America.
6 It is going to be a tremendous weekend as we gather
7 together to officially continue and, in essence,
8 conclude the focus over the past year for Healthy
9 America. We're going to be talking about the
10 Healthy America Initiative today and hear from our
11 most esteemed former colleagues of how we can truly
12 reform the United States health system, which I
13 think all of us would agree is in desperate need of
14 some transformation.

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

25 We'll also be recognizing Distinguished

1 Service Award winners and 15-year Corporate Fellows,
2 and then of course near the end of the session we'll
3 have a brief meeting that will involve the members
4 of the Executive Committee.

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

8 GOVERNOR ROMNEY: So moved.

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

11 GOVERNOR OWENS: Second.

12 GOVERNOR HUCKABEE: Governor Owens will
13 second. And because this is really generally not
14 something we fight over, I'm not even going to ask
15 for discussion, just call for the vote. All who
16 favor say aye. And it passes. Thank you. We have
17 two entire governors voting on it, so ...

18 Let me just mention that part of the rules
19 that we have require that any governor who wishes to
20 submit a new policy or resolution for adoption at
21 the meeting will need a three-fourths vote to
22 suspend the rules. If you have any policy that you
23 wish to submit, it needs to be presented to David
24 Quam, the Director of Federal Relations for NGA, by
25 5:00 p.m. tomorrow.

1 I would now like to announce the
2 appointment of the following governors to the
3 Nominating Committee for the 2006/2007 NGA Executive
4 Committee. They are Governor Manchin, Governor
5 Schweitzer, Governor Romney and Governor Douglas,
6 and Governor Minner will serve as Chair of the
7 Nominating Committee.

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

19 I also want to point out that a year ago
20 we weren't expecting that we would be here in
21 Charleston. Our original intentions and plans
22 according to our long-term schedule was that we were
23 to be in Biloxi, Mississippi, where NGA was
24 scheduled to meet. I think all of us are aware of
25 what happened last Labor Day weekend. And when

1 Hurricane Katrina pretty well obliterated our
2 prospects for our meeting in Biloxi, we were really
3 pretty desperate for a situation to try to find an
4 alternative site.

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

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

25 Governor Sanford and First Lady Jenny have

1 been magnificent in preparing this city and
2 preparing, really, South Carolina to welcome us, and
3 I cannot think of a more wonderful place for us to
4 be. They've certainly given us a warm welcome.

5 When someone said it's hot here, indeed.
6 Someone mentioned that it's hot in Charleston, I
7 said, tell me where in the United States it isn't
8 hot today. At least it's very pleasant when you're
9 in Charleston, and the hottest day in Charleston is
10 still a delightful day, indeed.

11 At this time I want to ask Governor
12 Sanford to come, who will also introduce the mayor.
13 We're very, very thrilled to be here. Please join
14 me in welcoming our host governor, Governor Mark
15 Sanford.

16 GOVERNOR SANFORD: Thank you for those
17 very kind words. I appreciate it. Indeed, you are
18 welcome. We're glad that every one of you is here
19 in Charleston. We're glad that every one of you is
20 here in South Carolina. I beg of you to make it a
21 point to get out and wander around, and I can see
22 that a number of governors are doing just that this
23 afternoon, but it is worth exploring Charleston and
24 the environs because we think we have a lot to offer
25 in this neck of the woods.

1 I think that there's a special
2 significance about this conference being held in
3 Charleston, because Charleston is a city of
4 remarkable history. The one thing that we can learn
5 through history are lessons. What we have seen in
6 Charleston is a whole lot of things changed over the
7 last 200 years, and it's a reminder of the
8 significance of the work that every one of you all
9 are doing in preparing for the changes in the next
10 200 years. The one great lesson that can be learned
11 in Charleston is that history and things change. It
12 is vital in terms of the decisions that we make that
13 we prepare for the changes that are yet coming our
14 way.

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

24 I have a long list of merit badges that I
25 won't read to you, whether it's president of the

1 U.S. Conference of Mayors, Outstanding Mayors Award,
2 National Urban Coalition, Distinguished Citizen,
3 National Association of Realtors, on and on and on,
4 a whole list of merit badges, if you will, from the
5 standpoint of urban design, urban planning, the
6 Thomas Jefferson Award of the American Institute of
7 Architects, et cetera, et cetera. But what they all
8 add up to are not the individual notches, not the
9 individual merit badges of success, but a
10 significance in his clarity of vision for
11 Charleston. Because of the clarity of his vision,
12 Charleston, indeed, is a special place not just to
13 visit but, frankly, to live.

14 Without further adieu, Mayor Riley.

15 MAYOR RILEY: Thank you very much,
16 Governor Sanford, Governor Huckabee.

17 Governors, ladies and gentlemen, it is
18 such an honor to welcome you to Charleston. We were
19 so pleased to come to the floor, and I thank
20 Governor Sanford and Chris Drummond, his associate,
21 and all people in our community who worked together
22 to bring to this meeting to Charleston on short
23 notice. We're proud to have you because, obviously,
24 we recognize and value the extraordinary leadership
25 that each of the governors give the citizens of your

1 state and the people of our country.

2 I will speak very briefly, as I am
3 directed to do, and understandably so, but I would
4 like to tell you just a couple of things about
5 Charleston quickly. The first is that this is not a
6 city that automatically inherited something from the
7 past. This, like every city in America, is a
8 living, breathing, live city filled with
9 opportunities, hopes and achievements or mistakes.
10 We've worked very hard here to enhance the public
11 realm. This place where you are right now 25 years
12 ago was a vacant lot, and our downtown was almost
13 dead. We worked very hard to put it together piece
14 by piece with the understanding that the public
15 realm in a city isn't only the beautiful parks,
16 which you've seen if you jogged this morning, and
17 public spaces, which are so important, but an
18 enhanced downtown where it is alive and safe and
19 spirited, for that's the place that every citizen
20 owns. The great cities in the world, which can be
21 little or large, are places where the center is a
22 home for the richest and the poorest and the
23 youngest and the oldest, the newest or a visitor and
24 the person who's lived here the longest.

25 We worked hard to restore what you can

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

13 On the other end of the spectrum, and
14 you'll go to Drayton Hall, as I understand, the
15 beautiful upper reaches of our Ashley River. That
16 is in the midst of a challenge of necessary regional
17 planning, how we organize and shape the growth of
18 our metropolitan areas, because that's a public
19 realm, too. It's a different public realm, but if
20 it's lovely, if it's environmentally healthy, if the
21 green spaces have been preserved and nourished, if
22 the new developments are part of an organized vision
23 that enhances the environment, whether it's air
24 pollution or the livability or whether it's
25 pedestrianly connected or not, whether it's great

1 achievements or junk is going to determine how
2 successful our communities are in the future. We're
3 amidst the effort here in Charleston of developing
4 regional planning, and every community needs to do
5 it. Every state needs to encourage it so that the
6 future health and success of our country is enhanced
7 by the quality and livability of our cities.

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

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

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

1 from one destination to another.

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

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

15 Over this past year we've had the
16 opportunity collectively as governors to work
17 together to reform Medicaid and present seven
18 different specific Medicaid proposals of reform that
19 we were able to get passed in congress signed on by
20 every one of the governors from both political
21 parties. It was truly, I think, a great act of
22 showing the kind of leadership that governors
23 provide. We've been able to bring new ways of
24 finding innovations to get more people into a
25 health care coverage, but we've also recognized that

1 the greatest challenge and the most urgent one is
2 simply to help people to be more healthy so that the
3 health care system will not continue to be
4 overburdened at record levels.

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

16 This year we've also been able to utilize
17 the task force of governors to look at the
18 innovation that states were doing. Governor Sanford
19 and I toured a church just down the street from this
20 very location, the AME Emmanuel Church, where we saw
21 an incredible program that is ongoing reaching out
22 to African American citizens in a regular health
23 fair and screening process. Iowa Governor Vilsack
24 and I toured a school that with a little more than
25 \$70,000 literally is changing the lives of students

1 in a most innovative program that involves parents
2 and helping to shape what their children eat and the
3 level of fitness and activity that they receive.
4 Governor Napolitano and I hosted a Policy Leaders
5 Meeting in Arizona last December. We had 40 states
6 represented who sent teams of state leaders to plan
7 state wellness agendas. In February we hosted the
8 Healthy America Forum in Washington, D.C., just prior
9 to the National Governors Meeting. We had record
10 attendance of governors as well as attendees for
11 that conference. We heard from respected leaders,
12 including President Bill Clinton, Secretary Michael
13 Leavitt, Governor Arnold Schwarzeneger, Wal-Mart
14 CEO Lee Scott and the Father of Aerobics,
15 Dr. Kenneth Cooper. But perhaps those who stole the
16 show, despite all of those distinguished people I
17 just listed, were when we had Sesame Street
18 characters Elmo and Rosita. They seemed to get all
19 of the attention, but they certainly were wonderful
20 to have.

21 In the course of that, we developed 15
22 specific concrete actions that we can take as
23 governors, and those are now in print form, and
24 hopefully every governor has them and is borrowing
25 from them. We had more than 30 of the governors who

1 actively participated in wellness activities doing
2 everything from proclaiming health months, but
3 particularly to personally leading efforts in their
4 respective states to call attention to the new need
5 to focus not on health care but on health. That's
6 something that we've tried to do, is to change the
7 culture of health from one where our focus is on
8 disease to one where our focus is on preventing it
9 because, frankly, there's not one of us in this room
10 as governors who can really, truly sustain the cost
11 of ongoing chronic disease whether in our Medicaid
12 programs, in the cost of our state employees or in
13 the cost of those employees in the private sector
14 whose employers can no longer be competitive with
15 the rest of the world without some significant
16 changes.

17 To turn the policy into action, one of the
18 things we wanted to do was to launch the Healthy
19 States Grant Program. We had generous support from
20 corporate donors. I want to recognize them because
21 they made possible the grants that are now going in
22 the form of \$100,000 grants to the various states.
23 These states will be in their own laboratories of
24 good government developing the ideas that will be an
25 ongoing best practice prospect for all of the other

1 states. It's one of the ways that NGA operates most
2 effectively, is giving governors the tools that have
3 been developed in the true crucible of everyday
4 governing in other states. So rather than all 50 of
5 us trying the same thing and finding that it doesn't
6 work, all of us try the things that we think will
7 work and when it does, as you know what happens, the
8 rest of us steal it and call it our own. So we want
9 those states that are getting the grants to come up
10 with some great ideas so everybody else can begin
11 borrowing it.

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

22 One of your partners in Healthy America
23 has been Channel One, who partnered with us to
24 conduct a Town Hall that Governor Bredesen of
25 Tennessee and I participated in with a group of

1 students. We also conducted a survey, collecting
2 information about what encourages people to actually
3 live healthier behaviors. We have a lot of work
4 left to do, but one of the publications that we have
5 completed in partnership with *Scholastic Magazine* is
6 one that we'd like to reveal today. Each of you as
7 governors will get a copy. In fact, you'll get
8 plenty of copies of it. It's very colorful. It's
9 actually written at a grade level where even
10 governors can understand it. It's going to be
11 something that you want to put in the hands of
12 students in your state. We have hundreds of
13 thousands of them that will be available. Not only
14 will *Scholastic Magazine* be distributing these
15 wonderful tools, but I would imagine that every
16 governor here is going to be asking for a supply of
17 them to make sure that they get in the hands of
18 students. They're very practical, provide great
19 health tips, and I hope that you will get this
20 publication called *Go*, geared for younger children
21 and encourages them to eat healthy and to be more
22 active.

23 One of the questions sometimes people ask,
24 what's most important, encouraging people to eat
25 healthy or to be active? I always like to remind

1 people, it's like asking which window of the
2 airplane is most important, the one on the left or
3 the one on the right? The reality is that your
4 plane can't fly without both firmly attached to the
5 fuselage. One of the things we've tried to focus on
6 in Healthy America is that it's not just good
7 nutrition; it's also a matter of exercise and
8 activity. That's going to be an important part of
9 an ongoing message and emphasis that we'll get
10 throughout the next coming years.

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

23 Now I have a very special and distinct
24 privilege, and I consider it a very personal honor.
25 That is the opportunity to introduce our first

1 speaker who will launch our Healthy America session
2 this afternoon.

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

17 This person that all of us know is not
18 only a former chair of this organization, but was
19 elected to a record-breaking four terms as governor
20 of Wisconsin. He was then selected by the president
21 to head the Health and Human Services Department of
22 the federal government, but most of us know him as
23 one of the most keen innovators in solving problems
24 at the state level. His over 40 years of government
25 experience at the state level really brought him

1 into the forefront as the architect of welfare
2 reform, Medicaid reform and so many other education
3 reforms. Governor Thompson without question has
4 been one of the most esteemed and often copied
5 governors in America. You can't duplicate him.
6 There's only one of him. He is truly one of a kind,
7 but we all would like to be like him in the manner
8 in which we take care of our business. I know
9 you're going to be very excited to hear what he has
10 to say. Join me in welcoming our friend, Governor
11 Tommy Thompson.

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

21 Governor Napolitano, thank you.
22 Congratulations. Governor Sanford, Mayor, and
23 fellow governors. It's really an honor for me to
24 come back here and get a chance to speak to you.
25 Eleven years ago I was Chair of this organization.

1 I can remember that we were in Puerto Rico and I had
2 a chance, and I told the governors at that time we
3 had the best chance ever to distinguish ourselves as
4 governors to develop leadership and become the
5 innovators of America and to be able to change the
6 direction and face of America for the better.
7 That's what governors do.

8 You don't realize how wonderful it is to
9 be a governor until you leave and go to Washington
10 and become a secretary. When you're a governor, you
11 can wake up in the morning and you can have an idea
12 and you can have somebody working on it by 11:00
13 o'clock in the morning. When you go to Washington
14 as secretary, you know, I get up, get the same
15 ideas, go in. Then you have to vet it with 67,000
16 people who all believe sincerely they're smarter
17 than you. Then it goes over to the super God in our
18 society. I didn't know we had a super God until I
19 got to Washington; . . . it's OMB. They turn you down
20 nine times out of 10 just to show you who the boss
21 is. Then if you do get by OMB, it goes to the super
22 intelligentsia in the White House, the young college
23 graduate who has never had a job, who knows
24 everything, and nobody can tell you anything about
25 those individuals because they know everything, and

1 they don't believe anything original can come out of
2 a secretary. Then if you do get by them, the palace
3 guard, you go to the president. If you get by the
4 president, it goes to congress. If congress ever
5 does pass it, it's time to retire. So you can see,
6 nothing ever really gets done. That's why it is so
7 nice to come back here and have the privilege to be
8 associated with--especially when you're talking
9 about my favorite subject today. I'm passionate
10 about changing health care, as you are. Thank you,
11 because you have the opportunity to really change it
12 and make it better.

13 That's what I'd like to talk about today,
14 but before I do there were two things that I did
15 just before I left as secretary that I'd like to
16 share with you. One is I had the opportunity to
17 give a waiver to my friend Governor Romney, who came
18 out and started a program in Massachusetts on health
19 insurance for those uninsured. Thank you very much.
20 It's great to be able give a waiver and see it in
21 action. That was the second to last thing I did.
22 The last thing I did was I impaneled a group of
23 world-renowned scientists from all over the world
24 because, I don't know about you, but I get
25 frustrated every morning when I get up and listen to

1 Fox or CNN News or ABC or CBS, whatever the case may
2 be, and one day they tell you you can eat this and
3 drink that. Six months later some other group of
4 scientists says you can't do that. Coffee now has
5 gone through four iterations in the last 24 months.
6 It was bad for you. It was good for you. It was
7 bad for you. Two weeks ago it's good for you again.
8 I don't know if you know this or not. I don't know
9 if you get frustrated, but I do. So I impaneled
10 this group of scientists. I said, I want you to
11 teach the American public what you can eat, what's
12 good for you and what you can drink. This is what
13 they came up with. These are the health facts. If
14 you don't take anything else from me, take this down
15 because you can use this in your speeches, in your
16 discussions, and here they are: The Japanese eat
17 very little fat, they drink a lot of saki, and they
18 suffer fewer heart attacks than the British or the
19 Americans; now the Mexicans eat a lot of fat, eat a
20 lot of corn, drink a lot of tequila, and they suffer
21 fewer heart attacks than the British or the
22 Americans; now the Africans drink very little red
23 wine, eat a lot of red meat, and they suffer fewer
24 heart attacks than the British or the Americans; our
25 friends, the Italians and the French, drink large

1 amounts of red wine, eat a lot of white bread, and
2 they suffer fewer heart attacks than the British or
3 the Americans; now the Germans drink a lot of beer,
4 eat lots of sausages and fats, and they suffer fewer
5 heart attacks than the British or the Americans.
6 The conclusion by this world-renowned panel of
7 scientists: Eat and drink whatever you like;
8 speaking English is apparently what kills you.

9 Margaret Mead said never doubt that a
10 small group of thoughtful committed citizens can
11 change the world. Indeed, it is the only thing that
12 ever has. When I look around this room and see the
13 dedication, the leadership, the opportunity to
14 change health care, it's in this room. It's with
15 you.

16 I'd like to talk to you about the status
17 of health care, because in order to change it, you've
18 got to understand it. Now, the health care system of
19 America is in dire straights. I think we have until
20 2013 to make meaningful changes. Why do I say that?
21 Well, right now we're spending \$2 trillion or 16.2
22 percent of the GDP on health care. By 2014, seven
23 years from now, we go from \$2 trillion to \$4
24 trillion. That goes from 16 percent to 20 percent
25 of GDP. Does anybody in this room believe that we

1 can afford 100 percent increase in seven years in
2 health care?

3 Secondly, our big competitors, Japan,
4 second largest economic power in the world today,
5 spends seven percent of GDP. How does that impact
6 on the economy in America? All we have to do is
7 look at General Motors. General Motors spends
8 \$15,025 per car in bettering every car, more than
9 what they pay for steel, over \$5 billion a year on
10 health insurance for the largest part of health care
11 system in America, 1.2 million people. Toyota
12 spends \$225. How would you like to be in business
13 where your competitor spends \$1300 per vehicle and
14 you have to compete? What do we see? We see
15 automobile sales for General Motors for the first
16 time falling in this country below 25 percent.

17 Secondly, we see the fact that 2013 is a
18 year that I'm probably the only one in America talks
19 about, about changing, the dramatic change that's
20 needed in America on health care. Come 2013, it's
21 the first year, ladies and gentlemen, that Medicare
22 no longer sheds off any surplus money and it goes
23 into the treasury where congress spends it. Come
24 2013, that excess money, Dr. Fletcher, is not going
25 to be there and congress is going to have to

1 supplant that money with new money. Plus, they're
2 going to have to start paying back those pesky IOUs
3 that they've been giving for so long. Come 2013,
4 seven years from now, unless we change in America,
5 unless governors lead, 2013 governors or congress is
6 going to have to say we've got three choices: we can go
7 to a government-controlled system of health care, we
8 can go to a complete price-control system, or we can
9 raise taxes. Which one of those three do you think
10 congress is going to take up? I don't think any of
11 them. That's why I think we have a chance right now
12 to change it.

13 People say, aren't you pessimistic about
14 the future of health care? I say, no, I'm very
15 optimistic because what I see in this room, what I
16 see on this board back here, what I know all that
17 you're doing, but I'm exhorting you to do more.
18 That's what my talk is about today, because I'm
19 optimistic. When you look at health care of that \$2
20 trillion, 75 to 80 percent of it, as Governor
21 Huckabee rightfully points out, goes for chronic
22 illnesses--75 to 80 percent. As when Jessie James
23 was asked, why do you rob banks, what was his
24 answer? Because that's where the money is. If
25 you're going to change health care, you go where the

1 low-hanging fruit is, where you have the opportunity
2 to dramatically change the system and change a
3 system from sickness and illness to wellness.

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

23 Secondly, when I was secretary I did
24 something that I would like to see governors do. I
25 was so frustrated about people and employees still

1 smoking that I used to go around and police the
2 building in the morning. I'd take cigarettes out of
3 my employees' mouths. I got slapped a couple times,
4 but I did it. I got so frustrated that I did
5 something. I banned all tobacco smoking, cigarette
6 smoking on the grounds owned or leased by HHS--6300
7 buildings. I made them go over to EPA and smoke.
8 What a downer for those individual employees, but I
9 did it for a reason.

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

24 Diabetes, diabetes is a situation that is
25 epidemic. I speak about it all over the country.

1 Do you know last year 18 million Americans had type
2 II diabetes? This year 21 million Americans have
3 type II diabetes. We spent \$145 billion.
4 What scares me is there are 41 million more
5 Americans that are pre-diabetic that will be type II
6 diabetic in five years unless we change it. From
7 \$145 billion it goes to \$400 billion in five years.
8 Can your system stand that? Absolutely not. Can
9 the Americans health care system stand it? No. NIH
10 did an exhaustive study and said if you walk 30
11 minutes a day and lose five to 10 percent of your
12 body weight, you can reduce the incidence of type II
13 diabetes by 60 percent. Now you're talking about
14 real money. I counsel companies to bring in a
15 nutritionist into their businesses, educate
16 especially minorities where it's really an epidemic,
17 especially Native Americans and Latinos and African
18 Americans about the need of quality food.

19 Then the third one, which all of us know
20 about, 70 percent of Americans are overweight or
21 obese. I come from the State of Wisconsin, where
22 every meal tastes better with brats, beer, cheese
23 and cream. But instead of two brats, I only ate
24 one. Instead of two Millers, I just drank one. You
25 know something, I started something. I'm not nearly

1 as effective as your great leader Governor Huckabee,
2 but I started a program. You know that there's no
3 law in any one of your states that says that you
4 have to eat everything on your plate? It's going to
5 surprise you, but there's no law. You can leave it
6 there. No one is going to arrest you. I started a
7 50 percent plan. I'd take everything but only eat
8 50 percent. I lost 15 pounds. Hasn't improved my
9 looks any, but I'm healthier, and every single one
10 of you can do it. You know something else you can
11 do? You can be an example for yourself and your
12 families and your state by doing exercises yourself.
13 You don't have to run a marathon like Governor
14 Huckabee, but I started--I could only do five
15 pushups when I started 18 months ago. I do 60
16 pushups in the morning, 60 pushups in the evening.
17 I'm stronger and better. Every single one of you
18 can do that. Every single person out there can do
19 it.

20 Chronic illness is breaking the bank. All
21 of us can have an impact of showing the leadership
22 of changing it in our states. Thirty-five states
23 across America have introduced legislation on
24 tobacco. Congratulations. Several states like
25 Governor Huckabee's--Healthy America. All of you can

1 be the leaders that start to transform it. Congress
2 is not going to do it. You have to do it and start
3 transforming the health care system.

4 The second big area, information
5 technology. Do you know that doctors have to get a
6 straight A? Governor Fletcher couldn't get into
7 medical school without straight A's. You certainly
8 don't want a doctor or someone with a C plus average
9 operating on you. But there's only one grade that
10 you don't have to get an A in in order to get into
11 medical school. Do you know what that is? That's
12 handwriting. Governors, handwriting is as bad today
13 as it was 50 years ago. There were 98,000 deaths last year;
14 98,000 people died last year from mistakes made by
15 doctors, hospitals or clinics. Not my figures;
16 it's the Institute of Medicine. What we have to do
17 is we have to, as governors and as leaders that want
18 to transform the health care system, start talking
19 about using technology. Only 18 percent of the
20 doctors are e-prescribing. Fifty percent of those
21 98,000 deaths are due to the wrong medicines, the wrong
22 time and the wrong amount to the wrong person. You
23 know something? It can be done easily by
24 technology, by changing technology. That is what we
25 need to do. We need to require governors, or we

1 need governors to encourage hospitals and clinics in
2 changing the law so hospitals can purchase
3 e-prescribing for their doctors. Isn't it amazing
4 that we have a federal law, anti-fraud law, the
5 Stark Law that prevents that from happening, when
6 you could change the system so that 50 percent of
7 those people that are dying now from the wrong
8 medicine could be changed overnight.

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

23 When I started on welfare reform, people
24 used to say it won't work, you can't do it, you
25 can't take on welfare. I started changing

1 incrementally welfare. Once I started making some
2 successes, other governors followed through. You
3 know something? It became a ground swell. Then
4 they started competing against one another, who
5 could come up with the best welfare program in
6 America, and congress finally took action 10 years
7 ago. It's been 10 years ago since welfare was
8 passed at the national level signed by Bill Clinton.
9 We just celebrated the anniversary. Why I tell you
10 that is. . . is that it can be done. It can start at one
11 state, like the State of Massachusetts on the
12 uninsured, by coming up with an idea, and that idea
13 is going to resonate through other governors and
14 through other states, especially in the election
15 year. That's the kind of encouragement that we can
16 do in Medicaid.

17 I would like to split Medicaid. I would
18 like to have the federal government responsible for
19 long-term care, and I'd like to have the states
20 responsible for acute care and the disabled. Why I
21 split it that way is because the federal government
22 really has to address this growing problem coming
23 down the path of people reaching the age of 65 and
24 older. There are great examples of things that can
25 happen out there. The first thing you should do is

1 be able to encourage elderly to stay in their own
2 home. Give a dependent tax credit for sons and
3 daughters that want to take care of their mothers or
4 fathers or grandfathers or grandmothers and you
5 would find a response that you can't believe to keep
6 people out of nursing homes and institutionalized
7 care. Then allow the states to innovate on acute
8 care. Can you imagine what could happen, you know,
9 that you could pass a law in the State of West
10 Virginia that says, you know, I'm going to have
11 every poor child vaccinated and goes out and does
12 that under the Medicaid Law of West Virginia, and he
13 starts bragging about what he has done in West
14 Virginia? It would resonate throughout all of the
15 states across America. It's that kind of innovation
16 that we need to get back to in America.

17 Finally, ladies and gentlemen, there's so
18 much new technology out there, exciting things that
19 I have had the privilege to become involved in as a
20 former governor, former cabinet member. Technology,
21 I invited some friends down to show a demonstration
22 that could offer technology that can contact every
23 single person in your state by the governor within
24 hours. Every city could be contacted. If there's
25 an emergency, a pandemic flu, you could contact

1 every single person in that city within minutes and
2 be able to tell people about an epidemic, about a
3 hurricane, about a pandemic. So, ladies and
4 gentlemen, I just would like to say that I am very
5 optimistic, very optimistic about the future.

6 I think that if governors want to really
7 innovate and be able to do things--I'm developing
8 a book through my chairmanship at the Center for
9 Health Solutions to give out to all of the
10 governors all of the waivers out there that I'm
11 going to be able to have completed by the beginning
12 of the year so that you will know what waivers are
13 working and what waivers are not working or how you
14 might be able to change waivers for your particular
15 state. Why I'm doing that is because I want
16 governors--because I don't believe congress is
17 going to act--I want to give governors all of the
18 support I possibly can, because I was there and I
19 know how tough the job is and how hard you have to
20 work and how busy you are to be able to make that
21 path a little bit easier for you to innovate.

22 But in the areas of chronic diseases,
23 information technology, Medicaid and the uninsured,
24 there are so many ways to be able to come out with
25 new programs, ladies and gentlemen, that will put

1 your state apart from other states and start down
2 the road of transforming health care so we don't end
3 up in 2013 with the kind of situation where nobody
4 has listened and nobody has done what is necessary
5 to prevent that cataclysmic decision of going to
6 either a government-paid system, price control, or to
7 raise taxes.

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

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

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

24 We're going to continue with a discussion
25 that we started last year with food and beverage

1 companies, and today I think it's an extraordinary
2 high moment in the life of the National Governors
3 Association when on a weekend in the summer when
4 most folks could easily say weekends are not a good
5 option for me and I have vacations and other
6 obligations, the chief executive officers of three
7 of the most prestigious, largest food and beverage
8 companies in the entire world have chosen to be with
9 us here in Charleston for a discussion on their
10 insights in building future partnerships between
11 governors and the private sector on how do we move
12 toward a healthier America.

13 To facilitate the discussion with these
14 leaders, I want to invite Charles Bierbauer to come
15 and lead in the discussion. I think most of us all
16 know Charles Bierbauer from his very distinguished
17 career in broadcasting, both as a reporter and as
18 producer for the Discovery Channel's documentary on
19 the September 11 attacks. Prior to the work with
20 the Discovery Channel, you probably remember him
21 from his days at CNN as a correspondent from the
22 Washington bureau. He covered both the Bush (41)
23 and Reagan administrations. He had been with ABC
24 News overseas and the bureau chief for ABC, first in
25 Moscow, later in Bonn. In 1997 he won an Emmy for

1 anchoring the CNN coverage of the 1996 Olympic Park
2 bombing in Atlanta. Now Mr. Bierbauer has moved
3 from that position to become the first dean of the
4 newly merged College of Mass Communications and
5 Information Studies right here in South Carolina at
6 the University of South Carolina. Please join me in
7 welcoming Charles Bierbauer, who will lead our
8 discussion today.

9 MR. BIERBAUER: Thank you, governor.
10 Thank you for this opportunity. It's nice to see so
11 many familiar faces from my previous career covering
12 politics at CNN. I think I've covered some of your
13 campaigns in the past at one point or another.

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

25 Let me also thank this corporate panel for

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

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

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

1 other beverages that they do sell.

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

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

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

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

1 governors.

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

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

20 Now, American consumers play a big role in
21 this whole thing. They have their own priorities.
22 They really have a hierarchy of needs. It's about
23 three things. The first thing is it has to taste
24 good. This is rule number one in the food business.
25 No matter how good something is for somebody, if

1 they don't like it, they won't eat it. Second, it
2 has to be easy to make, easy to consume. If it
3 tastes good and it's easy, then you can get them to
4 consider the third priority, which is is it good for
5 me. If you can deliver all three of these things,
6 you have really hit the trifecta.

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

21 In January of last year General Mills
22 converted all of our cereals to be either a good or
23 excellent source of whole grain. That's either a
24 half a serving or full serving per bowl. Some of
25 them like Cheerios and Wheaties already were, but

1 most of them weren't. So we had to change. We had
2 to reformulate the cereals to get that whole grain
3 in there. We had to do it without changing the way
4 they taste. Remember, I said rule number one is
5 they've got to like the way it tastes. So it was
6 hard. It cost us money, but by taking that single
7 step, it enabled us to deliver 27 million servings
8 of whole grain across America every day, which adds
9 up to more than 1.5 billion additional servings of
10 whole grain without consumers having to change a
11 single thing that they did.

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

20 Green Giant vegetables: We're trying to
21 make those easier and more convenient for people to
22 eat. Everybody knows you should eat more
23 vegetables, and we'd certainly like to see people do
24 that. We're a leading producer of organic products:
25 Muri Glen tomato products, Cascadian Farm products.

1 We're helping people manage their weight with 100
2 calorie products like Progresso soup and Yoplait
3 light yogurt, and we've added sterols to our Healthy
4 Heart granola bars, soluble fiber to Honey Nut
5 Cheerios. These are things that help reduce
6 cholesterol. In just the last two years we have
7 improved the health benefits of some 20 percent of
8 our product line. Of course, a lot of them are
9 pretty healthy already.

10 The only other thing I'd say that I think
11 is very important beside just improving the health
12 profile of products is, we know that educating
13 people about good nutrition and regular exercise is
14 pretty important. The governors have alluded to
15 that. We have made nutrition education, nutrition
16 information more prominent on our package. General
17 Mills contributes five percent of our pre-tax
18 profits to community programs. One of our key
19 priorities is youth nutrition and fitness. In just
20 the last four years we've invested \$8 million in
21 these programs around the country. One of them was
22 referenced today in your Healthy America Program.
23 We sponsor thousands of kids who earn President's
24 Active Lifestyle Awards every year. In fact, we're
25 partnering with Governor Pawlenty in our own home

1 state of Minnesota to sponsor this program for all
2 Minnesota kids who are in the third grade or higher,
3 and we know that exercise is a critical priority for
4 kids.

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

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

22 MR. BIERBAUER: Thank you. Mr. Reinemund.

23 MR. REINEMUND: Thank you, Charles. And
24 thank you, Governor Huckabee. Thank you for setting
25 this up.

1 I think if there's one message that I
2 would like to leave from my few comments this
3 afternoon is that speaking not so much for PepsiCo
4 but for all of us, both Steve and Don and the rest
5 of us in the food community, we would like for you
6 all to view us in this desire to deal with the real
7 epidemic of obesity, we'd like to have you view us
8 as part of the solution and not as part of the
9 problem.

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

22 And for us, in the early '90s we moved to
23 actively start developing non-carbonated beverages
24 with our partnerships with Lipton Tea, the beginning
25 of Aquafina and then in the later '90s the purchase

1 of Tropicana, and then with our acquisition of
2 Quaker in 2000 we acquired the Gatorade brand. So
3 we now have a portfolio, large portfolio,
4 fast-growing portfolio of non-carbonated beverages
5 as well as carbonated beverages. Again, in this
6 carbonated beverage side we have lots of
7 alternatives, but maybe the biggest alternative in
8 this whole area of dealing with obesity and health
9 and wellness would be the diets.

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

18 As I see this journey in primarily the
19 food side of the business, but it's true in
20 beverages as well. The consumer has increasing
21 awareness of the qualities in the foods. Now, some
22 people look at these issues that we've looked at
23 over the last 15 years as fads, but I think they're
24 really part of an overall trend. So if you think of
25 awareness of health and wellness of food as sort of

1 an increasing line, it's really driven I think by
2 fads, up and down fads, which are driven by
3 awareness of fat, calories, trans fats and these
4 other issues that come on the screen. And those of
5 us in the food companies, as these issues have become
6 mainstream in the consumers' minds, we've worked
7 hard to try to come up with products that meet those
8 needs along that line.

9 I would just tell you that--and I don't
10 think I speak for myself. I believe I represent
11 many of the other food companies, that health and
12 wellness is one of the key strategies that
13 supersedes all the other objectives that we have in
14 our business today. I know myself, I spend the
15 overwhelming majority of my time on four initiatives
16 across all of PepsiCo worldwide. One of them is
17 health and wellness. I believe that is critical not
18 only because it's the right thing to do, but it's
19 also good for business. We've been able to prove
20 that over the past few years, but by a fact that I
21 think has been certainly important to us, and that
22 is that our health and wellness oriented foods in
23 the United States are growing at two and half times
24 the growth rate of the portfolio overall. Last year
25 70 percent of the growth of our products in the

1 United States came from products that were
2 designated as healthier products.

3 Part of that healthy effort in our mind,
4 and Governor Huckabee talked about it a little bit
5 when he used his plane analogy about the two wings,
6 this obesity issue is really around energy in and
7 energy out as the two wings of many plane. We think
8 we can be helpful as food companies in making
9 awareness and making changes in both those areas.
10 We, as well as Coke and General Mills and other
11 companies in the food arena, are sponsoring many
12 energy-out types of programs. America on the Move
13 is one that we sponsor. All of us have taken on
14 different projects to help the consumer understand
15 the importance of exercise.

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

22 Two years ago we introduced in the United
23 States a program called Smart Spot, and it's a
24 little green spot that we put on our products that
25 are deemed to be healthier products. These are

1 guidelines that we developed in concert with the FDA
2 and the National Academy of Science, and I'm proud
3 to say that almost 50 percent of our products in the
4 United States carry this label and that last year
5 the growth rate of those products were two and a
6 half times the growth rate of the overall portfolio.

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

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

24 MR. BIERBAUER: Thank you, Mr. Reinemund.
25 Mr. Knauss.

1 MR. KNAUSS: Thanks, Charles. Good
2 afternoon to the governors and ladies and gentlemen.
3 I would echo a lot of what Steve said in terms of
4 our company's commitment to health and wellness as
5 well. I would, too, like to stop and thank Governor
6 Huckabee. I think in a time when change is certain
7 and progress is not, I think we are starting to make
8 a lot of progress, and you have been a wonderful
9 catalyst for the industry.

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

21 We see three broad trends around the world
22 today. Health and wellness is one. Convenience is
23 another, and sustainability is the third. We as a
24 corporation need to really gain insights to our
25 consumers against those three trends. So we believe

1 in taking a responsible and I would say a very
2 responsive set of actions to health and wellness.

3 I'd like to tell you a little bit about
4 the four-pronged approach we take to this issue, to
5 this trend that's going on. First, it starts with
6 having a broad range of products. Just in the last
7 18 months we have launched almost 40 products just
8 in the United States and Canada that really address
9 this need for lower calorie options and also
10 nutrition and hydration. For example, we just
11 launched an Odwalla soy milk, which has DHA or Omega
12 Threes really to promote brain health and bone
13 health. We just launched Minute Maid Heartwise with
14 plant sterols, which Steve mentioned in cereals, to
15 reduce cholesterols. We launched Powerade Option,
16 which has 80 percent fewer calories than regular
17 sports drinks. So we're trying to really give
18 consumers a broad range of products that meet this
19 need around health and wellness, but it's not just
20 about products; it's about programs that promote
21 this lifestyle.

22 Just some examples of what we're doing to
23 promote an active lifestyle, which is so critical,
24 Live It is a program we launched with Lance
25 Armstrong last year in middle schools. We've

1 literally touched four million students in school
2 districts across all of your states last year with
3 Live It, which really promotes education around
4 health and wellness and nutrition and how to eat
5 right but also how to get moving. We promoted the
6 program of taking 10,000 steps a day and gave all of
7 these students stepometers. We also launched in
8 collaboration with Kraft a program called Triple
9 Play with the Boys and Girls Clubs. It's really the
10 first after-school program designed alongside health
11 and wellness in collaboration with the U.S.
12 Department of Health & Human Services. Lastly,
13 we're obviously very active in sports. Sports is
14 part of the fabric of this world. Coca-Cola touched
15 a record of 480 youth soccer teams this year, almost
16 7000 players across many of your states, in that
17 tournament to promote soccer and just getting up
18 and down and moving across that field.

19 Third, it's about information: How are we
20 helping consumers really make informed choices about
21 beverages, which is much like Steve's program that
22 he talked about, the Green Spot. We've launched a
23 program called Make Every Drop Count, for television,
24 print, and to give people sound science-based
25 information about beverages and what really impacts

1 their health. We also founded the Beverage
2 Institute of Health and Wellness in Houston, where
3 our Minute Maid division is headquartered, to really
4 deepen our knowledge through clinical studies on
5 everything from hydration to bone and joint health,
6 heart and weight management; to really get to the
7 science of how that will impact our beverages.

8 Finally, we're committed to the fourth that is
9 really to be a responsible marketer. We adhere to
10 the guidelines of the Children's Advertising Review
11 Unit (CARU), and the self-regulatory body that sets
12 standards for advertising to children under 12,
13 which we simply won't do. We respect the classroom
14 as a commercial-free zone. That's what really led
15 to this new set of guidelines. We recognize that
16 schools are a unique environment, and our
17 partnership for the Alliance for a Healthier
18 Generation, which includes the American Heart
19 Association and the Clinton Foundation and the
20 American Beverage Association, which Governor
21 Huckabee helped us pull together, led to the
22 adoption of these new school guidelines just a few
23 months ago. We really wanted to participate in that
24 because we thought it was a broad-ranging program.
25 It wasn't just about singling out any industry, any

1 single industry or any single food or beverage. It
2 was a holistic program around exercise and
3 information/education and also what you eat and what
4 you drink.

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

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

23 MR. BIERBAUER: Thank you, Mr. Knauss.
24 Let me pose just a couple of quick questions, then
25 we'll open it up more broadly. What's the least

1 controllable, what's the variable that gives you the
2 biggest difficulty, the greatest difficulty in
3 trying to do the things that each of you has said
4 you want to do and feel that there is merit? Mr.
5 Sanger.

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

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

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

25 MR. REINEMUND: I agree. Clearly the

1 consumer rules. But I think underneath that,
2 science would probably be the next thing I would
3 come in to talk about. That is, in our efforts to
4 improve our products, we have basically three tiers
5 of efforts. One is to improve the core of all the
6 products we have. Second is to invent new
7 products that have healthier attributes that the
8 consumers like, which is a little bit of what Steve
9 was talking about. Unfortunately, that's controlled
10 really by what the consumers' desires are. The
11 third would be, in our case, to acquire capabilities
12 that we don't have to develop products. That could
13 be people capabilities or other companies, smaller
14 companies.

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

24 This year we're actually changing the oil
25 in all of our potato chip products to a sunflower

1 mixture that will actually reduce substantially the
2 saturated fat. You might ask why didn't you do that
3 three years ago? The science, at least our ability
4 to develop that science, wasn't there. We've been
5 working hard to do it.

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

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

19 I think one of the things, though, just
20 for an example, we brought out some new diet
21 carbonated beverages that we think are scienced
22 around the ability to mimic sugar with different
23 sweetener systems which have much lower caloric
24 content is really improving. One of the barriers to
25 getting people to switch to diet sodas has always

1 been the taste, and I think we're getting better in
2 our taste profile. Once you do that, you start to
3 see the trends moving that way because the taste
4 becomes much more acceptable. So we continue to
5 work on the science and putting the focus on that
6 kind of innovation.

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

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

16 MR. REINEMUND: I would say that the issue
17 of marketing is our biggest opportunity to change
18 consumers' perceptions. I know that in the case of
19 products like water, the packaging around water can
20 be very helpful in getting consumers to move into
21 that product. So the marketing side of influencing
22 consumers can't be underestimated, which really gets
23 into another whole area of advertising, and one of
24 the sticky pieces about legislation against
25 advertisement is that we as the food manufacturers

1 have some capabilities in marketing and influencing
2 people. And as we develop healthier products, the
3 use of that advertising to change habits I think can
4 be very helpful.

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

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

19 Mr. Reinemund gets a point for product
20 placement with his Healthy Spot on the team over
21 there. But product placement, advertising or things
22 that we're seeing in video games, things that we're
23 seeing in a variety of other venues that are not
24 outright advertising, what are you doing? What can
25 you do? What are your concerns in that area?

1 MR. SANGER: At General Mills we have the
2 same standards for our advertising in all types,
3 including the emerging media such as Web sites and
4 computer games. In our particular company, our
5 advertising standard is that we will only advertise
6 products to kids under 12 which meet a standard,
7 being low caloric density and high nutritive
8 density, and there's very specific dimensions to
9 that, and that applies not just to TV or radio but
10 to all forms of advertising.

11 MR. KNAUSS: For us at Coca-Cola, I
12 mentioned, Charles, the program Make Every Drop
13 Count. What we're trying to do is provide parents
14 and educators with the nutritional news and
15 information about all of the products that we market
16 so that they can make that decision for their
17 children. For example, Minute Maid orange juice,
18 that was something I would want my daughter, who is
19 12 now, to drink. Now, we don't advertise to her,
20 but we certainly advertise to her mother and other
21 mothers to make that decision for her. So for 50
22 years we haven't advertised on television programs,
23 for example, Saturday morning cartoons, but we
24 really made a focus of trying to educate the parents
25 about what is acceptable and what's not acceptable.

1 MR. BIERBAUER: Let me invite the
2 governors to join in this dialogue. Yes, Governor
3 Blanco.

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

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

24 But I am personally concerned as a parent
25 and as a governor that parents are encouraging their

1 children to consume such things, and I would like to
2 know what kinds of measures are you taking or what
3 kinds of gains are you making moving to other more
4 acceptable kinds of sweeteners?

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

20 As far as the school offerings are
21 concerned, I think that the difficulty, as most of
22 us as parents and grandparents recognize, is that
23 forbidding products is not a very productive way to
24 educate and not a productive way to solve this
25 issue. I always fall back to my history growing up.

1 I went to a public school. When I was in school you
2 brought your lunch in a paper bag or you ate the
3 lunch that was offered or you went hungry. There
4 were no opportunities to get anything in the school.
5 Frankly, if we could go back to those days, I for
6 one would sign up for that, but that's not the
7 alternative that's out there. The alternative
8 that's out there--and we got here through a
9 circuitous route--but as I could quickly summarize
10 as I know it, in the '70s or so many of the schools
11 allowed students to leave school at lunchtime to go
12 off and do their lunch off the campus, and then all
13 kinds of problems happened: truancy, drug and
14 alcohol abuse, so educators were forced to bring
15 alternatives to the school to get the students back
16 on the campus. That happened at the same time that
17 many of the local communities cut funding for key
18 programs like athletics and arts and so forth. So
19 we ended up with this hybrid solution that met the
20 needs of the times.

21 Now what do you do? The question I think
22 is . . . and that's why I think the alliance really did
23 a positive thing. I think education along with the
24 right alternative choices is the long-term solution
25 for where we are today, and to educate those students

1 so that when they graduate from high school they'll
2 make smart choices, is really the best alternative
3 that we can have. At the same time, to your point,
4 governor, continuous improvements and innovations
5 that Don talked about and that we're going to try to
6 continuously improve that portfolio of offerings
7 will certainly help the process, but the best thing
8 we can do is to educate our students on the right
9 balance in their lives and have the right balance
10 with alternatives in both food and beverage. That's
11 a tough challenge. As a food industry, we'd like to
12 be part of that educational process. We, along with
13 a number of other companies, are spending a lot of
14 money on educational opportunities.

15 You know better than we do the
16 difficulties in funding education for nutritional . . .
17 for the nutritionists in your schools. We went to a
18 national conference and we had a packet, a little
19 sort of education-in-a box on nutrition. We had
20 5000 school nutritionists lined up to get this box.
21 We ran out, because they just don't have the
22 resources to even understand and teach nutrition or
23 lead it in their schools. So we think this
24 collaborative effort can work.

25 I'm not trying to side step your comment,

1 governor, about the alternatives that we offer. My
2 only suggestion would be is if the machine had just
3 water, the high schools, public high schools and
4 most places would have another complete problem, and
5 that is students would be leaving the campuses to go
6 out where there would be even worse alternatives.
7 So the practical solution I think is one that we
8 have now, and I'm enthusiastic that working together
9 with the local schools we can help them with that
10 educational process.

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

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

1 that, you know, we're continuing working on it.

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

10 MR. BIERBAUER: Governor Sanford.

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

22 When you're talking about partnership, I
23 just think it would be instructive since we are in
24 South Carolina to highlight for just one second, and
25 if you just take not more than two minutes to do so,

1 but what the AME Church has done in South Carolina
2 in partnering both with folks in public policy and
3 folks in the private sector with regard to raising
4 awareness on health care and fairly innovative
5 health care solutions? Would you, sir?

6 REVEREND WITHERSPOON: What the AME Church
7 has done is partnered with various institutions.
8 It's pretty much kind of competitive what we do in
9 terms of good health, health care, nutrition, diet,
10 exercise, a whole combination of things so that if
11 we have a healthy congregation, we'll have somebody
12 to minister to as opposed to people being unhealthy.

13 And when people are unhealthy, it causes
14 the cost for health care to go up. And a lot of
15 times people do not have access to a lot of
16 health care. So we just think that if people are
17 healthier, then they can live longer and have more
18 productive lives and better contribute to society.

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

24 REVEREND WITHERSPOON: We do have a health
25 coordinator for the entire state and through a

1 published newsletter, Web site, we try to get the
2 word out, and people have responded very well. It's
3 not just for the AME Church. We have just kind of
4 done it, and it's open. It's an open model for
5 anybody to pattern after and use.

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

9 Governor Pawlenty.

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

18 I think over time the technology and the
19 chemistry of that has improved, is improving and
20 will improve some more. While that's happening,
21 though, we see a dramatic increase in diabetes, a
22 dramatic increase in obesity. So while the food is
23 arguably getting healthier or better, the indicators
24 of health are not. In fact, in some categories
25 they're getting substantially worse. So I think

1 spending some time on the other side of the equation
2 is very important, and that is the energy-out side.

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

9 One of the things I see is by the time
10 kids hit middle school, unless you're in a elite
11 status or competitive status, most kids drop out of
12 sports because they're intimidated. The message to
13 them is if you're not on a junior Olympic track or
14 high school varsity patterned pathway, you know,
15 there's a winnowing process that basically winnows
16 most of the kids out of sports by about junior high
17 school or certainly winnows them out even sooner.
18 So you see 20 percent of the kids getting 90 percent
19 of the exercise. Some of this can be mitigated by
20 what goes on in schools, but candidly, particularly
21 if you're in junior high, there's limits to what
22 they can really get done in school in terms of
23 physical fitness, rigorous physical fitness,
24 particularly as the kids get older.

25 I'm intrigued by some of these grassroots

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

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

21 MR. BIERBAUER: Yes, Mr. Sanger.

22 MR. SANGER: I just say, and I think my
23 colleagues probably would, too, that we agree very
24 strongly with Governor Pawlenty. I know Coke and
25 Pepsi have invested in programs with Boys and Girls

1 Clubs, with the Y. General Mills has a program
2 called Champions for Healthy Kids where we give
3 grants, \$10,000 grants to 50 organizations that are
4 trying to--around the country for innovative
5 programs to try either to--improve nutrition
6 education or more exercise, and so I think you're
7 absolutely right. The schools are a good place to
8 get that habit going, particularly for the younger
9 kids. So I think it does take a balance.

10 If we can get more physical education in
11 the schools and through whatever resources we can
12 provide to help do that, too, coupled with
13 innovative non-school related programs, because
14 getting kids moving would make a big dent in this.
15 I mean, the amount of time sitting around, the
16 amount of time spent in front of a screen of one
17 kind or another is moving up. You can correlate the
18 weight gain with that.

19 MR. BIERBAUER: The implicit question in
20 what Governor Pawlenty was saying is, is there a
21 tension between what you do on the one hand, which
22 is putting the ads on the score boards at the
23 stadium where Governor Thompson described there are
24 22 on the field and 70,000 sitting, is there a
25 tension between that and getting to the kids who

1 just need exercise?

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

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

22 GOVERNOR PAWLENTY: General Mills, I
23 should point out, I think all of you probably have
24 in your own ways, but do fantastic in partnering
25 with us. But in closing, I don't see a lot of

1 obesity and diabetes in kids who are active in
2 sports. I see a lot of obesity and diabetes in kids
3 who aren't.

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

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

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

17 MR. KNAUSS: It's interesting. With
18 McDonalds, on the beverage side, Governor, about 18
19 months ago we worked with McDonalds and eliminated
20 the super size beverage portions in McDonalds. They
21 took that step, and we supported it. Even though it
22 certainly -- in the short term one would say, well,
23 aren't you in the business to sell more beverage,
24 and we certainly are, but that was the right move,
25 and they made that move.

1 Now, what they'll do on the food side
2 remains to be seen, but obviously the introduction
3 of salads and a lot of the other things they're
4 putting into their range of products I think is
5 helping them tone it down.

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

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

22 To me, portion control is part of the
23 education process. If we can get our kids to
24 understand what the right portion size is early on,
25 that's probably more important, at least I think,

1 than probably any other educational thing we can do,
2 because if they eat the right portion size of
3 something full sugar versus four or five portions
4 sizes of something that's reduced sugar, they're
5 better off learning the right portion size. So I do
6 believe the whole education process, portion is a
7 huge part of it.

8 MR. BIERBAUER: Y'all will have a hard
9 time getting parents to adopt Secretary Thompson's
10 50 percent idea of leaving half the food on their
11 plate.

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

14 MR. SANGER: We don't, to my knowledge,
15 have any products that are super sized in the food
16 service channel. Again, if they would super size
17 our vegetables we would be more than pleased, and
18 probably there would be a lot of parents would, too.

19 I do think that portion control is a
20 growing opportunity. We have, as have many other
21 food companies, found that consumers react
22 positively to that. They like to know I have 100
23 calorie portion of something.

24 I think that's an opportunity for
25 restaurants. I ate in a restaurant the other day

1 that said everything in this group of foods is less
2 than 300 calories, their lunches. I thought, that's
3 great. I'd really like to know that.

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

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

15 GOVERNOR HUCKABEE: Let me begin by
16 saying a special thank you to Charles Bierbauer for
17 doing an excellent job of moderating the discussion.

18 I also want to thank the three CEOs for
19 being here. They had no idea what kind of audience
20 they might face, and it was pretty bold on their
21 part to be willing to face governors from around the
22 country and take whatever questions we tossed to
23 them.

24 Let me mention something that I know Steve
25 Reinemund brought attention to. When the beverage

1 companies of America voluntarily came forward in
2 meeting with President Clinton and myself through
3 the Healthy Alliance for Tomorrow's Children, it was
4 really an incredibly significant moment that the
5 industry--not prompted by law, regulation or the
6 threat of litigation, but rather by the desire to be
7 a part of a solution rather than simply continually
8 see this problem escalate--came to the table and
9 brought about what really was a limitation upon
10 their own marketing capacity to students and
11 children and schools. I'm not sure that we have
12 fully as a nation really said thank you enough for
13 their initiative in taking that step. I want to
14 just tell you how much I appreciate, not just your
15 being here, but also for the extraordinary steps
16 that you've taken to come to, not just this table,
17 but to the table of solutions, and I think my
18 colleagues around the table join me in expressing
19 appreciation. Thank you very much for being here.
20 We appreciate it.

21 The next order of business we have is a
22 very special one that dates back for some 30 years.
23 In fact, this is the 30th anniversary of the
24 National Governors Association Awards for
25 Distinguished Service to the State Government and to

1 the Arts. This program presents governors with the
2 unique opportunity to present their special civil
3 servants as well as private citizens, focusing on
4 commitment of state administrators and the important
5 contribution that private citizens make to both
6 state government as well as the to the arts. Each
7 of these very distinguished honorees have made
8 selfless and invaluable contributions to state
9 government as well as to public service.

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

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

24 I want to say thanks, Ray, to you and the
25 other members of that committee for going through

1 the nominations and then personally thank someone
2 who may speak to me again for this assignment, that
3 is the First Lady of Arkansas, my wife Janet, who
4 chaired the Arts Review Panel.

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

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

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

20 For the past 29 years Cheryl has served
21 the public in Alaska as an aide to two governors,
22 numerous Alaska state legislators as well as a
23 mayor. Her leadership in introducing performance
24 measures to improve state services is a true example
25 of her exceptional work for the public sector. Her

1 commitment to making government accountable to
2 constituents is realized in the establishment of the
3 Missions and Measures Program. She now directs that
4 program. It communicates results to citizens,
5 primarily through up-to-date results from each
6 agency on the state's Web site. Program managers and
7 division directors also receive training that
8 enables them to use performance measurement as a
9 management tool. Articulating the important
10 difference between activities and results--think
11 about that for government, that's unique--has
12 helped establish a fiscally responsible
13 administration. Governor Murkowski says this, and I
14 quote him: "Alaska is simply a much better place
15 because of Cheryl's efforts and dedication to the
16 State of Alaska."

Join me in recognizing Cheryl Frasca.

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

24 Our next award winner in the state
25 official category is Dora Schriro, who is director

1 of the Arizona Department of Corrections. And quite
2 appropriately, I'll turn it over to Governor
3 Napolitano to make this presentation.

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

16 In our state, corrections employees now
17 are aware that their job is twofold: to provide for
18 public safety now through sound correctional
19 security practices inside and to take care of public
20 safety later by preparing inmates for the outside
21 world. They are focused on literacy, sobriety and
22 employability skills to reduce the three Rs:
23 relapse, revocation and recidivism. The results
24 have been outstanding. Just to give you a few, in
25 2003 when Director Schriro arrived, only 791 inmates

1 had received their GEDs. In 2005 that number was
2 3125. Inmates are told from day one that in order
3 to get a job on the outside you have to get a high
4 school education, and that is coming through loud
5 and clear.

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

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

23 Lonice Barrett's distinguished career in
24 state government is characterized by exemplary
25 service, leadership, citizen involvement,

1 stewardship, innovation and extraordinary
2 achievements that have resulted in better government
3 for the State of Georgia. In 2004, after 36 years
4 of service to his state, Mr. Barrett postponed his
5 retirement to accept Governor Perdue's request to
6 implement the recommendations of the Commission for
7 a New Georgia so they could achieve a highly
8 effective state government. Mr. Barrett has
9 directed more than a dozen major innovation
10 initiatives in a remarkable span of government
11 operations and services, including statewide
12 procurement services, capital asset management,
13 workforce development, tourism marketing, customer
14 service, leadership development and strategic
15 industries. The results in documented cost savings
16 have surpassed \$37 million with project revenues and
17 savings of more than \$200 million a year from the
18 newly implemented programs.

19 I have to ask, was Governor Perdue
20 generous enough to give you a commission of those
21 \$37 million? No wonder he's not here. He was
22 ashamed not to admit that he was . . . well, I would
23 have done it if you had been in Arkansas and saved
24 us \$37 million.

25 Governor Perdue said of Mr. Barrett, he

1 was named by *Georgia Trend Magazine* in 2004 as
2 Georgia's top public servant, and I quote: "His
3 intelligence, integrity and humility have won the
4 lasting trust, credibility and admiration of
5 legislators, colleagues and citizens throughout
6 Georgia."

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

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

15 GOVERNOR VILSACK: Mr. Chair, thank you
16 very much. Holmes Foster is an individual who has
17 achieved greatness in his life without acquiring a
18 great ego. He is an extraordinary individual who
19 was very successful in a banking career. Following
20 his banking career, rather than retiring, he was
21 called into service in a number of different
22 categories. First he became the superintendent of
23 banking and completely restructured our entire
24 banking organization in the State of Iowa and did so
25 voluntarily and without a great deal of angst. He

1 then served as the Chair of the Iowa Values Fund,
2 which is the largest economic development program
3 the state has ever had, in establishing new
4 good-paying jobs for our state. He then served as a
5 director of the Department of Commerce. He also
6 served in his capacity as the co-chair of the Iowa
7 Privacy Task Force. He worked on the Revenue
8 Estimating Conference to insure that we had accurate
9 estimates of revenues for the state from which we
10 determined our budget. He worked as a trustee of
11 the local college of Iowa in my hometown. He served
12 on numerous fundraising activities. He did this all
13 after he retired. He is an extraordinary
14 individual, and I simply want to take this
15 opportunity to thank the Chairman and the National
16 Governors Association for giving me this opportunity
17 to acknowledge the service of one of Iowa's great
18 private citizens. Thanks, Mr. Chair.

19 GOVERNOR HUCKABEE: Tom did not want his
20 picture made with me, so we're not gonna do that.
21 I'm deeply offended and hurt. I'll probably have to
22 take half a baby aspirin just to get to sleep
23 tonight thinking about that. I can't blame you. I'm
24 glad the microphone . . . I hope no one heard you.

25 Our next award winner in the private

1 citizen category is Dr. Juan Panelli Ramery from
2 Puerto Rico. At this time I'd like to ask Governor
3 Acevedo Vila to join me at the podium to make some
4 remarks about Dr. Ramery.

5 GOVERNOR ACEVEDO VILA: Thank you,
6 Governor Huckabee. It's really an honor to me to
7 present our honoree today, Dr. Juan Panelli.
8 Professionally, he's a dentist and oral surgeon from
9 Ponce, which is the main southern town in Puerto
10 Rico, but he's more than just a doctor. He runs his
11 life by his motto, and I'm going to translate:
12 "There's no problem big or small that we cannot
13 tackle. There is always something we can do to help
14 our people, our communities, our quality of life.
15 Those who learn how to receive while giving will
16 never be unfulfilled."

17 If you learn about what he has done in the
18 last 15 years, definitely Dr. Panelli will never be
19 unfulfilled. He started his community service out
20 of Puerto Rico in Latin America, doing community
21 service in Venezuela, in the Amazon area, Costa
22 Rica, Haiti, Guatemala, Nicaragua and the Dominican
23 Republic giving dental services, health services to
24 the most needy in those countries. Once he decided
25 to come back home, of course he went to his Ponce,

1 and there he started a project called, in Spanish,
2 *Proyecto Amor que Sana*--the way to translate, Love
3 That Heals--in the City of Ponce. This is a
4 community-based organization, runs through
5 volunteers and offers services to homeless, drug
6 addicts, alcoholics and those who are HIV positive.

7 This is how I met him. After hearing a
8 lot about what he was doing even from my chief of
9 police, I went to visit one of his centers in Ponce.
10 It's one of those places that, yes, you don't want
11 to go, but yet it's part of our reality, especially
12 in inner cities. It's a place called, in Spanish,
13 *el La-Massane*, the warehouse, but there are no goods
14 there. There's no real services there. It's just a
15 place where the addicts go to get what they call in
16 Spanish, *la curar*, their fix.

17 Dr. Panelli goes there with his groups, I
18 think it's every Wednesday, just to try to save
19 them. Over there I saw both sides of the pictures.
20 Those who are still drug addicts who still don't
21 have the will to change, but nevertheless there he
22 was with his team giving medical services to them.
23 But then also I met some who had been saved by
24 Dr. Panelli and his group and who were there just to
25 tell the governor, please, give support to this

1 effort.

2 The government of Puerto Rico has
3 recruited Proyecto Amor que Sana to be its partner
4 in administering HIV and prevention in sexually
5 transmitted disease in Ponce, and also Dr. Panelli
6 is moving his effort outside of Ponce to some other
7 areas in Puerto Rico, particularly in the southern
8 part of the island.

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

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

18 GOVERNOR Kaine: Dubby, welcome. It's
19 good to be with you all to tell you about a great
20 Virginian, Dubby Wynne. I have a trait that I know
21 I share with every governor, which is when Virginia
22 is ever ranked in a ranking and we come up near the
23 top, I talk about it all the time. The other ones I
24 may not mention, but when we're near the top I talk
25 about it. We had a very nice honor in 2005, when

1 *Governing Magazine* did a survey of states and named
2 Virginia the best managed state. We do a lot of
3 things right.

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

15 The design flaw in Virginia government has
16 been the absence of long-term planning. We have an
17 unusual system: the governor can't succeed himself.
18 So we have a four-year period where there's
19 executive leadership, and then there's always a
20 transition. We have a two-year legislative election
21 cycle. So over time as the society has grown bigger
22 and more complicated, I think Virginia has
23 occasionally been very good at what we would say is
24 rowing. We're good rowers, but sometimes we're not
25 good steerers. What we needed was somebody who

1 would recognize the design flaw and really tackle it
2 with passion and push us to be better steerers.

3 Dubby, first working with Governor Warner
4 on an initiative of the Committee on Effectiveness
5 and Efficiency, worked and got into the guts of state
6 government and noticed a lot of things we could do
7 better on the management side to save money and
8 serve citizens better, but coming out of that
9 initiative he really noticed what we really needed
10 to move ahead was a long-term planning capacity. So
11 Dubby became the champion of an initiative called
12 Coalition for Virginia's Future, fought hard to get
13 it through the legislature. The idea to put
14 together a public private planning apparatus that
15 would involve legislators and the governor but also
16 those from the private sector to set longer-term
17 goals for the state so we could steer by a true
18 compass point and not go back and forth on two- or
19 four-year election cycles.

20 Dubby's work has helped us save a lot of
21 money on basic efficiencies and effectiveness
22 because he comes from the private sector and has
23 served as a philanthropist and leader in the
24 non-profit community in Hampton Roads as well. The
25 real value of this initiative is that we are now

1 focused, and the legislature has bought into the
2 idea because of Dubby's tremendous work on the idea
3 of setting longer-term goals for the Commonwealth
4 and then across administration steering towards
5 longer-term goals. Not an easy thing to do with 140
6 legislators and a governor that changes every four
7 years, but Dubby's passion has made it happen, and
8 it is going to help us be a much, much better state
9 because of his efforts. So I was proud to nominate
10 and, Governor Huckabee, so glad that he was selected
11 by the committee.

12 Dubby, congratulations.

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

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

20 GOVERNOR PAWLENTY: I think we all
21 appreciate the role that art plays in a creative and
22 innovative society. There's an increasing premium
23 on those traits as we move to the hyper-competitive
24 global economy and America's place in that and our
25 state's place in that economy. There's increasing

1 premium on creative thought, innovative thinking and
2 the like. The arts play an important part in that.

3 We have an institution in Minnesota called
4 the Walker Arts Center, which is 130 years old,
5 13 decades old. *Newsweek* magazine called it
6 perhaps the best contemporary art museum in America.
7 We're very proud of it.

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

13 GOVERNOR HUCKABEE: I want to just
14 mention that Monday there's going to be an
15 absolutely phenomenal speaker. If you have never
16 heard Sir Ken Robinson, he's going to be speaking on
17 the importance of creativity and the arts. I can
18 promise you not just because he has a British
19 accent, which always makes people sound smarter than
20 the rest of us, but he truly is one of the most
21 remarkably entertaining but provocative speakers.

22 As we're talking about special people in
23 the arts, I just urge you if your plans are that you
24 have to leave early, rearrange those plans. Don't
25 miss his presentation. It absolutely will be

1 enthralling, one of the most challenging
2 presentations to governors I think that we've heard
3 in a long time at NGA.

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

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

24 In 1994 Anderson opened the Anderson
25 Museum of Contemporary Art, which showcases art

1 produced by alumni of the program. Governor
2 Richardson says of Mr. Anderson that: “The museum
3 and the residency program have been catalysts in
4 broadening community understanding and appreciation
5 of contemporary art in New Mexico. Donald
6 Anderson's efforts also have put Roswell on the map
7 as an arts destination, helping to promote economic
8 development as well as tourism in New Mexico.”

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

12 At this year's annual meeting we also are
13 recognizing the General Motors Corporation for 15
14 years of membership in the NGA's Corporate Fellow's
15 Program. This is a program founded in 1998. The
16 Corporate Fellows Program promotes the exchange of
17 information between private sector and governors,
18 also focusing on emerging trends and factors that
19 affect both business as well as governors.

20 The corporate fellows share their unique
21 experiences, their perspectives and their expertise
22 through the NGA's Center for Best Practices, which
23 is the nation's only dedicated consulting firm that
24 is uniquely geared toward governors and their key
25 policy staff. Through their support, member

1 companies demonstrate a commitment to improving the
2 cooperation and understanding between state
3 government and industry and help develop some true
4 bipartisan and collaborative responses and solutions
5 that affect all of us in the country.

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

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

21 I know that every one of us would tell you
22 that there's probably never been a greater
23 experience in the world than being a governor of a
24 state. Not just an honor, but what an incredible
25 opportunity to affect the lives of the people in our

1 states. Over and over and over I have heard people
2 in all walks of life say the best job they ever had
3 was being governor of their state, and I can
4 understand why people would feel that way.

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

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

21 He served on the NGA Executive Committee.
22 He chaired the Natural Resources Committee. He's
23 been one of the lead governors in agriculture as
24 well as one of our key governors on the Healthy
25 America Task Force and the Medicaid Working Group,

1 one of most time-consuming parts of being in NGA
2 that any of us have ever experienced.

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

17 He's placed improving education at the
18 center piece of his administration. Class sizes
19 have decreased. Teacher pay, on the other hand, has
20 increased, and higher standards of achievement has
21 challenged every one of the students of Iowa to
22 succeed. He created Iowa Values Fund, an \$800
23 million 10-year program that is transforming the
24 Iowa economy. He launched the Vision Iowa program,
25 utilizing \$270 million in state funding to attract

1 \$2 billion in total investment, creating 14,000 jobs
2 and attracting hundreds of thousands of tourists to
3 the state. He's worked to build a sustainable
4 energy infrastructure, whether it be wind energy or
5 ethanol. And having made considerable investments
6 in renewable fuels and alternative sources of
7 energy, Iowa now produces one fourth of the entire
8 nation's ethanol production facilities.

9 The Vilsack administration has worked
10 cooperatively with schools, medical providers,
11 businesses, faith-based organizations as well as
12 other entities to expand health care coverage to more
13 than 90,000 previously uninsured children. Ninety-four
14 percent of all Iowa children have health insurance.

15 NGA and all of us as governors are
16 certainly going to miss Tom and Christie. We wish
17 them nothing but great success.

18 I want to say on a personal level that
19 when I was going through a process of trying to
20 recapture my health and indicated that I was
21 training for and would run the Little Rock Marathon,
22 the most amazing thing happened. We were at one of
23 those Medicaid task force meetings in Washington.
24 Tom came up to me, he said: I hear you're going to
25 run a marathon. I said: I'm gonna give it a shot.

1 He said: You know, that's remarkable; I'm really
2 proud of you for doing that. He said: I think I'm
3 going to come down and run with you. Quite frankly,
4 I didn't take him seriously. I thought, why would a
5 Democrat governor from Iowa come to Arkansas and
6 run 26.2 miles with a Republican. Doesn't make
7 sense. But you know what? He did it. I'll tell
8 you, to this day nobody can ever say anything unkind
9 about this man in my presence because in one of the
10 most remarkable, I think, demonstrations of true
11 bipartisan friendship and what makes me value this
12 organization and the relationship with each of you,
13 Tom Vilsack did something that certainly I'll never
14 forget, that showed his class, his character and
15 certainly the reason we're going to miss him.
16 Please join me in paying tribute to our friend Tom
17 Vilsack.

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

22 Governor, I want to say we've always
23 appreciated your participation in NGA initiatives.
24 We've enjoyed your presence and that of Francis.

25 Governor Owens has been the chair of the

1 NGA Natural Resources Committee, where he's given
2 great leadership. He comes, as you can certainly
3 understand, from a state where natural resources are
4 critical. He's been a true leader in that effort.
5 He's been on the task force to help us with the NGA
6 Center Initiative on Economic Competitiveness. In
7 Colorado Governor Owens secured the largest tax
8 relief package in the history of Colorado, which
9 included cuts in the sales tax, capital gains tax,
10 personal income tax as well as the marriage penalty.
11 He also created an education accountability system
12 which included detailed online school report cards.

13 Under his leadership, in 2004 Colorado
14 became the first state in the nation to send
15 students to college with vouchers. The College
16 Opportunity Fund replaced blocked subsidies to
17 colleges and universities with individual stipends
18 for students so that they could use those stipends
19 at the school of their choice.

20 He's also accelerated \$1.7 billion in
21 transportation projects statewide that could have
22 taken up to a quarter of a century to complete,
23 projects that now will be done within a decade, and
24 he did it without increasing taxes, and we're quite
25 jealous.

1 Governor, we're going to miss you and
2 Francis and your wonderful participation in NGA and,
3 of course, the Mile High State will miss your
4 vision. Join me in recognizing our friend, Bill
5 Owens.

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

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

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

25 The proposed policy recognizes the

1 increased flexibilities states were given to manage
2 state Medicaid programs as part of the Deficit
3 Reduction Act of 2005. It also calls on congress
4 and the administration to work closely with
5 governors to implement any required changes to
6 Medicaid and the tandem programs under DRA.

7 I move that the Executive Committee
8 approve this proposed policy, which will then be
9 voted on by full association at the close of the
10 plenary session on Monday.

11 GOVERNOR HUCKABEE: We have a motion and
12 a second. Any discussion? Hearing none, all in
13 favor say aye. (*Shouts of ayes.*) Any opposed say no. The ayes
14 have it. The motion is passed.

15 And I want to just point out that,
16 Governor Napolitano, you have done a great job of
17 emptying the room with your presentation there.

18 GOVERNOR NAPOLITANO: It is a gift.

19 GOVERNOR HUCKABEE: So what I'm going to
20 do is now call upon you to further empty the room by
21 giving a year-to-date financial update.

22 GOVERNOR NAPOLITANO: Thank you very
23 much, Mr. Chairman. As of May 31, 2006, the
24 financial statements show operating fund surpluses
25 for both NGA and the Center. Although total

1 operating funds revenue is under budget at 68
2 percent, operating expenses are further under budget
3 at 66 percent. Expenses are lower than expected due
4 to staffing vacancies and lower than anticipated
5 sub-grant reimbursement requests from the states.
6 NGA and the Center are expected to end the June 30
7 fiscal year in good financial standing.

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

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

14 *(The meeting was adjourned at 4:13 p.m.)*

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1 PLENARY SESSION
2 MONDAY, AUGUST 7, 2006
3 10:00 a.m. - 11:30 a.m.

4 Governor Mike Huckabee, Arkansas--Chairman
5 Governor Janet Napolitano, Arizona--Vice Chair
6 -----
7 Honor States Grant Update

8 Governor Tim Pawlenty, Minnesota
9 Governor Timothy M. Kaine, Virginia
10 Tom Vander Ark, Executive Director, Education,
11 Bill and Melinda Gates Foundation
12 -----

13 Back to Basics: Learning to be Creative

14 Guest:
15 Sir Ken Robinson, Ph.D., International Expert on
16 Creativity, Innovation and Education
17 -----

18 Consideration of Proposed Policies
19 -----

20 Recognition of Outgoing Governors
21 -----

22 Remarks by the 2006-2007 NGA Chair
23 -----

24 LOCATION: Charleston Place Hotel
25 Charleston, S.C,

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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

14 ***(INDEX OF SPEAKERS AT REAR OF TRANSCRIPT)***

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

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

20 Last year there were 10 states,
21 Arkansas was one of those included, and we were
22 selected by an independent panel to participate in
23 the first phase of an NGA Honor Grant State
24 Program. This is a \$24-million program that
25 was generously supported by the Bill and Melinda

1 Gates Foundation, the whole point of which was to
2 make high school more rigorous but also more
3 relevant. At the same time, governors throughout
4 America have been working to make sure that high
5 school students can graduate who are ready to take
6 advantage of the opportunities that are before
7 them.

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

20 Today the NGA Center for Best Practices
21 will be releasing a report that indicates state
22 progress toward implementation of the graduation
23 rates that have been signed by 51 governors last
24 year. We undertook this commitment because we knew
25 that there needed to be a standard that we all

1 lived under that helped define what it really meant
2 to graduate, what it meant in terms of a dropout
3 rate because with 50-plus different standards in
4 the states and territories, there was really no way
5 of understanding what that meant. For the first
6 time, the compact signed by all the governors gives
7 us standardization and makes it possible for us to
8 really see how we are tracking in terms of progress
9 for education.

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

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

25 Governor Pawlenty.

1 GOVERNOR PAWLENTY: Good morning,
2 Mr. Chairman. Good morning, governors and our
3 special guests. I just wanted to provide a quick
4 update on some of the highlights of Minnesota's use
5 of the Honor States Program. Currently, there are
6 29 states implementing an action agenda as a result
7 of the NGA Center's Honor States Grant Program.
8 Grants range anywhere from \$50,000 to \$2 million
9 over the next couple of years to help a variety of
10 initiatives, but a particular focus is on
11 graduating more kids from high school, getting them
12 more college ready and a particular emphasis on
13 science, technology, engineering and math or the
14 STEM disciplines.

15 In Minnesota we received a generous
16 Honor State Grant. We're using it in a number of
17 ways. First is to improve the standards and the
18 focus on STEM disciplines. We convened a STEM
19 summit where we brought together business leaders,
20 community leaders, education leaders, scientific
21 community leaders around the topic of how do we get
22 more kids more interested in more rigorous and more
23 relevant math and science, technology and
24 engineering experiences. It was a terrific summit.
25 It was good in the sense of getting consensus

1 around these issues and moving the state forward
2 from a public policy standpoint.

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

19 We're also reinventing the high school
20 with respect to our high school graduation
21 standards. Minnesota has a nation-leading high
22 school graduation rate, but our high school
23 graduation test was quite anemic. It was taken in
24 eighth grade or higher, but many experts believe
25 the test was a sixth-grade test so we threw that

1 out and made it much more rigorous and much more
2 relevant. Starting next year, kids will be taking
3 the high school graduation test between ninth and
4 eleventh grade in a series of topics, and by all
5 accounts the test is going to be much more
6 rigorous.

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

25 So Mr. Chairman, those are a few of the

1 highlights. It goes on, but we're very grateful
2 for the NGA and the Honors Grant Program because
3 it's a chance to have some flexible money to
4 experiment with and innovate in the great tradition of
5 NGA in the states and we are grateful for the
6 grant.

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

12 GOVERNOR PAWLENTY: Thank you, sir.

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

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

21 GOVERNOR KAINE: Thank you, Governor
22 Huckabee, and it's good to report a little bit
23 today. We're very pleased to be one of the Honor
24 Grant states through the NGA and appreciate the
25 Gates Foundation support.

1 Let me start with a great phrase that's
2 in Virginia's constitution: Progress in government
3 and all else depends upon the broadest possible
4 diffusion of knowledge among the general
5 population. And that was written by Thomas
6 Jefferson when he was ambassador to Paris in the
7 1780s. He wouldn't have imagined when he was
8 writing that that there would be a world where you
9 could download all digital knowledge with a
10 fingertip, and yet that's really what he was writing
11 about, broadly diffuse knowledge among the general
12 population and you'll succeed.

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

22 We begin in Virginia with something
23 that is a wonderful thing, the Governor's School
24 network. This program began 30 years ago as a
25 summer program for 400 kids at a state college

1 campus, but it's now grown so that we have a
2 Governor's School network that serves every
3 community in Virginia--17 academic-year Governor's
4 Schools. These are regional public accelerated
5 high schools. Usually eight to nine jurisdictions
6 send students to each one. We have 16 residential
7 summer Governor's Schools and then a whole series
8 of summer day Governor's Schools programs.
9 Together they serve about eight or nine thousand of our best
10 and brightest high school students in Virginia.

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

24 We also want to promote the best in the
25 area of career and technical education, recognizing

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

18 The focus on excellence isn't just for
19 career and tech and then for students at the
20 Governor's Schools. We have to focus on all these
21 students who might otherwise kind of be in the
22 middle. And that's what we've used the Honor
23 States Grant I think, particularly for kids in Virginia,
24 to give these students greater options. So the
25 Honor States Grant in Virginia we used in a couple

1 of ways, first Project Graduation. Because we have
2 high-stakes testing, we usually can tell by about
3 halfway through a student's high school career
4 whether they're on track to get enough credits to
5 graduate either with the standard diploma or the
6 advanced diploma. Project Graduation targets
7 students who appear that they're not going to be
8 able to achieve the graduation requirements and
9 through tutoring and intense personal instruction
10 helps them do it. We've helped over 5,000 students
11 pass one of the exit exams, the standard or
12 advanced diploma, by this intervention that the
13 Honor States Grant has helped us through Project
14 Graduation.

15 We have a Commonwealth Scholars
16 program. We give two different high school
17 diplomas in Virginia, standard diploma and an
18 advanced diploma depending upon the number of
19 verified credits students get. A lot of our
20 standard diploma kids may not have enough to get
21 the advanced diploma, but they can go a little
22 farther than just the minimum requirements of the
23 standard diploma. So the Commonwealth Scholars
24 program again through personal tutoring tries to
25 help those kids who are going to get the standard

1 diploma to get a few more credits and get a head start
2 on what they might do in college.

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

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

23 Another way we use the Honor States
24 Grant is in dropout prevention, which has been a
25 serious problem. One of the things we saw as we

1 went into the competency testing is you can have a
2 high performance rate on competency testing if you
3 would kind of give a message to some of your poor
4 performers that they'd be better going elsewhere.
5 Well, that shouldn't be defined as success. We
6 want to reduce the dropout rates, and we really
7 praise the NGA's effort to standardize graduation
8 and dropout rate reporting so that we all kind of
9 know what we're dealing with year to year. And so
10 we have a Career Prep Academy that we use these
11 honor grants for where students . . . we help students
12 who have left finish diploma requirements but
13 finish them on community college campuses where the
14 ages of the students are more similar to them than
15 trying to get them back into a high school
16 environment where they no longer feel comfortable.

17 And then finally, we're also working
18 pretty heavily with our divisions of Juvenile
19 Justice and Criminal Justice Service to come up
20 with a resource book to help kids stay in school
21 who had some problems with the criminal justice
22 system.

23 One last thing I'll mention because
24 while the main purpose of this is to talk about
25 reforming high school, I'm really compelled to

1 mention this because I think it's part of our
2 strategy in pre-K. About 26,000 third-graders in
3 Virginia every year flunk the third-grade reading
4 exam. We have about 100,000 kids in any cohort.
5 We know of the 26,000 of those that flunk, 13,000
6 of them will flunk the fifth grade reading exam and
7 they also don't do well on the social studies, math
8 and science exams. If a kid passes the third-grade
9 reading exam, there's a 95 percent chance they'll
10 pass the fifth-grade reading exam.

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

25 A friend of mine who grew up in China

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

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

21 Also, next month NGA Center for Best
22 Practices will be releasing a report that
23 highlights the progress of the 10 states that have
24 been participating in Phase 1 of the grant process.
25 That's going to be at a policy forum in Washington

1 where state leaders will be convening to discuss
2 the progress.

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

11 In addition to the work that you've
12 just heard about from these governors from
13 Minnesota and Virginia, we've seen a lot of
14 evidence of strong gubernatorial leadership all
15 across America. It's not to say that we don't have
16 a lot of work to do, but part of the reason that
17 we're optimistic is because we've had generous
18 support from organizations like the Gates
19 Foundation. A person who knows perhaps as much as
20 anyone in America about the necessity and also the
21 criteria of redesigning the American high school is
22 our next guest, Tom Vander Ark, executive director
23 of education for the Bill and Melinda Gates
24 Foundation, who is familiar to all of us here at the
25 National Governors Association.

1 Tom, I want you to know the governors
2 appreciate the leadership you've brought and also
3 the results-oriented challenge that you've given us
4 to take it on as a project to redesign the American
5 high school in particular but education in general,
6 and I want to thank you for the support that the
7 foundation has given to the NGA Center for Best
8 Practices. Frankly, we couldn't do any of the
9 things we're doing in redesign efforts had it not
10 been for the generous support and the stimulation
11 that we got from Bill Gates himself when he came
12 and spoke to us and laid it out pretty boldly that
13 the American high school today is obsolete. And
14 from that moment, it has been a seminal moment in
15 NGA life and for the governors to really look at
16 the redesign.

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

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

24 I want to go back to 2004 and remind
25 you of some of the questions that governors and

1 governors' staffs were asking themselves: Do we
2 need more college and work-ready graduates in our
3 state? How do we help more low-income and minority
4 students graduate ready for college and work? The
5 NGA staff was contemplating those questions. The
6 staff at ACHIEVE Incorporated were contemplating
7 those questions, and the work that they did late in
8 2004 led to a really extraordinary National
9 Governors Association summit in February of 2005.
10 Once again, we see that America rises to important
11 challenges and particularly American governors rise
12 to important challenges, so I'd like to spend a few
13 minutes today telling you about the exciting
14 results.

15 Just by way of background, the NGA
16 Honor States Program and its complement, the
17 American Diploma Project led by ACHIEVE, both of
18 those really boil down to two important promises
19 that we owe every young person in America. The
20 first is that a high school diploma in America
21 ought to mean you're ready for college and work.
22 You're ready to get a family wage job and if you
23 choose, can continue learning in an institution of
24 post secondary learning. And the second promise
25 ought to be that every young person in America

1 ought to have access to great schools that help
2 them earn that diploma. Those are the real
3 promises that are embodied by the Honor States
4 Grant Programs through the great work that we've
5 heard of in Minnesota and Virginia. It really
6 boils down to college and work-ready standards and
7 curriculum and assessment and sound data systems
8 that drive accountability.

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

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

22 Third, we've had 14 states either put
23 the policies in place or have plans to put the
24 policies in place to have a college-ready
25 assessment in high school. Why is this so

1 important? It's because there's the hidden gateway
2 in America that most young people think we have
3 open-enrollment colleges; that they can graduate
4 from high school and go to a community college and
5 once they get there, they find out there's a
6 placement exam and about half of them flunk that
7 placement exam, and they end up going back and doing
8 things that they should have done in high school.
9 And 14 states have made a commit to the end that,
10 to make college readiness transparent by letting
11 young people and their parents and teachers know if
12 they're college ready. That gives them a great
13 chance to take more rigorous courses when they're a
14 senior so that they have a good chance of going to
15 college and being college ready.

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

20 And finally, as Governor Huckabee said,
21 we've had 51 governors sign the Graduation Rate
22 Compact, and as Governor Kaine said, that's really a
23 vital step to begin telling the truth about how our
24 young people are doing and how many are making it
25 through high school on time.

1 I also want to report that we're seeing
2 the beginning of really strong improvement in
3 student outcomes. After almost 20 years of flat
4 graduation rates, since 2000 we've seen an increase
5 of about a point and a half a year. Many states
6 are improving by over two points per year, which is
7 really great. After 20 years of stagnation, we're
8 beginning to see improved graduation rates. I
9 think that's the beginning of the outcomes of the
10 hard work that all of you have done to improve your
11 elementary schools. It's the outcome of making
12 the dropout problem more evident to parents and to
13 young people and to their teachers. We can all be
14 proud of that sort of increase.

15 My sense is that if we can continue
16 that progress in this decade, by the most
17 conservative measure, we can improve American
18 graduation rates from 70 percent to 80 percent.
19 Now, why is that important? There's about four
20 million young people that will go back to school
21 this month. At an 80 percent graduation rate,
22 almost 500,000 more young people will graduate than
23 would with a 70 percent graduation rate; 500,000
24 young people that will have better lives, will
25 be more likely to finish a college degree, will be

1 less likely to cost society money in negative ways;
2 500,000 young people--because of the work that
3 you're doing.

4 Another really exciting trend is that
5 for 10 years we've seen a steady improvement in
6 the number of graduates that are ready for college.
7 That number in 1993 was about 22 percent of
8 incoming 9th-graders left high school ready for
9 college. It's now about 34 percent. And I think
10 if we work hard, if we implement the commitments
11 that many of the governors here have made, that over
12 the next eight years, maybe less, that we can
13 double the number of American kids that leave our
14 high schools ready for college. Maybe even more
15 important than that, I think we can double the
16 percentage of low-income and minority kids that
17 leave our high schools ready for college and work.
18 That would be an extraordinary accomplishment, an
19 extraordinary accomplishment of economic
20 development, but also an extraordinary
21 accomplishment of social justice if we can double
22 the rate at which low-income and minority kids in
23 this country leave high school ready for college.

24 So we have in front of us a dual
25 agenda, a dual agenda of several sorts. We have a

1 dual agenda of setting high standards and achieving
2 high graduation rates. We have a dual agenda of
3 promoting wide-scale improvement and innovation.
4 That dual agenda: improvement-innovation. I want to
5 give you just a handful of examples from around
6 the country of people that are combining
7 improvement and innovation. I'll start in
8 Missouri.

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

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

25 Just in New York City they've launched

1 over 200 innovative new schools, many of which are
2 opened in concert with a community-based
3 organization--schools that really build on the
4 local assets of the community.

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

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

24 CHAIRMAN HUCKABEE: Thank you very
25 much, Tom. Once again, I think it's pretty clear

1 that around this table and around the country, the
2 innovations that are changing American policy at
3 the governmental level are happening with states
4 and with governors, and it's another good reason for
5 us to highlight some of those changes here at the
6 meeting of the National Governors Association.

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

23 Over the past couple of years working
24 with the Education Commission of the States, we've
25 put a real focus on that, and one of the people that

1 I've had an opportunity to get to know on a very
2 personal level is our next speaker. This is a book
3 he's written that I believe is one of the pivotal
4 books that I would encourage every governor to read,
5 and I wish every superintendent in America would
6 read it. It's a book called, ***Out of Our Minds:
7 Learning to be Creative***, and it really is a
8 remarkable, substantive, compelling--I think
9 perhaps--presentation of why as governors we cannot
10 afford to allow music and arts education and the
11 whole creative side of student achievement to be
12 something that we say, we'll deal with that only if
13 we have enough money. It has to be an issue that
14 we must make enough money to ensure that every
15 student in America has access to an opportunity to
16 fully engage in their creative side.

17 When we invited Sir Ken Robinson to be
18 here today, I knew that his presentation would be
19 provocative; I knew that it would be entertaining;
20 but most of all, I'm hoping that it will be a
21 challenge and a call to arms to all of us. His
22 report on ***All of our Futures: Creativity, Culture
23 and Education*** has had an impact already on both
24 government and corporate attitudes toward
25 creativity.

1 If I ask you who's a person who is a
2 native of Liverpool who was knighted by Queen
3 Elizabeth, your first inclination might be to say
4 Sir Paul McCartney, and, of course, you would be
5 correct; but there's another person who is a native
6 of Liverpool, England, also knighted by Queen
7 Elizabeth II, in his case for his outstanding
8 achievements as a writer, speaker and leader in
9 creativity, the arts and education. I would say by
10 golly if he's good enough for the Queen, he's good
11 enough for us. Welcome Ken Robinson please.

12 SIR ROBINSON: Thank you, Mike.
13 Actually, I was in Liverpool last week with Paul
14 McCartney, so there. Thank you. Paul McCartney,
15 or Paul as I call him, is the patron of the
16 Liverpool Institute for Performing Arts, which is
17 an institution he's created with others from the
18 school he went to in Liverpool in the '50s and
19 '60s, and I was talking about it with him last
20 week. I was honored to get an honorary degree from
21 the school because I helped to set it up in the
22 early days, and he was telling me that he found
23 music at school tremendously boring. In fact, he
24 went through the entire process of his elementary
25 and high school education without anybody ever

1 suspecting he had any musical talent at all. Paul
2 McCartney we're talking about; I gather he wasn't
3 allowed in the school choir. They said he wasn't
4 good enough. How good was that choir? I mean, how
5 good can a choir be, frankly?

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

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

1 also to the NGA itself.

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

11 This is the idea of creativity.

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

22 Secondly, what's the problem? It
23 strikes me always that many adults have a problem
24 around creativity. Actually, many policymakers, I
25 think, have a problem with creativity. I think

1 it's because creativity is often associated with
2 people running wild, knocking the furniture down
3 and being off the leash and in some ways I think in
4 some people's mind associated with progressive
5 education of the 1960s, as a result of which we now
6 all have to try and raise standards.

7 I believe there are several
8 misconceptions around the idea of creativity. And
9 I'll give you some credentials for thinking this in
10 just a moment, but there are three anyway. One is
11 that creativity is about special people, that only
12 really rare people have creativity capacity. I
13 believe profoundly this isn't true. To believe
14 that only a few people have creative capacity is
15 comparable to believing only a few people are
16 capable of learning to read and write. And in the
17 19th century, there were those who did think that
18 only a few people were capable of learning to read
19 and write. We would now take that idea to be
20 offensive, and I believe we have an historic
21 challenge now to recognize the importance and the
22 operational practicality of promoting creativity in
23 the way that we have applied ourselves to literacy.
24 And the reasons are just as compelling.

25 The second misconception is that

1 creativity is about special things, mainly the
2 arts. It isn't. The arts are tremendously
3 creative, but so is everything potentially--
4 science, technology, politics, math. Anything at
5 all that involves human intelligence is a scene of
6 creative achievement. I used to supervise doctoral
7 programs when I was at the University of Warwick in
8 England, and I remember talking to a math professor
9 who supervised doctoral dissertations in pure math.
10 I couldn't imagine such a thing, frankly.

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

25 Anyway, she came a few days later with

1 a cartoon strip, and there are three panels on the
2 strip. This is for you. The first one, it was a
3 father helping a daughter with homework and on the
4 first panel he said, what have you got to do? He's
5 leaning over her shoulder. And she said, I've got
6 to find the lowest common denominator. And he
7 said, are they still looking for that? I was
8 trying to find that when I was at school.

9 I wasn't great with math so I was
10 intrigued to meet a professor of pure mathematics
11 and I said, how do you assess a Ph.D. in pure math?
12 And, I mean, presumably he's right I thought, you
13 know. You'd be annoyed, wouldn't you, to spend
14 five years getting your Ph.D. in pure math, it
15 comes back wrong, you know, see me, eight out of
16 10. He said, no, they're normally right. So I
17 said, well, how did you judge them? He said, there
18 are two criteria for a Ph.D. in pure math. The
19 first is originality. It has to break new ground.
20 It has to open up new conception or understanding
21 so it's the creative quotient.

22 And the second intrigued me even more.
23 He said, it's aesthetic. I said, what do you mean
24 by that? He said, it's the beauty of the proof.
25 There's a very powerful feeling among

1 mathematicians that the more elegant the proof, the
2 more likely it is to be true. And any
3 mathematicians among you will know that's the case,
4 that a mathematician could be equally talking about
5 music or poetry. You can be creative at anything
6 that involves your intelligence.

7 And the third misconception is there's
8 nothing much you can do about it. You're either
9 creative or you're not and that's the end of it.
10 Well, actually, there's a lot you can do. That's
11 like saying there's no way you can teach anybody to
12 drive or to write. You can't make them, but you
13 can create the conditions under which they are more
14 likely to flourish, and I believe it's powerfully
15 important now that we create those conditions.

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

1 knows what God looks like. And the girl said, they
2 will in a minute.

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

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

1 might set about it.

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

15 My really heartfelt contention is that
16 this is a mistake, that our present systems of
17 education in the West, throughout the West, were
18 conceived in a different time for a different
19 purpose. They were conceived at the height of
20 industrialism to provide the workforce that was
21 required for an essentially industrial-agrarian
22 economy. And you see that in one striking way:
23 Almost everywhere you go there's a similar
24 hierarchy of subjects in schools.

25 We moved from England to America five

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

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

1 century.

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

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

1 catch on.

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

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

24 This is one of the things I really want
25 to emphasize. Education reform isn't a quick fix.

1 It's a long-term process, but we have to calibrate
2 the instruments properly. So I came to the idea as
3 having put together with others a strategy for
4 creative development in the UK, recorded *All Our*
5 *Futures*, as Governor Huckabee said. It's led to, I
6 think, a series of remarkable changes in UK
7 education, which I'd be happy to talk to people
8 about later on if you'd be interested. I did a
9 similar strategy in Northern Ireland as part of the
10 peace process, and I was involved in the strategy in
11 Singapore.

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

22 One of the things we take for granted
23 is that the hierarchy of subjects is a natural
24 scheme of things. Actually, it isn't. We take for
25 granted that science speaks to the intellect and is

1 about hard work and objectivity and that the arts
2 are about emotions and feelings and something to do
3 with leisure and recreation. They're not. In
4 every culture on earth everywhere, the arts have
5 emerged as part of the common practice of being a
6 human being. It's only really in education that
7 they become marginalized. It's a very interesting
8 process, this, that outside of education, the arts
9 are high-stakers, high impact, low paid; but, inside
10 education they're low-stakers almost everywhere.
11 And yet the greatest achievements of American
12 culture have been driven forward by a congruence of
13 science, technology, design and art, have they not?
14 But in education, we have tended to resolve them
15 into a hierarchy. So one of the issues for me is
16 how we resolve the hierarchy issue.

17 Every system pretty much on earth is
18 being reformed. When we came to America, I put my
19 two kids in high school in Santa Monica. My son
20 James was a bit traumatized by the whole thing. He
21 had to learn new subjects that had never come
22 before in his junior year. He had American
23 history, which we don't teach in England. In fact,
24 our policy is to suppress it if we can, wrap it
25 round with a series of apologies, you know, we're

1 very sorry--we messed up. In fact, we stay indoors
2 on July the 4th! We draw the shades and look at
3 pictures of our family and weep for times past.

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

20 If you think of it, there are really
21 three major challenges that we all face worldwide.
22 The first is economic. Every country has tried to
23 figure out how do we educate our children to take
24 their place in the extraordinary new economies of
25 the 21st century; how do we do that?

1 I was born in 1950, as some of the
2 governors here were, I guess, or thereabouts,
3 within reach of 1950, '60. I don't want to offend
4 anybody. You're over 30, come on. And in 1950, in
5 the '60s, we were told a story that was true. The
6 story was if you went to school, graduated, worked
7 hard, certainly if you went to college and got a
8 college degree, you would have a job for life and
9 there would be no question of it. The idea that
10 you would be unemployed with a college degree was
11 preposterous.

12 It isn't preposterous now. In fact,
13 most employers take a degree for granted. You are
14 certainly better off having a degree than not
15 having a degree, but the degree in itself and of
16 itself is no guarantee of a job in the way it was
17 25 years ago. It used to be a passport to security
18 until recently; a degree now is a visa. It gets you
19 in but doesn't give you permanent residence. You
20 have to do something else to achieve that. The
21 reason is that the whole structure of education was
22 different, and the world is changing around us
23 faster than most of us--I honestly think--can yet
24 conceive.

25 If any of you here have children of the

1 age of five or less, think of this: They will be
2 starting school maybe this September. They will be
3 retiring in 2070 or thereabouts. Nobody has the
4 faintest conception what the world may look like in
5 2070. In 1950 we thought we did know what the
6 world would look like during our working lives and
7 it was more or less right. It isn't true anymore.

8 There are two major drivers that have
9 changed. The first is technology, which is
10 transforming everything. The Gates Foundation, I
11 believe, is doing extraordinary work in America, and
12 Bill Gates' own commitment to the issues is
13 exemplary. Bill Gates is among the richest people
14 in history. He sits atop the pyramid of world
15 wealth. He acquired his wealth in a business that
16 didn't exist when he was at school, when any of us
17 were at school. It was an inconceivable idea.

18 Now, the technology is far from over.
19 It's racing away from us at a rate we can hardly
20 anticipate. One of the things that we're looking
21 forward to now is the extreme miniaturization of
22 information systems and an event which Ray Kurzweil
23 calls singularity. Singularity is the point at
24 which human intelligence may merge with information
25 systems in the foreseeable future.

1 At the moment, no computer comes
2 anywhere near the processing power of your brain.
3 It's anticipated within the reasonable future it
4 will. So how's that going to feel, you know, when
5 you're sitting in front of a laptop computer that's
6 as smart as you are? You know, you give it an
7 instruction, and it hesitates, you know. Well,
8 really, have you thought this through? I am not
9 sure that you have, you know. I'm told that quite
10 soon we may be able to use our bodies as broadband
11 receivers, our own bodies, so we don't need to find
12 hot spots in hotels anymore. I mean, you may
13 continue to look for one, and apparently on that
14 basis we will be able to exchange files with people
15 just by holding hands with them or whatever method
16 you prefer. You know, it's entirely up to you,
17 according to what the situation demands.

18 So technology hasn't stopped evolving.
19 It's evolving even faster. What will your
20 grandchildren be taking for granted
21 technologically? If you handed your grandparents a
22 BlackBerry back in 1950, they would have thought
23 you were Captain Kirk, and now we take it for
24 granted. So it's not stopped. It's getting faster
25 with immense cultural implications.

1 And the second big driver is
2 demography, the pattern of population growth. This
3 week America's population reaches 300 million for
4 the first time in history, and one in eight of the
5 population is now Hispanic. Now, the Hispanic and
6 minority economies in America are growing at about
7 three times the rate of the economy as a whole.
8 It's a huge change. The birth rate in most of
9 America is declining. The growth here is by
10 immigration. But in other parts of the world, the
11 population is growing by birth rate, notably in
12 China, the Middle East and Asia. I was in Saudi
13 Arabia a little while ago and there 50 percent of
14 the population is under 15.

15 Well, you know what this is producing
16 in effect? The technology and demographic changes
17 are shifting the axis of the world's economy and of
18 the world's cultural profile much more towards Asia
19 than in the past. I think it's reasonable to say,
20 isn't it, that in the 19th century, the world was
21 more or less dominated by Europe, perhaps
22 especially by the UK? There's no question that the
23 20th century belonged to the U.S. It's an open
24 question who will own the 21st century. There are
25 no facts about the future. What we do know is that

1 the challenges around the world are being met by a
2 determined attempt in many countries to promote
3 innovation systematically.

4 So let me just quickly say what I think
5 this might involve. There are two reasons why we
6 have to think about promoting innovation and
7 creativity systematically. The first is that
8 economically and culturally, the capacity for new
9 ideas is the lifeblood of social and economic
10 stability, the capacity to create new jobs, to
11 create new industries, to attract people to your
12 state so they'll want to work, raise their children
13 and have a life that has meaning and purpose.
14 Innovation is what made America great, and it's what
15 you will depend upon for future greatness.

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

1 hallmark and it begins in education. The current
2 process may be about to stall it as I see it.

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

14 Creativity is a step on. It's the
15 application of imagination to the solution of a
16 problem or to conceive an alternative way of doing
17 things. In a sense, creativity is applied
18 imagination, and it's a very practical process. It
19 can apply in science, in math, in music, in art,
20 anywhere that involves our intelligence.
21 Innovation is a step on from there. It's putting
22 good ideas into practice. So I define creativity
23 as the process of having original ideas that have
24 value. Innovation is putting them into practice
25 and testing them in the real world. It's a

1 function of intelligence.

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

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

1 Otherwise, culture would not be as rich and diverse
2 as it is.

3 I think we know three things about
4 intelligence. One is it's diverse. We think about
5 the world in many complex ways. We think visually,
6 we think in sound, we think in movement, we think
7 in words, we think in numbers. It's diverse.
8 Secondly, it's dynamic. Intelligence is
9 wonderfully interactive. The best mathematicians
10 think visually. The best dancers think
11 mathematically. The human mind is intensely
12 dynamic and interactive. And thirdly, it's
13 distinct. The way our intelligence configures in
14 our individual capacity is unique to us, to our own
15 history, our own genetics and our experiences.
16 Each of us has a unique profile.

17 Education as traditionally construed, I
18 think, contradicts these principles of diversity,
19 dynamism and distinctiveness; firstly, because the
20 school curriculum typically has a hierarchy which
21 prioritizes certain ways of thinking over others.
22 So it's possible for highly-creative, ingenious,
23 innovative people to pass through the whole of
24 their education never recognizing what they are
25 good at or feeling valued for the thing they do

1 best.

2 Secondly, we tend to segregate our
3 curricula and still the very dynamics of creative
4 thinking which have driven innovation forward. So
5 math is on a Tuesday, French is on a Thursday, and
6 we know they're different because they're on
7 different days. Actually, real innovation comes
8 from the interaction between them.

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

18 If you are really concerned to promote
19 creativity systematically, there are four areas of
20 action. The first is the school curriculum. We
21 have to rebalance the curriculum to show the equal
22 power and weight in the growth of a child's mind of
23 the different ways of thinking that are represented
24 in the arts and science and mathematics and the
25 humanities. The Renaissance, oddly one of the

1 greatest periods of human creativity ever, wasn't
2 born out of exclusive science projects. Da Vinci
3 and the other great leaders of the Renaissance
4 didn't think of themselves as scientists. They
5 thought of themselves as scientists-artists-
6 humanitarians, and they achieved wonders.

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

19 The Academies of Science and
20 Engineering and the Institute of Medicine wrote a
21 compelling report you remember last year called
22 ***Facing The Gathering Storm***, and they proper your
23 attention to the threat to science education in
24 America. I believe that's right, but I really
25 believe we should put alongside of it a broader

1 concept of curriculum so that we see that science
2 is part of a broader map of human enterprise and
3 intelligence. The great scientists I know are also
4 deeply interested in the forms of creative work.

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

17 The third area is assessment and
18 accountability. Everything I'm talking about is
19 susceptible to proper public accountability because
20 it isn't that we're doing creativity at the end of
21 the day. Creativity is at work within every
22 discipline, so to speak, to let a thousand flowers
23 bloom. It's a different way of conceiving the
24 process of education, and we've done a lot of work
25 to show how that can be properly assessable.

1 And the final area is partnership. I
2 strongly believe in the future that we have to move
3 away, so to speak, from the factory model of
4 education where children are taken to separate
5 facilities and taught. Some of the best examples
6 around the country, and I think it was implicit in
7 what we heard from the Gates Foundation, are
8 collaborative programs where schools and cultural
9 organizations and others are working in partnership
10 rather than isolation. Now, I believe it's a
11 perfectly operable agenda. The truth is the UK,
12 Singapore, South Korea, China and the other major
13 centers of innovation are already engaged in this
14 process. I believe that historically America as
15 the world's center for innovation and ingenuity has
16 much to teach the rest of the world, but I believe
17 passionately the processes of creativity have to
18 become embedded in a new way of thinking about the
19 curriculum and the way we train our teachers, one
20 in which the arts and sciences are given equal
21 weight.

22 There are some great programs already
23 happening around the country, and I'll just mention
24 them in passing. The first is I'm delighted to be
25 involved essentially in a statewide project in

1 Oklahoma. Governor Henry is here this morning and
2 we're involved with the universities, with the
3 great companies in Oklahoma, with the cultural
4 foundation, the Oklahoma Creativity Project, which
5 is to try and promote creative thinking and
6 innovation across the whole state.

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

21 I think really to me this comes to a
22 request that promoting a more creative approach to
23 education is really a way of saying let's develop
24 all of our children's talents, let's recognize the
25 diversity of talent and the skills and rigor that

1 come from looking into somebody's eyes and
2 recognizing who they are. America has always been
3 the scene of the great pragmatic movements in human
4 history, and I believe passionately that if America
5 were to engage fully with a program of innovation
6 that began in our schools, you would be as unstoppable
7 as you were in the 20th century. But at the
8 moment, I think there's a risk that a narrow focus
9 on some parts of the curriculum and on standardized
10 testing may subvert the interests of the reform
11 movement to set itself.

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

18 Somebody was saying earlier you can't
19 fix this very easily down the line, but you can get
20 it right at the outset of elementary education. So
21 I would hope that individual governors, most of
22 whom I know recognize the importance of the agenda,
23 might commit among the other movements that are
24 happening, to auditing what the opportunities are
25 in your own state which are promoting opportunities

1 for creative thinking or inhibiting them that we
2 might gather data around those issues. The NGA
3 might act as a clearinghouse for good practice and
4 for mutual support to see what practices are
5 achieving, what's required in different parts of
6 the country and that together there might be, so to
7 speak, the kind of movement towards creativity that
8 we saw in the '60s in response to Sputnik. It just
9 seems to me that the creative challenge now is
10 comparable in scale and scope to the challenge that
11 galvanized America with the launch of Sputnik in
12 the '80s. It's on that kind of a scale.

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

19 Thank you.

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

25 Does anyone have a question they wish

1 to ask? Governor Manchin from West Virginia.

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

13 SIR ROBINSON: Well, I--can you hear
14 me on this?--I personally think preschool is
15 vitally important. One of the things that I think
16 we're learning now from studies of the brain is
17 that children are born with extraordinary
18 capacities, but they become focused and specialized
19 quite early on. I mean, I know, for example--
20 take language as an example. If a child is brought
21 up in a multilingual household, they just learn
22 every language they're exposed to. Might be five,
23 it might be six. And there doesn't seem to be a
24 natural limit to it. They don't suddenly get
25 exhausted and say, kick my grandmother out of here,

1 you know, I can't handle one more dialect, you
2 know, this is completely doing me in. You know,
3 they just learn the languages. But if you're
4 brought up in a monolingual household, you learn
5 that language and then you try learning a second
6 language when you're 15; your brain at that point
7 has become very specialized.

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

20 I was very struck when we moved to
21 America of this major difference: In the UK, and I
22 think in most European countries, there reaches a
23 point where at the age of 15 or 16 where kids can
24 specialize in subjects they enjoy most and feel
25 most resonant with the way they think. So in the

1 UK, you can drop some subjects and focus on five.
2 I was, I must say, struck that in the American
3 system you have to continue with all subjects
4 until the end of 12th grade, and I think it
5 contributes somewhat to the sense of disaffection
6 some kids have. Seems to me at that point, people
7 know kind of much more who they are. It's that
8 sense of conformity, but I would start--I think
9 preschool is especially important.

10 CHAIRMAN HUCKABEE: Governor Douglas
11 for the final question.

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

23 SIR ROBINSON: I do honestly have some
24 concerns about it, and I don't know if it's because
25 I am as old as I am, but I think there's some

1 evidence to shore this up. A guy called Marc
2 Prensky made a very interesting distinction a few
3 years ago between what he called digital natives
4 and digital immigrants. What he means by that is
5 if you're over 25, you were born before the digital
6 revolution happened so most of us have a kind of
7 fumbling relationship with the technology. You
8 know, we do PowerPoint and have PDA's and feel
9 we're groovy but not really. If you look at your
10 teenage children, they have a facility with this
11 technology which is way beyond anything we can
12 aspire to. Somebody once called them screenagers.
13 Our children are tremendously connected.

14 And can I just ask how many people in
15 the whole room here have a page on myspace.com?
16 There you go. If this was a room full of
17 teenagers, probably every hand would be up. This
18 was launched three years ago. It now has 18
19 million members and counting, and most kids are on
20 line if they can afford to be a great deal. What
21 we don't know yet is what the impact is on their
22 socialization, on their face-to-face contact, and I
23 think that may prove to be a loss to them. We
24 certainly try with our kids to keep them as
25 connected as we can. I mean, not that they resist

1 it, but I do feel that they are tremendous tools
2 here for creative thinking, but we ought not to
3 lose sight of the traditional ways of face-to-face
4 interaction.

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

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

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

21 GOVERNOR HENRY: Thank you, governor.
22 Yesterday the Economic Development and Commerce
23 Committee passed five policies, two in the nature
24 of a substitution. In addition, we had a very
25 lively and robust roundtable discussion regarding

1 the timely topic of telecommunications reform.

2 Thank you.

3 I'd move adoption.

4 CHAIRMAN HUCKABEE: Motion is to move
5 the adoption of the report. Is there a second?

6 We have a second. Any discussion?

7 All in favor say aye.

8 Any opposed say no.

9 The ayes have it.

10 Governor Tim Pawlenty of Minnesota,
11 chair of the Education, Early Childhood and
12 Workforce Committee, you are called upon for your
13 report.

14 GOVERNOR PAWLENTY: Thank you,
15 Mr. Chairman. Governors, yesterday the Education,
16 Early Childhood and Workforce Committee met to
17 discuss business and government working together to
18 attract students into science careers. Sir Ken
19 Robinson, you should have attended this session.
20 We appreciated your comments, by the way, and we
21 focused yesterday on science and technology, which
22 as you acknowledged is an important part of the
23 curriculum and what you are describing is in
24 addition to our rebalancing.

25 We heard from distinguished panelists

1 from the National Science Foundation, the 3M
2 Foundation, the GE Foundation, president of the
3 Museum of Flight, and, importantly, a group of young
4 high school students who are here as part of an NGA
5 science fair. And these are spectacularly bright
6 and engaging young men and women who were stunning
7 in their presentations of their science projects
8 and their affinity of science and technology.

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

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

15 CHAIRMAN HUCKABEE: Is there a second?

16 And there is. Any discussion?

17 All in favor say aye.

18 Any opposed would say no.

19 The ayes have it. Report is adopted.

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

23 GOVERNOR BARBOUR: Thank you,
24 Mr. Chairman. The Committee on Health and Human
25 Services heard a very bold presentation from the

1 Secretary of Health and Human Services, Mike
2 Leavitt, about action to improve the healthcare
3 system in the United States. We also heard from
4 two other presenters who demonstrated that they
5 have already done in their businesses or in their
6 states parts of what Secretary Leavitt proposed.
7 We had a very good meeting. We also adopted six
8 amendments to our policies for HHS 56710, 13 and
9 14.

10 I'd move the adoption of those
11 amendments.

12 CHAIRMAN HUCKABEE: Is there a
13 second?

14 We have a second. Any discussion on
15 the report?

16 All in favor would say aye.

17 Any opposed would say no.

18 The ayes have it. The report is
19 adopted.

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

23 GOVERNOR MANCHIN: Chairman Huckabee,
24 the Natural Resources Committee met yesterday and
25 had an excellent discussion regarding the high cost

1 of energy and the effects on all 300 million
2 Americans that's happened and also the challenges
3 and opportunities presented by the alternative
4 transportation fuels. We also approved revised NGA
5 policies on the following five issues: Water
6 resource management; farm agriculture policy;
7 global climate change; improved pipeline safety; and
8 improved cooperative management of invasive
9 species.

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

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

14 And there are several so we'll now ask
15 for any discussion.

16 All in favor say aye.

17 Any opposed would say no.

18 The ayes have it. The report's
19 adopted.

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

23 VICE CHAIR NAPOLITANO: Yes, Mr. Chair,
24 the Executive Committee proposes one new policy
25 position, implementation of the Deficit Reduction

1 Act of 2005 contained in the purple packet. It
2 recognizes the increased flexibility states were
3 given to manage state Medicaid programs as part of
4 the Deficit Reduction Act. It also calls on
5 Congress and the administration to work closely
6 with governors to implement any required changes to
7 Medicaid and the Tanner programs under the DRA.

8 On behalf of the Executive Committee,
9 I'd like to move adoption of the policy.

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

12 We have a second. Any discussion?

13 All in favor would say aye.

14 Any opposed would say no.

15 The ayes have it and the report is
16 adopted.

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

23 Before we recognize the outgoing
24 governors, I want to take just a moment to express
25 appreciation for folks that rarely get recognized

1 but deserve extraordinary kudos because without
2 them, not just this meeting but the work that goes
3 on year-round simply wouldn't happen, and that's the
4 staff of the National Governors Association. From
5 Director Ray Scheppach and all the policy staff
6 down to the folks who just run up and down the
7 hallways doing the things that we don't even see--
8 but without them, we simply wouldn't have the
9 effective organization we do.

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

19 As a chairman, it has been an absolute
20 delight to work with a group of professional people
21 who somehow manage to steer through these waters in
22 a very bipartisan way, which is a challenge in
23 itself, and I commend them for that. And frankly,
24 I don't know the political affiliations of
25 virtually any of them, but I know that they are

1 affiliated with good government; they are
2 affiliated with efficiency in their jobs; and all of
3 us owe them a great deal of gratitude.

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

7 On Saturday of the opening plenary
8 session, we started our tributes to some of our
9 departing colleagues. Gee, that sounds so final,
10 doesn't it, like a funeral service? But it's not
11 quite like that. We certainly recognize that in
12 the course of serving in these positions, we have
13 temporary titles, temporary duties but permanent
14 appreciation for the opportunity to have served.

15 At this time, I'd like to ask some of our
16 colleagues to join me here at the podium as I call
17 their names so that we can pay tribute to their
18 service, not just to their states but to their
19 nation through the NGA.

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

23 GOVERNOR ROMNEY: Do I get a watch or
24 something?

25 CHAIRMAN HUCKABEE: No, not a watch, a

1 calendar.

2 He was elected governor of
3 Massachusetts in 2002 and during these nearly four
4 years of service as governor widely recognized for
5 both leadership and significant accomplishments.
6 We want to thank Governor Romney and his wife Ann
7 for their commitment to public service. He's been
8 a very effective and strong member of the NGA
9 Executive Committee. He served as one of the NGA's
10 lead governors on homeland security. He's been
11 active on the NGA Finance Committee, Health and
12 Human Services Committee and one of the most
13 time-consuming tasks ever to be asked for any
14 governor, the Medicaid Working Group as well as on
15 the NGA Center for Best Practices.

16 Without raising taxes or increasing
17 debt, Governor Romney proposed--and he signed into
18 law--a balanced budget during each year of his
19 administration, closing a \$3-billion
20 budget deficit that he started with in his first
21 year in office, which is remarkable in itself. He
22 rooted out waste, streamlined government services,
23 and he enacted comprehensive economic reforms to
24 help spur growth in Massachusetts. He went from a
25 \$3-billion deficit and without raising

1 taxes, ended up helping the state achieve a surplus
2 of \$1 billion. He will be available after
3 the meeting to take on your personal investment
4 accounts if any of you have them.

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

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

18 Governor Romney.

19 GOVERNOR ROMNEY: Thank you.

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

23 Governor Risch became Idaho's governor
24 just a short time ago, on May 26th following Dirk
25 Kempthorne's confirmation to be the US Secretary of

1 the Interior. It's always difficult to finish a
2 term that someone else began, but Jim Risch and his
3 wife Vicki came to the office well prepared to
4 serve the people of Idaho as governor and first
5 lady. He's been Idaho's lieutenant governor for
6 three years and served as a strong and effective
7 advocate of economic development for the people of
8 Idaho. The administrative knowledge and
9 legislative expertise that he's gained in 22 years
10 as a state senator, then as majority leader and
11 president *pro tem*, has served him well as he assumed
12 these duties as governor.

13 His first task was a reorganization of
14 the Department of Health and Welfare, implementing
15 a new system of delivery for Medicaid benefits to
16 the people of Idaho. He oversaw a
17 \$26-million parks initiative to improve the
18 state parks of his state as well as the
19 implementation of GARVEE highway funding
20 initiatives that will utilize bonding of federal
21 highway funds for transportation projects.

22 We wish Governor Risch and Vicki a very
23 successful campaign and four more successful years
24 as he now runs for another term as lieutenant
25 governor. We want to thank him for his

1 participation with us and I congratulate him on his
2 service to the people of Idaho.

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

9 CHAIRMAN HUCKABEE: Finally, I'd like
10 to ask Governor Charles Turnbull to join me at the
11 podium. Governor Turnbull is completing his second
12 term as governor of the Virgin Islands, having
13 begun with the Class of 1998, and since his
14 becoming governor, he has served many years on the
15 NGA Natural Resources Committee. He's also been on
16 the Committee of Human Resources, Health and Human
17 Services and Economic Development and Commerce.

18 In 2004, he served as one of the lead
19 governors on technology. Working with the
20 legislature, Governor Turnbull made tough decisions
21 that have led the U.S. Virgin Islands, St. Croix, St.
22 John, and St. Thomas to solid economic growth,
23 record government revenues and to increased
24 investment in public infrastructure. There's now
25 over \$1 billion in public and private

1 sector investment forecast for the territory in
2 this year alone.

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

13 As his term of office concludes, the
14 government expects to end this fiscal year with a
15 surplus of nearly \$100 million. There
16 is an unprecedented housing construction boom
17 that's taking place, leaving the next
18 administration with a solid foundation on which to
19 build a better Virgin Islands. It's my
20 understanding that in retirement, Dr. Turnbull, who
21 is also Governor Turnbull, intends to write an
22 account of his public service career which spans
23 half a century and is going to be teaching history
24 both in the territory as well as on the mainland.
25 It sounds like a pretty active retirement and I'm

1 sure that any of the governors here would be more
2 than willing to come and serve as adjunct
3 professors for a couple of weeks down in St. Thomas
4 should the need arise. I just want to begin by
5 volunteering, and I'm sure all my colleagues would
6 join me so we look forward to that.

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

17 There are a number of our colleagues
18 who were not able to be with us during this session
19 that I certainly want to acknowledge that will be
20 leaving our ranks at the end of this term. From
21 the Class of 1996, three-term Governor George
22 Pataki of New York, and from the Class of 1998,
23 two-term Governors Bob Taft of Ohio, Jeb Bush of
24 Florida and Kenny Guinn of Nevada. We certainly
25 enjoyed working with all of them. They've been

1 great partners with NGA and wish them the very best
2 in their future endeavors.

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

16 I remember conversations that Governor
17 Barbour and I had within days and while he would
18 have loved to have held the meeting in Mississippi,
19 it really was logistically impossible for them to
20 have done so considering the tremendous time that
21 he needed to devote to the rebuilding of the
22 Mississippi Gulf Coast. Even though he would have
23 been willing to have done so, Governor Barbour was
24 willing to also allow NGA to look for another site
25 as an alternative with the understanding we'd be

1 going to Mississippi in future years, but who could
2 take on such a challenge in a short period of time?
3 The reality is most states, most cities have
4 anywhere from two minimum to up to four years to
5 begin planning, preparing and raising the necessary
6 capital to put a meeting of this size on.

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

17 This week we have seen the tremendous
18 result of his leadership and that of First Lady
19 Jenny Sanford. We've seen their capacity to
20 organize hundreds and hundreds of volunteers
21 throughout the State of South Carolina and to
22 mobilize this incredibly hospitable group of people
23 here in Charleston who have given us the welcome of
24 a lifetime. I don't know of any city in America
25 who not only could have taken on this task so

1 quickly and so effectively, but who could have made
2 us feel so very welcome and have given us the kind
3 of warmth that we've had that will endear us ever
4 to the people of Charleston.

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

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

17 I want to say a thanks to everyone for
18 a tremendous year as we've talked about Healthy
19 America. It has been a remarkable opportunity for
20 us to help frame the debate away from healthcare to
21 health and that's really such a necessity as we
22 look at the ever-increasing challenge of trying to
23 find ways that we don't just save money by cutting
24 back benefits to really sick people, but we change
25 the paradigm so that there aren't that many sick

1 people, that instead we have healthy citizens
2 living long, productive, fruitful and less-costly
3 lives.

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

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

23 And it's not just what it's doing to us
24 economically, though clearly it's making us
25 noncompetitive. It's what it's doing to our

1 capacity to live life to our fullest. If there's
2 any one common thing that really ties Americans
3 together, it's an incredible zest and zeal for life
4 itself. That can't happen when people are so sick
5 that they really can't afford to enjoy what most of
6 us consider the heart of the American dream. It's
7 pretty evident that if there's going to be
8 leadership on the front of creating a healthier
9 America, it probably won't be happening out of the
10 beltway. It's going to be happening out of your
11 state capital and state capitals just like it
12 across the country.

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

24 I now want to call on Governor Ruth Ann
25 Minner for the report of the Nominating Committee

1 for the 2006-2007 Executive Committee.

2 Governor Minner.

3 GOVERNOR MINNER: Thank you, Mr. Chair.

4 On behalf of the Nominating Committee, I'm proud to
5 nominate the following governors to serve on the
6 2006-2007 Executive Committee: Governor Haley
7 Barbour of Mississippi; Governor Jim Doyle of
8 Wisconsin; Governor Mike Huckabee of Arkansas;
9 Governor Sonny Perdue of Georgia; Governor Ed
10 Rendell of Pennsylvania; Governor Mike Rounds of
11 South Dakota; Governor Kathleen Sebelius of Kansas;
12 as vice-president and chairman-elect, Governor Tim
13 Pawlenty of Minnesota; and as chair--Mr. Chair, I
14 think the first time the governors association will
15 have a woman serving as the leader of this
16 organization and--it is indeed our pleasure to
17 nominate Governor Janet Napolitano of Arizona.

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

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

1 Nominating Committee report.

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

10 Governor.

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

15 My first order of business as chair of
16 the NGA is to ask Mike Huckabee to join me at the
17 podium. You're not done yet. Governor Huckabee as
18 you know is concluding his 10th year as governor
19 of Arkansas. He succeeded the office in July of
20 1996 and was elected to full four-year terms in
21 1998 and in 2002.

22 Now, there's a great amount to say
23 about the marathon-running governor, and of course
24 he could not have done it without Janet's
25 tremendous efforts. She shares Mike's commitment

1 to making a difference in the lives of Arkansas
2 family and children. In addition to supporting
3 childhood immunization and underage drinking
4 prevention, she's also a strong advocate for
5 Habitat For Humanity International and Heifer
6 International. She has been a dedicated member of
7 the NGA Spouses Leadership Committee, serving as
8 chair this past year.

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

19 And of course, Governor Huckabee has
20 led by example and provided inspiration in the
21 Healthy Arkansas campaign and the Healthy America
22 campaign. His efforts to improve his own health
23 have received national attention. Diagnosed with
24 Type II diabetes in 2003, he lost 110 pounds, and in
25 March of 2005 Governor Huckabee completed the

1 Little Rock Marathon. His story has served as an
2 inspiration to many Arkansans and Americans to
3 change their lifestyles. And a recent survey says
4 92 percent of Americans believe that prevention and
5 preventative healthcare are good for the economy.
6 Governor Huckabee's work is making that a reality.

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

11 CHAIRMAN HUCKABEE: Thank you.

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

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

1 initiative during Healthy America Week.

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

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

20 Most important, both as vice chair and
21 chair, you set the standard for working on a
22 bipartisan basis and given the divisions in
23 Washington, D.C., these days, that has become ever
24 more difficult. The combination of your commitment
25 to bipartisanship, the fact that you care about

1 your fellow governors and your Southern way held us
2 together as an association, and for that and
3 speaking on behalf of all the governors of the
4 United States, I'd like to present you with a
5 commemorative chairman's gavel.

6 I know we're running a little bit over
7 time and actually, the prologue really for my
8 chairman's initiative announcement was really given
9 by Sir Ken Robinson. The initiative that I have
10 chosen for NGA this year is entitled, Innovation
11 America. In this initiative, we're going to do a
12 number of important things and it will have several
13 components. One is an education component. That
14 will focus on math and science but not math and
15 science just to learn formulas and equations but
16 math and science as a pathway to creating
17 innovators out of the students in our schools.

18 We will also have a component that
19 focuses on incentivizing business innovation. In
20 other words, as we graduate students who have these
21 capabilities, they must be able to go into a
22 business market that allows them to exercise those
23 capabilities.

24 We'll focus on key policy strategies
25 that governors can use, including modernizing the K

1 through 12 math and science teaching force,
2 benchmarking state standards to high-performing
3 countries, and aligning assessments to those
4 standards, creating new math and science academies
5 that focus on rigor relevance, the assessment of
6 student learning and student innovation, creating
7 an educated workforce proficient in math and
8 science as part of a long-term strategy toward
9 innovation. We'll be talking with governors about
10 fostering business innovation, promoting regional
11 strategies, innovative entrepreneurship
12 opportunities, investing creatively and creating a
13 post secondary education system that fits the 21st
14 century.

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

23 In early December, I will host a
24 national forum involving the task force, the
25 governor staff leaders from every state, and we're

1 already reaching out to a number of public sector
2 and private sector entities, all of whom are doing
3 something with innovation but all in a somewhat
4 disconnected way. We're going to use this
5 initiative to start putting together a nationwide
6 thrust and a nationwide urgency with respect to
7 innovation.

8 In the spring, we will host two more
9 national meetings. In addition, we will publish a
10 series of governors' guides on key innovation
11 issues.

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

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

25 I think, in fact, that is the last

1 order of business at this summer's meeting. Thank
2 you all for being here. I will entertain a motion
3 to adjourn. All in favor?

4 Thank you all.

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

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