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OPENING PLENARY SESSION

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Opening Plenary Session  
Traverse City, Michigan  
Saturday, July 21, 2007 - 2:45 p.m.

GOVERNOR NAPOLITANO: Good afternoon. Good afternoon. 
GOVERNORS: Afternoon. 
GOVERNOR NAPOLITANO: Thank you. Good afternoon, Governors and Distinguished Guests. I now call to order the 99th Annual Meeting of the National Governors Association. I would like to begin just by saying what a privilege it's been to serve as the chair of the NGA, as we've addressed a myriad of issues that confront governors at any given time from the National Guard, health care, education, Real ID, public safety, energy, to name but a few of the items that have been on our plate this last year and will be on our plate over the next few days. 

At this plenary we're going to begin by discussing the chair's initiative that we have undertaken this past year, Innovation America. We have undertaken this initiative on the realization that for the United States to continue to survive and thrive in this increasingly global economy we must re-think what we're
doing in K-12 education, the linkage with postsecondary education, and then what the workforce needs of the future indeed are going to be. And that has been the focus of our sessions today, the focus of sessions in February and throughout the year.

Today, in addition to discussing the Innovation America initiative, we will recognize one of our departing colleagues. We will also recognize our Distinguished Service Award winners, and our 15-year Corporate Fellows. Immediately after this meeting we will have a quick meeting of the NGA Executive Committee. So before we dive in totally we need to adopt the rules and procedures for the plenary and for the NGA meeting as a whole. I ask for a motion from Governor Pawlenty.

GOVERNOR PAWLENTY: So moved.

GOVERNOR NAPOLITANO: So moved. Very eloquently put. Part of the rules require that any governor who wants to submit a new policy or resolution for adoption at this meeting will need a three-quarters vote to suspend the rules, and if you have a new policy proposal for this meeting please give it to David Quam by 5:00 o'clock tomorrow. All in favor of adopting the rules as explained so thoroughly by Governor Pawlenty please say aye.
GOVERNORS: Ayes.

GOVERNOR NAPOLITANO: Thank you. In addition, I would like to announce the appointment of the following governors to the Nominating Committee for the 2007-2008 NGA Executive Committee; Governor Douglas will serve as chairman; the members will be Governors Heineman, Sanford, Henry and Minner. So thank you for undertaking that service.

I'd also like to take a moment to acknowledge some of the distinguished guests who are joining us here in Traverse City; his Excellency Sagr Ghobash, Ambassador of the United Arab Emirates; his Excellency Hunaina Al-Mughairy, Ambassador of the Sultanate of Oman is here with us today; his Excellency Aziz Mekouar, Ambassador of the Kingdom of Morocco; his Excellency Samir Sharkir M. Sumaida'ie, Ambassador of the Republic of Iraq is here as well.

We are also joined today by distinguished guests from the Canadian Parliament representing the United States in their parliamentary group; Senator Jerry Grafstein; Dean Del Mastro, Member of Parliament; Brian Masse, Member of Parliament; and Lloyd St. Amand, Member of Parliament. I want to thank all of you for attending our session today.

(Applause)
GOVERNOR NAPOLITANO: I'd also like to specially thank and recognize the hosts of this year's annual meeting, Governor Granholm and Dan Mulhern, who have been wonderful hosts already, introducing us all to the great state of Michigan where so much good work is ongoing. Governor Granholm, a few remarks?

GOVERNOR GRANHOLM: Thank you, Governor Napolitano, and thank you to you all. For those who are on the selection committee, thank you for choosing Michigan. For those of you who have come here for the first time, I hope that you can understand why we so deeply love our state and our natural resources. I hope that you'll thank too, as you see them, the great volunteers that are interspersed throughout not just this hotel but throughout the city who are so very proud of our Great Lakes and of our region.

I look forward to, Dan and I look forward to, talking about the issue of innovation, because certainly it's something that Michigan has been focused like a laser on in building and crafting the next Michigan in response to globalization. So thank you all to the NGA for coming. We are so glad to be able to welcome you here, and particular thanks to all of the Michigan hosts, the businesses and corporations, who have also had a huge amount of pride in sponsoring
you all to come to northern Michigan. Thank you, Governor.

GOVERNOR NAPOLITANO: Thank you, Governor Granholm.

(Applause)

GOVERNOR NAPOLITANO: I'd like to start today's discussion about the chair's initiative, Innovation America, by thanking some of the organizations that have made the initiative possible; the Bill and Melinda Gates Foundation, the Ewing Marion Kauffman Foundation, the Intel Foundation, the Alfred P. Sloan Foundation, Ford Motor Company Fund, Verizon Foundation, the Pew Center on the States, and Scholastic Inc. Let's give them a round, please.

(Applause)

GOVERNOR NAPOLITANO: And now I'd like to draw your attention to the screens for a short video highlighting some of the initiative's work over the past year.

(Video being shown on screens)

GOVERNOR NAPOLITANO: Very good. Thank you very much.

(Applause)
GOVERNOR NAPOLITANO: The purpose of the video was to illustrate briefly some of the activities that have been ongoing in many of the states across the country this year where innovation is concerned; K-12 level, postsecondary, workforce preparation as I mentioned earlier. Perhaps the thing we can do most as governors is use our office as a bully pulpit to create a sense of urgency about this, that this is not just another study committee or another report. It's really rethinking on an urgent and real time basis what we are doing with the generation that's in school today, the generation that will be entering school next year, and the kind of economy in which they will live in which they need to be able to succeed.

In this area the states play a key role. The federal government, as we all know, has a role to play in education, and we continue to support legislation on these fronts, including legislation currently pending in a conference committee in the congress, but the states here are really in the driver's seat.

It is the state governments that fund the lion's share of public education. It's the states that set graduation and teacher standards. It's the states that invest in public universities and community colleges and research and development at those institutions.
It's the states that pursue specific policies for promoting regional innovation, improving infrastructure, promoting entrepreneurship, and it is the governors who are in the best position in their respective states to help lead those efforts. That's why this initiative was created, to help give governors the tools they need, research, challenge grants, policy academies, to help states create comprehensive and sustainable innovation policies.

Through Innovation America we focused on the three key areas; K-12, particularly STEM education in the K-12 levels; preparing the workers of tomorrow by aligning higher education with the economic and workforce needs of the states; and fostering economic development through state investments in things like R&D and strategies to promote regional innovation and entrepreneurship. Together these things will help the states strengthen their capacity and our nation collectively to strengthen its capacity to compete in a global world, a global economy.

Throughout this year there have been a lot of highlights. Let me mention a few. There were national forums in Phoenix and Kansas City. More than 40 states participated in those. There were official visits to state innovation hubs in Philadelphia; Cupertino;
Woodbury, Minnesota; New York, New York. We declared
Innovation America week May 14 through 18. More than
30 states participated in activities at that time. And
we awarded $3 million in grants to states to establish
education centers.

Throughout the course of this year I've been
privileged to be joined by really an extraordinary
group of leaders, other governors, CEOs, college and
university presidents, who as members of the Innovation
America task force have provided valuable input during
the past time.

I want to particularly thank these individuals,
including those who are with us today. Governor Tim
Pawlenty played a very critical role as vice chair of
the NGA. He will soon take over my spot as chair.
We're joined also by fellow gubernatorial task force
members; Governor Sebelius of Kansas, Governor Blunt of
Missouri, Governor Rendell of Pennsylvania, and
Governor Huntsman of Utah. I'd like to give them all a
hand, please.

(Applause)

GOVERNOR NAPOLITANO: And today representing
other members of the task force we have Craig Barrett,
Chairman of the Board of Intel; Dr. Wayne Clough,
President of Georgia Tech; Dr. Michael Crow, President
of Arizona State University; Dr. Shirley Ann Jackson, President of Rensselaer Polytechnic Institute; Dr. Judith Ramaley, President of Winona State University; Dr. Mary S. Spangler, Chancellor of the Houston Community College System. I'd like to give them a special round, because not only did they give up their time, energy and talents, but they became introduced to the world of the governors and the NGA simultaneously, and we appreciate the efforts that go along with that.

(Applause)

GOVERNOR NAPOLITANO: I'd also like to thank Ray Scheppach and his wonderful staff at the NGA for all of the work that they have put in over the past year on this and many other issues. I think they deserve a special round from the governors as well.

(Applause)

GOVERNOR NAPOLITANO: Today I'm proud to release three publications to help ensure the work of Innovation America continues. One is "A Compact for Postsecondary Education," which brings together government, universities, community colleges, boards of regents, private schools and the private sector really to look at compacts between the states and their higher education systems. And I ask the governors to not only review those but to increase and redouble the efforts
they have already undertaken where postsecondary education is concerned.

   The second is a document entitled "Investing in Innovation." It is produced by the Pew Center on the States and partnered with NGA. It provides a snapshot of successful state investments in research and development. It is designed, in other words, to give governors ideas of what has been happening not only in their own states but in other states to foster an innovation-based economic agenda.

   And, finally, "Innovation America: A Final Report," summarizes what we have learned to date in the course of this initiative, paying, again, special attention to the role of governors in establishing best practices.

   These publications as well as the others that were issued throughout the course of the year have all been loaded onto a special Innovation America zip stick. Each of you have one at your place, and it's kind of like an external hard drive I think is the best way to explain it, and it's something that you can take home obviously and share and use with your staffs in your various states.

   So, again, lots of work undertaken and lots of, I think, identification of issues and programs and
practices that we need to pursue on an urgent basis, the time is now basis, where innovation is concerned.

Today we're going to at this session focus on some of the aspects of Innovation America where the private sector is concerned. And we have speaking with us two of the nations most distinguished business leaders; Randall Stephenson from AT&T, Dr. Eric Schmidt from Google. They will talk from their different perspectives about the role of innovation as it affects their industries. What we're going to do is have each of them speak for 10 to 15 minutes and then take some questions and comments from the governors.

The first speaker will be Randall Stephenson. He is Chairman of the Board and CEO of AT&T. Prior to being named chairman and CEO in 2007 he served as chief operating officer and was responsible for all wireless and wire-like operations. During his tenure the company outperformed its peers in many categories and leads the industry in business and wireless and other capacities, and is also gaining momentum in the television market. So let me turn the podium over to Randall Stephenson. Randall.

(Applause)

RANDALL STEPHENSON: Thank you, Governor. It's good to be here. I appreciate you inviting Eric and
myself here. I notice how you set us apart. Were you afraid that we might squabble?

GOVERNOR NAPOLITANO: Just call me Switzerland.

RANDALL STEPHENSON: I think you are going to find that Eric and I probably agree on more than we disagree on to be quite candid, but it's good to be here. I appreciate you arranging this. I also appreciate you very much doing this in Michigan this time of year. It's good to get out of the rain in Texas.

I read over the course of this week your innovation document that you talked about here, and I found a lot of the comments interesting, and I have to tell you I very much agree with the position that is in that document. If I could summarize it, I'm probably over-simplifying it, but if I can over-simplify it, basically what I understand the group is saying is that innovation is the key for driving productivity, which is the key for driving job growth, which is by therefore the key to driving economic growth, and I think you're dead on. I think I would completely agree with that position.

I thought what I would spend my time here doing is drilling down on that a little bit more and from my standpoint what do I see are the key pillars, if you will, for driving true economic growth. And as I kind
of look at this I've always felt that there's a three-legged stool that has to be in balance here to drive true sustainable economic growth. The three legs of this stool I have seen consistently demonstrated in a number of countries and a number of levels of government and markets from municipalities to state level to national level, and now we're seeing it played out at the global level, and I want to talk about those three legs of this stool.

The first leg of the stool is probably not going to surprise anybody in this room, but I think it's absolutely fundamental to sustained economic growth, and that's a system of affordable and efficient education for the masses. Obviously, I think telecom is very important. We're all talking about economic growth, and, you know, the question I ask is: What is an economy? An economy is nothing more than the creation of wealth through free trade and commerce. So the objective is: How do you increase the velocity of commerce and thereby grow the economies?

So I ask: What's the basic component of commerce? It's real simple, it's communication. Apart from communication and human interaction there really is no commerce to be had. So efficient communication serves to accelerate commerce, to increase the velocity of
commerce. The more efficient the communication, the more velocity in the commerce, in the economy.

And so I ask: What's been the greatest catalyst of communication that we've seen on this planet? I would say the greatest catalyst of communication that we see on this planet came from my predecessor, former Chairman of the Board of AT&T, Alexander Graham Bell. I think it was the telephone, telecommunications in general.

If you think about the telephone, it allowed commerce to suddenly be conducted in real time rather than only in person. It accelerated the pace and the rhythm of trade and commerce dramatically. In fact, I would suggest to you that the pace of commerce, more than any other invention from the telegraph to the locomotive, steam engine, the combustible engine, any of those, the telephone, the invention of the telephone, has accelerated the pace of commerce.

On the heels of the telephone comes wireless communication, and wireless communication has accelerated commerce even more by untethering businesses. Not only was it no longer necessary to be physically present to conduct business, but you no longer had to be present in your home or your line of business where you had a telephone access. With
wireless we have basically instantaneously any time, anywhere communication, and it's taken the velocity of commercial activity to a whole different level. Again, more velocity means more jobs. More jobs means more prosperity.

Within the granddaddy of them all, my friend over here who is a major player in this, on the heels of telecommunication is the internet. We've now discovered a whole new gear of commercial velocity by virtue of the internet. We're achieving RPMs in the economy that I don't think we've ever dreamed of, quite frankly. Now commerce is being conducted 24 by 7 by 365 days a year. It's being conducted in storefronts that are literally open to the entire world. And any time you can turn a one or a zero, anything into a one or a zero, the substance of digital communication, those can now be transmitted to customers and markets and the globe instantaneously.

So the velocity and pace of commerce is now following the sun, right? Anywhere there's sunlight, there's velocity and pace in commerce. So the punchline of all this, the first leg of this stool, is that a strong system of commerce or an economy requires, without exception, I cannot find an exception, that it occurs with a strong system of
telecommunication. The system needs to be pervasive. It needs to be available to the masses, and it has to be affordable.

And that brings us to the second leg of the stool. The second leg of the stool is free open markets where capital flows freely without undue or unnecessary regulation or restraint. That probably surprises you as well that I might say that, doesn't it? You know, these pervasive telecommunication systems we're talking about with multiple providers, they consume an unbelievable amount of capital investment. They consume more capital than even the heavy manufacturers like the automobile makers here in Michigan, Governor Granholm.

The states and countries that have encouraged investment in telecom have thrived, period. The US has historically led the world in telecom infrastructure investment, until recently I would suggest. In the early part of this decade we got sidetracked by what was some well intentioned, but I'm afraid it was disastrous, policies on telecommunication.

And I'll give you an example. In 2001 my old company SBC was spending $11 billion a year on infrastructure. Within the course of one year that was cut to $5 billion and sustained that level for about 3
years. We were keeping the lights on and the systems running, but not much more than that.

The US position in broadband dropped from number 1 in the industrialized world over that period of time to number 16. I strongly believe that it is no coincidence that the economy in this country struggled during that same time frame. During that time in telecom over half a million jobs were eliminated and $2 trillion of market capitalization was lost. Fortunately, these rules were rectified in the 2003 time frame, and almost instantaneously, and I mean instantaneously, investment in telecommunications jumped again.

This year AT&T is going to spend north of $18 billion in telecommunications infrastructure, and it probably doesn't surprise many in here that the lion's share of that capital is being deployed in states that have gotten rid of these old barriers to competition and barriers to entry into video markets as well.

A classic example is right here in Michigan. Governor Granholm recently signed legislation eliminating the old local franchising barriers to competition for entering the video business. Many in this room have done the exact same thing. And as a result, in Michigan AT&T is now going to increase their
spending and capital by $700 million, and we're in the
process of hiring 2,000 people in the State of Michigan
to deploy an advanced state-of-the-art fiber network
for deploying video technology. Again, investment
flows where the regulatory burdens are light and the
opportunity to earn a return exists.

I would say that to drive growth, communications
has to be available to the masses, and that includes
rural America. In our territory everyone is enjoying
the benefits of this telecom revolution. We now have
fixed line broadband capabilities to 85 percent of our
footprint. The remaining 15 percent is being covered
by our satellite broadband technology. We're working
hard to find a wired solution for that remaining 15.

We also just announced a deal to acquire Dobson
Communication. They are a rural wireless carrier.
Soon the advantages that they don't have today of
national pricing, things like iPhone, new technologies,
will now be available to those rural customers as
well.

So the more areas of this country that we bring
along with this telecom revolution the more velocity
that we create, the more commerce we create, the better
the economy.

That brings us to the third leg of our stool, and
this is one I feel very passionate about. The well educated workforce is absolutely required for sustained growth. You know, this telecom system not only requires massive sums of capital, they also require massive sums of labor, big labor requirements.

Today AT&T employs 300,000 people. Of that 300,000, 60 percent of them are represented by labor unions. In fact, we employ more represented people than the big three automobile makers combined. We have 12,000 of these people right here in Michigan. We're hiring right now at a pace of 50,000 people per year to fuel our broadband, our wireless and our TV initiatives. These are technical jobs, and I've got to tell you, and I just shared this with Governor Napolitano, frankly, we're struggling to find the numbers required to fill these jobs, qualified candidates to fill these jobs.

We just created a unique arrangement with the CWA, which is our largest labor union, where AT&T is now bringing back 4,000 jobs that have previously been outsourced overseas, primarily to India. This agreement with the CWA, it's a new paradigm I believe for labor relations in the 21st century. I think this is something very, very unique, and I'm actually very proud of what we're doing here.
We put in place competitive benefit and wage agreements. We put in place performance based incentives. And guess what? I'm sorry to tell you in the first wave we're struggling to find the numbers we need to bring those 4,000 jobs back. We're committed to making this work. We're going to develop the people that we need to make this work, but right now we're not finding the numbers we need.

My point of all this is that this isn't an issue of a company that's sending jobs overseas to take advantage of cheap labor. We have an issue of supply in this country, and we're not competitive in our educational programs, and I really believe that it's time for industry and government to step up and fix this and get it right.

My opinion, our education system has fallen flat. It's not keeping up with the demands of the global economy that Governor Napolitano spoke of. I believe the US graduate and undergraduate schools continue to lead the world. I don't think that's where the problem is. I think that's why the best and the brightest continue to come to our colleges and universities. We're failing to develop the best and the brightest among our own children at the K-12 level, because we're not demanding more from them in math and
science. We've gotten fat and lazy, that's my personal opinion.

I don't believe that the average 12-year-old kid in Korea wakes up wanting to study algebra any more than a kid does here in the United States. I don't believe that. I just believe the kids in Korea don't have much of a choice on whether they study algebra or not. We've got to change that. For our part, I have in the first 30 days on my job directed all spending from the AT&T Foundation to be directed to educational priorities that drive performance based rewards for education.

I was in India last week, and while I was there it hit me like a ton of bricks that in India they've hit the trifecta of this three-legged stool that we're talking about. They've liberalized their telecom investment laws. It is free and open markets, period. Foreign companies are now allowed to own infrastructure in India. There is very little regulation in telecom. They are inciting investment in telecom, and telecom is flourishing like you can't imagine.

They've invested in education. They are graduating the same number of engineers in India that we graduate in the US, and their economy is 7 percent the size of the US economy. And guess what? They are
gobbling up jobs from all over the world. It's being facilitated by an advanced telecom infrastructure and a well educated workforce. As a result, their economy is growing 9 percent year over year.

You know, a good year in the US, AT&T or Verizon, we'll add 6 million wireless customers. India is doing that every single month right now. They are adding about 7 million wireless customers every month, demonstrating the power of telecom to accelerate the velocity of commerce, that's what we're seeing over there. Companies around the world are going to India to take part of this growth.

I had an industrialist in India tell me last week, he said, "It used to be people came here to get cheap labor. Now they are coming to India to get cheap brains." I think he's right on. The more efficient the system of telecommunications, the greater the velocity of commerce. I really believe it's that simple.

In summary, let's face it, you can't lead the digital economy without leading in telecom. You can't lead in telecom without markets that are open and conducive to investment, and you can't lead the digital economy without a high tech labor supply. You can't hardly think of a job anymore that you would not regard
as a high tech job. You know, our technicians out in the field today, they carry laptops.

Is there anything more blue collar than making an automobile? That may be the conventional wisdom, but I'd submit to you there's few things more high tech than a new car. I don't know if you've lifted the hood of a car lately, but it is high tech, and the labor to build these cars is getting more and more high tech.

So as fellow chief executives, my challenge to each of us is that in every policy decision we make I think we ought to ask two fundamental questions. First, are we inciting more or less telecom infrastructure investment, and as a result are we increasing the pace, the rhythm and the velocity of commerce in our states? Second, are we giving our young people the best chance to compete in this global economy by absolutely demanding the most of them? The correct answers to those questions I think will lead to greater investment, I think it will lead to greater employment, and I think it will lead to greater velocity in our economies and more jobs. So with that I thank you, Governor.

(Applause)

GOVERNOR NAPOLITANO: Thank you. Our next guest is Dr. Eric Schmidt, Chairman of the Board and CEO of Northwest Reporting (231)946-8086
Google. Since coming to Google Eric has focused on building the infrastructure necessary to maintain Google's rapid growth. Previously Eric served as the chairman and CEO of Novell, marking a 20-year record of achievement as an internet strategist, entrepreneur and developer of new and great technologies. Dr. Schmidt.

(Dr. Eric Schmidt: Thank you very much, Governor. I completely agree with what Randall had to say, and I'd like you all to think of information technology in a very different way. I'd like you to think of it as a way that people can actually change their views of government. We're now at the point where the quality and the way in which your information technology services work for your citizens will fundamentally affect how they view not only your leadership but government as a whole. Because unlike many other people in our government worldwide, the buck stops with you guys. You actually run these places and you have tremendous services that you offer.

It's also clear that broadband, as Randall said, is about to cross a tipping point. We're at 50-60 percent overall penetration. AT&T and other companies are leading this way and they're doing a great job. As it crosses the two-thirds point of actual usage in
American homes, it will become the first place that people, that the businesses will be built on.

And I want you to think internet first, not second or third or fourth, because that's ultimately how you will transform your fundamental mission, which is serving your citizens and really change the world. And what's nice about this "think internet first" message is that the United States is the leader in the internet. So you have all of the positive benefits of both the investment that you make in your states, the creativity in your universities represented here as part of our leadership task force, and the great story that is the American dream and entrepreneurship.

Now, most people when they think about the internet think about, as an example, you too have been candidates and you all have looked at this, and indeed there is a big debate on Monday and a subsequent one in September in Florida for the two major parties involving you too. What people do not appreciate is how fundamentally the internet is changing the normal course of business.

I'll give you the numbers. The internet, by far the fastest growing piece of media technology ever, 3 years to get 50 million users. It took 37 years to do the same thing with radio and television. There are
more than 1.3 billion users worldwide. We're adding a
couple hundred million a year now, and most of those,
of course, outside the United States.

The mobile phone growth, when I travel, and
Randall and I do this all over, what sound do I hear?
I hear the sound of mobile phones ringing. It drives
me crazy sometimes, right, but Randall, he loves it.
It's the perfect outcome; ring, ring, ring. And it is
of even greater impact to have American led technology
changing the world, and the numbers are fascinating.
More than 2.5 billion phones, again, growing on the
order of 400 or 500 million a year.

This is all being driven by something called
Moore's Law, which you've heard about before, roughly
doubling the density of chips every 18 months. There's
another law called Kryder's Law, which says that
storage power is increasing by a factor of 1,000 every
10 years. So you say, oh, no big deal. This has some
pretty interesting implications.

In the year 2019 you'll be able to have in your
iPhone or equivalent 85 years of video. So when
you're born, we can hand you this thing and you'll
never be able to watch all the video on your device
until you're dead. The rate at which this
consolidation of data storage and computing power is
changing our world is breathtaking.

Now, my observation is that people everywhere pretty much want the same things. They want good family, good health. They want safety, security, happiness, prosperity, and they have a lot to say, and they are going to say it in this new medium whether we like it or not.

The statistics are phenomenal. There are more than 70 million blogs that exist today, about 120,000 blogs being created worldwide each day. So no one is reading them, except for the author I guess. 76 percent of US internet users over the age of 15 initiated a video stream monthly. 75 percent of the users 18 to 25 are reading or writing user generated content as it's called, and few of them are passive participants.

And last night in our Ann Arbor office, where we have a nice big operation, I asked the survey, how many of you have a home phone, a very strange question to ask, and that was clearly the wrong question. So I said, how many of you don't have a home phone. 90 percent of the people raised their hands and said that their only phone is their mobile device. It gives you a sense of how rapid this change really is occurring.

When you think about search, which is the business
that Google is in, it really fulfills the human need for information, and, of course, this is growing very, very, very dramatically, the billions of pages that we index, and the many hundreds of millions of users that we service have to deal with this all the time, and our next product is really about personalization.

Here we are in Michigan and you do a search for wolverine. Now, are you talking about a sports team or are you talking about a particular marsupial? We need to know a little bit about you in order to do that, and we now have algorithms and techniques where we can sort of more or less figure out whether you are a sports fan or whether you're really very interested in science, and if you're both, maybe we will be a little bit confused.

We're trying to close the gap between what I want and what I typed, and, to me, Google is really built around "aha!" moments. For me, the "aha!" moment was I've always wanted to climb Mt. Everest, which if you look at me it's clearly not going to happen. So I took Google Earth and I started at the bottom and I climbed right up to the top in the safety of my office and I had a great view. You can't do that without these kinds of technologies.

Here's another example. All of us give a lot of
speeches, and I was told that the problem with speeches is that the microphone rubs against your (indicating front of shirt). Everybody knows this, right? So how do you solve this problem? You tape it to your skin. How do you do that? You get double-sided tape that's made for wigs. Now, where am I going to buy this? How would you find out where to buy it? Well, it turns out you can use a search engine and you will find there are, in fact, a whole industry of people who make this sort of thing. I never knew I needed this product and now I have to have it.

What's interesting about all of these "aha!" moments, and Google is really built around "aha!" moments, is that they really do create trust, and then trust between ourselves, the company, the end user and their searches and information becomes paramount. And this is another issue that you all are going to face; how do people trust the internet. In our case we've changed our privacy policies. We don't keep logs more than 18 months. The cookies that we put in place, which is a technical term, expire in 2 years and other things like that. But the important point is that you will face, as everyone is online, what is the privacy, what is the trust factor, do they believe you, is it really true.
If we look at information and mass innovation it's having a lot of other interesting issues. The fellow who runs Venezuela did not like a particular television station, so he banned them. So now they are rebroadcasting on YouTube. Very interesting. Please don't tell them. I don't want them to shut down YouTube.

This process makes governing both harder and more, I think, exciting. It's harder, because you have to some degree less control over the voices; on the other hand, you have the ability to listen to them. And you can imagine that not only can Google, for example, trap all the things that politicians say, right, do we agree, disagree, but we can also give you information as to what people are thinking more quickly, and you can decide what your view is and how you should react to this.

This phenomena, this phenomena of jumping to things, is really occurring very, very quickly. It may very well be that the next Watson and Crick, who were co-inventors or discoverers of DNA, they might meet online instead of a university, and we want them to be in the US universities talking to each other over this broadband network that Randall and others are trying to build.
So what should you all do? Encourage the expansion of broadband. We are 100 percent in agreement with this. It is the basis of so much of the future of America. The only analogy, and it seems obvious, is here we are in a beautiful part of relatively rural Michigan. How do you get here? By a highway. What do you do when you're here? You get on your broadband network and you have access to the whole world. The interstate highway system is the 1950's analogy. This is ours.

By making information available you can finally cross this issue of the opacity or lack of capability of governments. We have a project generally known as site maps. We have projects with states that we've done this, for example, already; Arizona, California, Michigan, Utah, Virginia. The states already had information that was on their web sites that none of the search engines could get to. Literally almost all access to government services seems to be starting through the search engines and they can't find your service. Working together, a simple example, Arizona, it took, you'll be pleased to know, Governor, took 46 staff hours to make all this work available, not just to Google, but to the other search engines as well, and, boom, millions of people in your state have access
to this. Let's do this together. It's easy to do.

I believe when we talk about education, and this group has worked on education for a very long time, we all understand how fundamental this issue of job training and education and higher learn is. I believe this next generation of children process information differently than we do. It is the generation gap of which we are the elders and they are the juniors. That you face, we face, the issue of transforming the classroom from a classroom to an internet classroom, and I don't mean getting rid of teachers and so forth. They are crucial to making this happen.

When I was a young person growing up in Virginia, my home and a great state, one of the things in seventh grade, Governor, is that I had to memorize the 50 counties in Virginia, and I managed to do it correctly by the way. Why, and of course I don't remember them anymore, why was that memorization so important? If I can carry a device that has that piece of information and everything else in the world with me at all time.

What I really needed to do was to learn how to search, understand, manipulate and research, learn how to think about the state that I love and the state at which I was a member and all the things going on. It's a fundamentally different way of teaching, and we're
not teaching that way now, and the tools and the
techniques are now available and ubiquitous.

With energy needs all of us, Craig and Intel and
many other companies, are working to deal with climate
and climate issues. With innovation, we're all
building innovation models. Google is particularly
innovated because of a model called 70-20-10; where 70
percent of our investments are in core things, 20
percent in adjacent, and 10 percent in others.

I would challenge you as governors, how much of
your budget is spent on true innovation that's not
described to you or regulated to you or lobbied to you
by the many people who want a piece of your budgets and
your attention? How much of it is true discovery
that's going on in your states? Reserve 5 percent or
10 percent, and the leverage is enormous.

This is a remarkable time to be here, to be part
of the United States, the entrepreneurial system that's
represented by Randall and myself's view of the world.
School children in rural towns very much have the same
access to the students of Oxford and Harvard,
Cambridge, what have you. It's very different from
what it used to be. We are very much at the beginning
of a real revolution in education, information access,
and governing and in serving the citizens of the United
Northwest Reporting

States. So with that I thank you very much.

(Applause)

GOVERNOR NAPOLITANO: Well, thank you very much, Randall and Eric, for your remarks and your comments to us on the role of innovation as you see it. Let me open up the table to questions or comments from any of the governors who are here on this or any of the other innovation topics. Phil. You've got to press on it and keep it down.

GOVERNOR BREDESEN: So you have to hold it down. All right. I'll hold it down. This is probably for Mr. Stephenson more. You talked as one of the legs of the stool about the free flow of capital, and, of course, we had in our legislature this year, along with many other states, initiatives generated from you to open that up. It did not succeed in Tennessee. I think as a side bar, more because some of the lobbyists were making so much money out of the basic approach of it.

But the question I have is, there are real issues surrounding the free flow of capital in communications and the absence of regulations. I mean, the phone industry, as you've described, grew in a highly regulated environment. The cable TV industry started and grew in a highly regulated environment. The
internet may have exploded, but that would have been
massively slower without the huge infrastructure of
copper and fiber and so on that were already developed
that way.

I mean, what do you feel the role of a state is in
terms of trying to ensure the quality of access?
Mobile phones are very important. There's huge pieces
of Tennessee where I can't get a mobile phone signal
and people who live in those communities who can't get
it. What is our role in making that happen?

RANDALL STEPHENSON: I think inherently the role,
and many may not like this, is more and more to stay
out of the way. The more truly competitive these
markets become, I think the less government
intervention is required. There was a day when there
really was not competition, and you understood
significant government oversight. But now when you
have, you know, multiple pipes going into the house,
you have at least a cable and a telephone line going
into a house, you have at least four or five wireless
providers in each market, and as long as there is
vibrant competition I think the consumer is protected
from pricing. I think the consumer is logically
protected from service issues.

Right now the biggest driver of customer loyalty
in wireless is service quality and coverage. So what are we all scrambling to do? Improve service quality, improve coverage. That's where I'm spending a lion's share of my wireless capital budget now is in those areas. So it gets back to what I said before. I think the government's role is to make the environment conducive for investment, and what I mean by that is knock down barriers.

I was talking to Governor Blunt earlier today where Missouri just passed legislation, and I told him I've never seen anything like what I'd just gone through in the last 2 1/2 years. Where back in 2005, early 2005, my board authorized me to spend $6 billion to get broadband, you know, video capable broadband, deployed throughout our what was then a 13 state region and now it's 22. Here I am in 2007 and I'm just now starting to get the freedoms I need to spend, invest and deploy that capital, and that money was there. It was available. It could have been deployed, jobs created back in 2005, and we had not been able to deploy it.

So I just, you know, my challenge is if the market is competitive, and let's make sure -- I mean, we all have to be intellectually honest, is it truly competitive -- if it is, knock down the barriers, let
companies invest. The more competitive it is, the more
inventiveness you have, innovation you have, and that's
my challenge I guess.

GOVERNOR NAPOLITANO: Governor Rendell.

GOVERNOR RENDELL: I think with what Governor
Bredesen was driving at, and I agree with everything
you said, except he left out an important area. There
are some places in all of our states, and Pennsylvania
is a rural state too and a mountainous state, there are
places that the marketplace won't go, because profit
can't come from those places. Don't you think that we
have an obligation to our citizens to force the market
into those places?

RANDALL STEPHENSON: Yeah. I understand your
point, and this is where, you know, the whole universal
service issue, right? It used to be universal service
on telephones was what everybody focused on. I believe
universal service for broadband is probably phase two,
right, that's where we are now, and we ought to look at
this whole subsidy structure that's in place.

We're, I don't know if you know it or not, we're
subsidizing wireless companies for going into rural
America, but we're not subsidizing broadband companies
for building into rural America. Let's take a hard
look at this subsidy structure. I think that's
Governor Napolitano: Governor Palin.

Governor Palin: Still a follow on the last two questions from the governors to Randall, and then I have a question for Eric, and I thank you both for being here. But, Randall, still from your perspective what are more of those specific barriers that a state government perhaps has built and held on to that gets in the way of progress there in telecom?

And then a question for Eric also. In your encouragement of expansion of broadband, who should be paying for that expansion?

Governor Napolitano: Randall, then Eric.

Randall.

Randall Stephenson: Me go first. What are the things that are in the way? I'll give you the classic examples. These are the ones that we have been trying to address over the last 2 years. But the State of California, you know, we had the money set aside to go invest in large broadband pipes into all the homes to deliver video. Absent statewide legislation we had to go through multiple municipalities, and I'm talking thousands of municipalities, and get licensing, right-of-ways, franchising agreements in place to deploy this. We were doing it without legislation, and
over the course of one year out of the thousands we needed we got three, and so it just slowed. It's slow and it doesn't go anywhere. The capital doesn't get deployed. It doesn't get spent.

So we're getting statewide franchises. We're not looking for any leg up on the cable guys. We ought to pay the same fees. We ought to have the same peg requirements as the cable guys, but just speed along the process, that's what we're looking for.

GOVERNOR NAPOLITANO: Eric.

DR. ERIC SCHMIDT: The countries outside the United States directly subsidize broadband deployment literally with money, and they have a national broadband policy, it's heavily subsidized, and it has, in fact, accelerated their economic growth. So in the American system where such subsidies are probably not the right political outcome, I can report to you that the financials of broadband are so positive that the telecommunication companies and the cable companies and so forth are, in fact, seeing economical turns from broadband. The problem is that there are still regulations in their way, as Randall said.

If I were a governor and I heard this message, what I would do is have a broadband task force for my state and I would sit down and I would say, tell me the
ten things, I wouldn't ask the industry, I would ask my
staff and the various end users, what are the things
that are preventing us from getting what we want, and
then I would go to the industry and say what are your
problems, and I would try to figure a way to bridge
them.

There are many cases where local relatively
antiquated laws are preventing widespread adoption of
something which is economically positive. The spread
of broadband is so directly related to the increase of
jobs in rural areas, the use of the internet,
advertising businesses, the business we're in,
electronic commerce and so forth that it's fundamental.

I was in rural Nevada and I happened to be driven
by the mayor of this small town, and he was explaining
to me that his basic problem was that he could not get
the telecommunications company to put a fiberoptic
cable to his town, because he wanted to create an
outsourcing center. We want all the mayors to think
about where is the fiber and do they have enough of it,
and that will then put pressure on their own regulatory
bodies to work with the local guys to get that stuff
going.

GOVERNOR NAPOLITANO: Thank you. Governor
Sebelius.
GOVERNOR SEBELIUS: Eric, since you are here to give us a new way to look at a lot of the initiatives moving forward, I'm struck by the fact that the numbers that you gave, which I think all of us know intuitively about phones, who has a land line phone who now is just using a cell phone we can translate into our own kids, but it has an interesting application when you go to polling. Who are you reaching? I mean, that's a technique that often relies on reaching people by telephone, surveying by telephone.

I'm curious as you look at the future, and knowing that you have folks in your shop, including yourself, who see 10 years down the road much more clearly than some of us might, in the whole area of government, I mean, polling is one, how you communicate with voters, how you let them know about services. What are the things that we're going to need to change about the way we just go about our business and jobs to maximize the technology that's out there, hopefully, get a step ahead of it and truly be able to reflect what people need?

DR. ERIC SCHMIDT: Most states have many overlapping lists of their citizens. They have polling data, driver's license data, other kind of regulatory data, and there are tremendous inefficiencies in how
those services are delivered, because they don't have a way of seeing one person as the same, and there are some reasons that that structure exists, including concern over privacy.

So to the degree that we can address privacy and misuse of driver's license data and so forth, it would be very good if states had a better model of who their citizens were and they knew roughly where they were or they had an ability to reach them in an emergency.

I'm struck by, as an example, you find out that in your state there's a mortgage crisis and your citizens, a good percentage of your citizens, are going to default. So you as a good legislator figure out a way to give them some credits. How do you reach them, how do you reach them today, a television they don't watch as much any more? You can't call them at home. Your canvassers are off doing something else. You have to find a way to reach them. An obvious way would be to have more use of the web, more use of the electronic mail, and get them to choose to communicate with you under their own terms. People are now choosing to communicate more directly.

The polling question is much harder, because people are harder to find, if you will, and I think what we will see in polling is many more estimates,
which is not necessarily good, but probably the best
that we can do.

GOVERNOR NAPOLITANO: Governor Sanford, and then
we will have Governor Corzine, Governor Douglas,
Governor Baldacci, and Governor Pawlenty, and then
we'll have to cut off the questions. Governor Sanford.

GOVERNOR SANFORD: Yeah. Eric, you just mentioned
a moment ago the brain power example of thinking
differently and that you had been taught the 46
counties in Virginia, and, really, you thought the next
step of education was not necessarily memorizing the 46
counties but being able to access those counties.

I thought in a different way, Randall, you touched
on the same theme. You said, look, there are basically
three components to a vibrant economy. You've got to
have open tech, open economy and, again, brain
power. Both of you stress this theme of brain power.

Randall, your specific quote just a moment ago, I
jotted it down, was, "The more competitive you are, the
more inventive you will be; in other words, the better
off you will be."

Given that we have almost a closed system when it
comes to K-12 education, where do you all stand on that
issue? I mean, if competition is a good thing, I know
that school choices are a very controversial issue,
where would you all come out on that one?

GOVERNOR NAPOLITANO: Eric, and then Randall.

DR. ERIC SCHMIDT: The US educational system has been very, very closed as you said. I think both political parties have taken strong positions that more choices are good, whether it's teachers or charter schools or so forth. My personal vow is that almost anything that we try will give us some experience of different models and that we should encourage that experiment.

What I will also tell you is we now have the ability to measure outcomes. So rather than arguing about what could happen in these infinite strategy meetings, why don't you try five different initiatives and see what works and mesh the outcomes, and we will accept any positive outcome.

GOVERNOR NAPOLITANO: Randall.

RANDALL STEPHENSON: Very simplistically, I don't think it matters whatever endeavor it is, in government or in anything else, competition is good, and it's just inherently part of a free market society. I just think more competition is good in every endeavor. So I would always encourage competition.

GOVERNOR NAPOLITANO: Governor Corzine.

GOVERNOR CORZINE: Thank you. Let me first just
make an observation to Randall that this isn't just a spread of broadband, the implementation of those programs, which we've done in New Jersey, isn't just an issue of rural consumers. There are the difficulties of bringing this into urban areas, and there actually may even be bigger hurdles associated with that. I'm wondering if you could comment on that.

And then, Eric, it's very hard to argue with the evolution of how we disseminate information and how we communicate. But the oversight, some might say of regulation, of how the internet works is something that's increasingly a concern to our citizens, particularly from predators who use what is obviously a great leverage device in a way that comes harmful to society. I'm wondering if you want to speak to what you think the role of government is or isn't in that world as we see this inevitable evolution and strengthening of our technology system.

GOVERNOR NAPOLITANO: Randall.

RANDALL STEPHENSON: Yeah. In terms of urban areas and broadband coverage in urban areas, I can't speak to New Jersey, we don't have that in our footprint, but as a rule in our 22 states the urban areas are very, very well covered. I will tell you we have done more to make it available to urban areas in
terms of pricing. We have a $10 broadband product available for anybody that wants broadband.

The dilemma we have in penetrating urban areas that we're working, and we're working this very aggressively, is the cost of a computer, right? I mean, in urban areas they don't own, the density of the computers in the homes is not that great. So what can you do to improve that? We're working with Intel on a device, that it's not a full PC, but it's a device that can access and utilize the internet and hook to broadband. Can you get a $100 or a $200 device? We can subsidize that, right, and truly begin to penetrate urban areas with broadband access. But I think that is the long pole in the tent, if you will, can we get the computing device in the house, that cost down.

GOVERNOR NAPOLITANO: Eric.

DR. ERIC SCHMIDT: On the wireless aspect for cities, one of the good news about cities is that they are dense, and so wireless broadband solutions, including some that are free or are very, very little cost or are in developments, I think we have some hope that technology can really help there.

With respect to the oversight and regulation of the internet, one of the great sort of sadnesses of my career is to discover that there are evil people on the
internet. Those of us who were part of the internet 20 years ago, we didn't think there would be any evil people on the internet, and now we find them left and right, and they spend an awful lot of time sending us really terrible e-mails in the form of spam.

There's a series of things that society has to do. The first is to talk about it so people are aware of it. Schools need to spend a fair amount of time educating children about it, because no matter what we do, on the margin there will be a new attack and they will find a 13-year-old boy or girl and potentially put them at risk, and that's a truly terrible thing.

From a government perspective, the interesting thing is that virtually all of the things that we're upset about on the internet are, in fact, illegal in the states in which they are performed. So it does not appear as there's a need for some whole new national set of laws in this area, but rather the development of the tools and the techniques of, you know, law enforcement to discover, track and so forth.

And there are companies, like Google, who can actually help in the sense that we do have a pretty good idea of what people are doing, and under the appropriate legal systems that information can be used to help essentially apprehend the bad people.
There are issues when you cross borders. So, for example, you'll have somebody who is doing something inappropriate where the US law does not reach, and there are probably issues around trade agreements to make sure that we can have quick response for those sorts of things as well.

GOVERNOR NAPOLITANO: Yeah, and I would also add to that. I think the Early Childhood Committee meeting this week is going to be talking about online predators as one of their topics. So, obviously, an issue of great concern to all of us. Governor Douglas.

GOVERNOR DOUGLAS: Thank you. Earlier this year I signed into law a bill to create telecommunications authority to both get out of the way in terms of expediting permitting, and, as Governor Rendell suggested, make sure that we deploy infrastructure in rural, remote parts of the state that may not be economically feasible for the telecom providers.

But one discussion point that has come up is, what is the future of infrastructure when in this area we have a phone becoming a computer, becoming a television, providing different types of telecommunication services? Are the federal grants we are getting to deploy fiberoptic cable really forward looking or are they a generation that perhaps will
pass? We've got a satellite company offering to do a
pilot program in a rural part of our state. What's the
future of infrastructure for telecom?

GOVERNOR NAPOLITANO: In ten words or less.

DR. ERIC SCHMIDT: A quick summary is that
fiberoptic bandwidth has almost no limit of the amount
of bits that you can put in with the appropriate
upgrades of the ends. So you should be proud of all
that fiber that you are busy laying, because that fiber
will last 25, 50 years, and people will be doing
amazing things with that fiber in our lifetimes.

RANDALL STEPHENSON: More fiber is a good thing.
I don't care, you know, where you are or when you're
doing it, more fiber is good.

GOVERNOR NAPOLITANO: So it's a pro-fiber diet for
telecommunications is where we are. All right.
Governor Baldacci.

GOVERNOR BALDACCI: First, I want to thank you,
Janet, for your leadership and the issues that are
being discussed. I find them very interesting.

I would like to ask Randall a question when he
talked about the needs of rural America. Governor
Douglas and Governor Lynch and myself in Maine are
coordinating in the rural part of northern New England
IT clusters to get industry support, to give us a
curriculum, to give us some of their recipes and needs for their workforce. So that we can transition our people from the old economy to the new economy, and the challenge is to find those companies and they're willing to partner.

And there's new studies coming out showing that it's probably better, more productive, more retention here to, instead of outsourcing to India, it is to do it in rural America. And we offer the opportunity in rural northern New England to be able to come out with these sorts of things, because we've changed our educational system from 2 years of math and science to 4 years of math and science, and have eliminated tracking. So that everybody is thinking about higher education.

But industry partnering I think is a huge help to me and to our region, and I would just put that at your doorstep in representing industry today. So I'd appreciate any comments you have on that.

And I think Governor Douglas asked the question I asked. At what point is it going to be either the television or the telephone or which one is it going to be that's going to end up being the one that everything ends up coming through? Because it just seems like it just completely evolves and changes so much so that
it's amazing.

        So, I mean, Eric, if you could ever look down that road and just tell us, because it used to be everybody was in their own compartments and they had their own responsibilities. Now, it seems like the whole thing has merged and they are all competing with each other, which is great, but at what point.

        GOVERNOR NAPOLITANO: Randall, and then Eric.

        RANDALL STEPHENSON: In terms of the partnering, I mean, I accept you laying that our doorstep. I think it's important for industry and government to partner. In fact, a few leaders in our area where we do business prevalently we are partnering with in this regard. Especially, as it relates to bringing some of these jobs back from India specifically, in trying to get the skill sets up to make sure that we have a workforce that can accommodate the volumes that we're going to be bringing back.

        In terms of which device is going to win, you know what, there are three screens that matter in my world, right; this wireless screen, the PC, and the television. All three are going to be relevant for a long time. I think if the companies that can make those kind of work together and seamlessly I think we will stay at a big advantage, but I'll let Mr. Internet
respond to that as well.

    DR. ERIC SCHMIDT: Thank you. Most people assume that all the devices that you carry will end up as one, and, unfortunately, I think the inverse is probably true. You probably, unfortunately, will have more devices. You know, you'll have, what we say, IP addresses even in your shoe, because there will be something that's useful in your shoe that the internet will need to know about, like how far you are or where you are.

    I carry my old phone, my iPhone, my Blackberry and my camera, and now I have a zip drive that doesn't fit any of the four, thank you very much. This is not convergence. The trick, as Randall pointed out, is that all of these devices along with these amazing televisions that are being built and amazing new PC screens will have access to the same information. So you'll be able to use your phone or your hand-held device or whatever other device you use to access this same information, and then when you go to your office you'll be able to see it, and when you go home you'll be able to see it, and then you can work all the time.

    GOVERNOR NAPOLITANO: Oh, boy. Thank you. And,

    GOVERNOR PAWLENTY: This is for Eric. You talked
about the IT or I guess the internet classroom. We have, of course, this generation behind us absorbing information fundamentally differently and transmitting it fundamentally differently than even my generation. And so our children, my 14-year-old, my 11-year-old, they instant message, text message, MySpace, YouTube, e-mail, you know, it is completely different, and yet we are in classrooms, even though we have smart boards and internet classroom opportunities, where we primarily still have people standing up with erasers in front of white boards and lecturing and boring children, particularly at the high school level, and we are still using standardized textbooks which are, you know, one size fits all kind of assembly line approach.

Beyond white boards, beyond some internet classroom opportunities or online learning opportunities, what is the future of the internet classroom in a way that might allow us to leverage technology, better customize learning opportunities across an array of needs and abilities and speeds? What do you see for the future in that, and what policies and suggestions would you have for us?

DR. ERIC SCHMIDT: A couple of observations. The teachers of America are among the most isolated working
professionals that we have. They have relatively few opportunities to spend time with their peers to learn how to be better teachers and so forth. With the internet, and the National Governors Association has been part of that, there are now groups that are trying to standardize not just the textbooks but also the teaching tools, the teaching methodologies, and, in fact, producing videos of the Great Teachers to augment that. So that's observation number one. The internet, which is now present in pretty much every classroom in one form or another, we finally now have a way of getting into that classroom.

The second observation is that the modality, the way in which people are teaching, has to become more interactive. Fundamentally in this new world, it's an interactive world, it's a personal world, and that means two things; the teachers actually have to have a conversation, the students have to interact with the media, and there needs to be a test, and the test needs to be based on the outcome, not the time spent in the classroom; and a simple change, a simple legislative change, that would allow some flexibility and some experiments with that, and then test the outcomes would probably begin to show the way in each and every one of the states represented here about how citizens really
can take advantage of the internet.

What's interesting to me is I originally thought that this information was not available on the internet. There are tremendous amounts of teaching resources available on the internet, and they are not being used to teach our students.

GOVERNOR NAPOLITANO: With that, thank you very much. Thank you, Randall, thank you, Eric, very much. (Applause)

GOVERNOR NAPOLITANO: And kind of as a nice segue from the last question and answer, but there's a new innovative web site I want to draw your attention to. It's www.youinnovate21.net. Youinnovate21.net. It's a new interactive web site for middle school students, and it's been developed between NGA and Scholastic to give middle school students the tools they need to be innovators and leaders, and, quite frankly, it's a great web site for their teachers as well. Outside in the hallway there are a number stations where you can see the web site and try it out for yourselves, and I want to thank Scholastic for their efforts in that regard.

I also want to announce today the formation of Innovation America, the Foundation. This is the follow-up to the initiative. Through this foundation
we are joining our forces with a number of distinguished organizations, including; the Advertising Council, Apple, Sysco, The Council on Competitiveness, eBay, Girls Scouts of America, Intel, Microsoft, National Academy of Engineering, National Association of Governors, of course, National Science Foundation, PBS, Scholastic, Symantec, and the United States Chamber of Commerce's Institute for Competitive Workforce. The idea behind the foundation is to continue the work of the initiative on a state by state, governor by governor basis, and, again, to help create that sense of urgency I alluded to earlier.

To kick-start that effort, the foundation is launching the "Voices of Innovation" campaign with support from Apple. Governors will be invited to engage small teams of high school students from their states to submit 30-second video spots showcasing perspectives on how to maintain United States' global leadership with respect to innovation. The select spots will be featured on the foundation's web site, the National Academy of Engineering's web site, on Apple's, Student Gallery, and on the youinnovate21.net web site.

In addition, these organizations and others will join this fall to put together and to launch a national
outreach campaign to put a human face on innovation, and in the coming months you'll hear more and more about work of the Innovation America Foundation. Then if you all are interested in participating as governors or as private sector participants, please contact me or a member of my staff after this session today. So this does not end and we do not finish innovating with our meeting here in Michigan.

With that let me turn to another item in our agenda. During our annual meetings we always take time to say farewell and pay tribute to colleagues who will be departing after the fall elections. Governor Blanco will be completing her service to Louisiana in January, and she and her husband, Raymond, or as we call him, Coach, have been active and enthusiastic participants in the NGA. It's an honor for all of us to celebrate her services as Governor of Louisiana, and, indeed, Louisiana's first woman governor.

She spearheaded the largest investment in education in Louisiana history, expanding pre-K to all outreach children, making great strides in improving teacher quality, and increasing accountability. She brought test scores and student achievement to historic highs, reforming Louisiana high schools to decrease dropout rates, and this year she signed a historic
teacher pay raise. She has made health care more affordable and accessible today. More than 90 percent of Louisiana's children have health insurance. And she's led the way in economic development, bringing in nearly $24 billion in new investments and thousands of new jobs to her state.

And as a nation we honor Governor Blanco for her leadership in leading Louisiana through the largest national disaster in American history. She was tested in a way no governor in this nation has ever been tested as Louisiana's coastline was devastated by hurricanes Katrina and Rita. She commanded more troops than any governor in US history, and she led the fight to secure the federal funding necessary to help rebuild more than 200,000 homes. Under her leadership well over $2 billion in recovery dollars is already at work aiding local communities in her state.

Governor Blanco, there is life after politics. You have earned a lifetime of happiness. The NGA will miss you and Coach very much, and we wish you and your family all the best in the years to come.

(Applause)

GOVERNOR BLANCO: I do want to thank you, Governor Napolitano. My husband, Raymond, and I have thoroughly enjoyed being a part of this magnificent organization

Northwest Reporting (231)946-8086
that shares so much information and so many of the best practices that happen in the states.

I have been very, very privileged to have been chosen to lead my state in the most difficult times that any state has ever experienced in modern times in the United States of America. Let me tell you that we are coming along. There is a tremendous amount of work that has been done. There is a tremendous amount of work to be done. We look upon the disaster with some sorrow, because we lost some very valuable assets. At the same time it has given us opportunities that we would not have ever dreamed could have happened but for a complete upheaval of our lives.

So as we go forward I want you to know that we have had one of the most extraordinary sessions, regular sessions and not special sessions, in Louisiana's history that just ended at the end of June. We have made investments that I believe are going to stabilize Louisiana and cause us to become economic and education leaders in the future. We have a long way to go, but we are well on the way to being a very strong whole state. Thank you so much. I appreciate the recognition.

(Applause)
is a special one, presenting the NGA awards for
distinguished service in state government and in the
arts. The awards program offers governors the
opportunity to recognize their state's most valuable
civil servants and private citizens. Each of these
honorees has made invaluable contributions to state
government and to public service, and on behalf of my
fellow governors I commend all of them for their work.

Awards will be presented in the State Official,
Private Citizen, and Arts categories. As I announce
each winner, would you please come forward along with
your governor, if present. I will ask each of the
governors to step up to the podium and make remarks
with respect to the winners.

We will begin with the State Official category.
First, Vincent Meconi, Cabinet Secretary of the
Delaware Department of Health and Social Services. I
would like to ask Governor Minner to make the
presentation.

GOVERNOR MINNER: Thank you very much. It is
indeed our pleasure to participate in the 31st Annual
NGA Distinguished Service Awards for state government
employee, and Vince has actually been a part of state
government for almost that long. His commitment to
state government spans well over the last 25 years
serving as assistant to a member of congress and posed as cabinet secretary for two different departments. I appointed Vince as Cabinet Secretary for the Department of Health and Social Services in 2001. I had the added pleasure of serving with him in the state legislature as a state legislator back in the 1980s.

Throughout his career Vince has been an agent for change, fighting for what he believes is right. Under his strong leadership and creative cost containment strategies the department survived a severe economic downturn, and this included the continuation of our Medicaid program without any cuts, yes, without any reductions in any of the areas of enrollees or of benefits. Children, seniors, disabled, uninsured were served and were served well throughout the period of time when we had less dollars and more people to serve.

I would also like to note that Vince's tireless effort to reduce the cancer rate and smoking have been outstanding. His leadership to implement the recommendations of the Advisory Council on Cancer Incidence and Mortality has led the state to implementing a lifesaving cancer care program that provides free cancer treatment to any uninsured Delawarean.
Ladies and Gentlemen, it is my pleasure on behalf of the first to congratulate and ask you to join me in congratulating Vince Meconi, Cabinet Secretary of the Delaware Department of Health and Social Services. (Applause)

GOVERNOR NAPOLITANO: The next award winner in this category is Bob Butterworth, who is Secretary of the Florida Department of Children and Families, and the former Attorney General of Florida. He could not be here, nor his governor, today, but on behalf of all the governors I would like to congratulate him. He will be honored at a separate ceremony in Florida.

Our next State Official winner is Dr. Robert Bruce Stroube, Commissioner of the Virginia Department of Health. I would like to call on Governor Kaine to make the presentation.

GOVERNOR KAINE: Well, fellow governors, it's great to be here with Bob Stroube. Bob is the Commissioner of Health for the Commonwealth of Virginia, a physician who is advising me, his ninth governor, in his 32 years of service to the commonwealth. He advises the governor, the secretary of Health and Human Resources in the legislature on all matters concerning the health of Virginians.

Bob is a physician who is well known as an
epidemiologist and in the area of preventive health, and Bob's focus on prevention and preparation has made Virginia one of the best prepared states in the nation for natural emergencies, we have a hurricane season every year, for man-made emergencies, and also for illnesses and infectious diseases.

Bob is not just a preparer, he's also a responder, and has been tested with the 9/11 attack on the Pentagon, the anthrax scare that came in the aftermath of that attack, and most recently in the very difficult series of events surrounding the shooting at Virginia Tech on April 16. And in all those instances Bob responded in a very calm and deliberate way that reflects a real sense of urgency best serving folks. It's a great honor to be able to present to you, Bob Stroube, a truly wonderful servant for the commonwealth.

(Applause)

GOVERNOR NAPOLITANO: Next we will recognize the award winners in the Private Citizens category. The first winner, again, is from Delaware, the first state. The winner is William Bowser. I would like to ask him to come forward and Governor Minner, please.

GOVERNOR MINNER: And, again, it is indeed our pleasure to congratulate another Delawarean for an
outstanding job. Bill Bowser is a very talented and respected attorney in Delaware, but, more importantly, he is a champion for reducing cancer rates and improving the lives of cancer patients. Before I became governor I pledged to Delawareans that I would find out why our rates were so high, the highest in the nation in both incidence and mortality, and that I would do what needed to be done to reduce both areas.

In 2001 I called upon Bill to serve as the chair of the Advisory Council on Cancer Incidence and Mortality. He led a group of experts, cancer victims, cancer survivors and, yes, advocates to provide recommendation for reducing the burden of cancer in Delaware. From our smoking ban to our cancer plan, turning commitment into action, Bill Bowser led the battle.

The result of Bill's commitment and service has changed the landscape for Delaware. Programs and services are available that never existed. Bill broadened our vision. Yes, he not only allowed us to think beyond what we had thought possible, he required it, and, yes, today our state is much better. Bill also is the parent of a cancer survivor, his son.

Join me in congratulating Bill Bowser, a man who cares very deeply for all of us in Delaware and wants
to make sure he does his part, volunteering thousands
of hours to make sure Delawareans are healthy. Thank
you, Bill.

(Applause)

GOVERNOR NAPOLITANO: Our next award winner in
the Private Citizen category is to the late William O.
"Doc" Farber. At this time I would like Governor
Rounds and Mr. Richard Brown, who is accepting the
award in honor of Dr. Farber, to join me at the podium.

GOVERNOR ROUNDS: Thank you, Governor Napolitano.
Dick Brown and I are honored to be here today on behalf
of William O. Farber. To his students and his friends
he was known affectionately as Doc Farber. The
contributions that Doc made to South Dakota over his
lifetime are truly remarkable, and our state was
saddened when he passed away at the age of 96 on March
24 of this year. Despite this loss we are grateful
that Doc's memory and his service to the people of
South Dakota and America will last for generations.

One of Doc's greatest contributions was his
advancement of our state's greatest resource, our
youth. Doc was a Professor Emeritus of Political
Science at the University of South Dakota, and also
served as the chairman of the Department of Political
Science for 38 years. Doc was an inspiration and a
great mentor to thousands of college students. Not only did he cultivate his students academically, but he fostered a very strong sense of civic duty and encouraged many students to enter public service.

In the forward to Doc Farber's 2005 autobiography one of his students, Tom Brokaw, wrote that Doc had a great influence on the young people of this state before his time or since.

During Farber's term as chairman of USD's Department of Government he established the Government Research Bureau. The Government Research Bureau then became the model that Doc Farber used when he established the South Dakota Legislative Research Council. Doc Farber served as its director, and the Legislative Research Council continues today as the non-partisan research and administrative office for all 105 members of the South Dakota legislature. There are few South Dakotans, past or present, whose lives have had such a meaningful impact on our state and on our citizens.

I'm happy to have Dick Brown here to accept this award on Doc Farber's behalf. Even though Doc did not have any children of his own, Dick was like a son to Doc. He was a student and a lifelong friend of Doc's, and it was Doc Farber who introduced Dick to his future.
wife, Sue. At Doc's memorial service Dick Brown said, "Doc's basic philosophy of teaching to stimulate critical thought, encourage positive meaningful public participation, motivate students to reach their highest potential is his greatest teaching and mentoring legacy. Always available, always nurturing and always challenging you to be involved. The fact that he practiced the public participation that he preached gave him a lasting credibility and legacy beyond graduation day."

Dick and I would like to express our sincere thanks to the National Governors Association for honoring Doc Farber with this award. Thank you.

(Applause)

GOVERNOR NAPOLITANO: Our final award winner in this category is Frank Batten, Sr. of Virginia. He, unfortunately, could not be with us today. Governor Kaine, would you like to say a few words about him?

GOVERNOR KAINES: Thank you, Governor. If I could just say a few words. Frank was thrilled to receive this award and would very much like to be here, but can't for reasons of health, but let me just say a couple of words about Frank.

I think Frank Batten is probably the great philanthropist in the history of the commonwealth.
We've had a long history and we've had a lot of philanthropists. He is the former publisher of two of our state's newspapers, the Roanoke Times and the Virginia Pilot, but has decided his contribution to public life is going to extend beyond well written editorials, and so he has been a passionate supporter of education.

Earlier this year he was extremely concerned over the course of his life about the quality of people who decide to go into public life, and so he decided to work with the University of Virginia, his alma mater that created our president here, Janet Napolitano, as a UVA law graduate, to create the first new school at UVA for more than 50 years, the School of Leadership and Public Policy. He and his wife donated $100 million to begin the school.

This followed from a $60 million donation to the Business School at UVA in 1999, a $32 million donation to Old Dominion University in Virginia in 2003, a $32 million donation in that same year to the other needy institution, Harvard Business School, and the list goes on and on. Frank and his family have donated over $400 million to either institutions or scholarships for low income students, and that's before I get into the museum, arts and all the other philanthropy that Frank
Batten and his family have visited not just upon Virginians but upon citizens all over the nation.

So for Frank's philanthropy and his great belief that we should do all we can to educate the next generation of political and public leaders of the commonwealth, I'm very happy to have this award for him. Thank you.

(Applause)

GOVERNOR NAPOLITANO: Next we will recognize winners in the final category, the Arts. From Connecticut the winner in the artist production category is Michael Wilson, Janet S. Suisman Artistic Director of the Hartford Stage. Governor Rell, would you like to make a presentation?

GOVERNOR RELL: Thank you, Governor. I just want to share with everyone, you know, I'm often asked what it is about the State of Connecticut that I love best, and I have to tell you it's an awful hard question to answer sometimes, because we have a beautiful state, and we have so much to offer. We have gorgeous state parks, of course, and changing seasons, and we have some of the most generous and wonderful people you would ever want to meet.

But Connecticut is also in a very lucky position, because we have an unrivaled opportunity to enjoy the
arts. We have theater. We have music. We have dance.
We have museums. We have galleries. And not only is
the quality unrivaled, but the selection that we have
is immense as well. In a relatively small state like
Connecticut we enjoy so much and it is an opportunity
that a state ten times our size would absolutely envy.

One reason we have and enjoy such a bounty, of
course, is the Hartford Stage. For 43 years now the
Hartford Stage has brought the best in classic works
and new production to the people of Connecticut.
Indeed the man that we honor this afternoon said it
best when he became the artistic director. He said
what he really wanted to do was to make this a people's
theater, and it has become just that. Michael Wilson
has made it the very best theater in arts all around,
and made it accessible to families and to children and
to professionals alike.

Recently he produced Enchanted April and moved it
from the Hartford Stage to broadway where it has earned
a Tony nomination. Many theaters would settle just for
that, but not Michael Wilson.

Not only do we enjoy great theater, but Michael
has made this an educational and outreach priority,
working with diverse audiences in education and in
organizations, the local schools to the Hartford
Seminary. Michael truly created a town square, a place to discuss the issues of the day in a creative, exciting and an imaginative atmosphere. I'll share with you that Hartford is very lucky to have such an outstanding resident theater there, but Hartford Stage is truly blessed to have Michael Wilson. Congratulations, Michael.

(Applause)

GOVERNOR NAPOLITANO: Our final award winner in the Arts support category representing the great state of Kansas is Don Lambert. I'd like to ask Governor Sebelius to join me at the podium to recognize her nominee.

GOVERNOR SEBELIUS: Well, I know some of you might have wondered why in the great state of Michigan you have a homage to the Flint Hills book at your place, and it's because you're about to meet the Kansas muse who is responsible for this and a number of other artistic endeavors in Kansas.

Don Lambert is someone who has dedicated his life to promoting art in our great state, and his family has been in Kansas for over a century, and he shares that connection to our state by bringing recognition to more than 400 Kansas artists and exhibits all over the country and the world. Don has published four books,
written dozens of articles about Kansas art, and continues to keep a focus on the art in our great heartland state.

One of the famous American muralists, John Stewart Curry, has works all over America, but they also highlight our Capitol. Our legislators at the time that John Stewart Curry was painting those murals decided that they really didn't like the murals or him very much. So they refused to actually pay him his last couple of payments, and he left the state with a very unpleasant taste in his mouth. Thanks to Don's efforts he went out and got to know John's widow, and we now are the proud owners of 950 of the artist's works, which actually are part of this amazing collection.

Don discovered a painter who became famous, a 68-year-old woman who is now known as Grandma Layton, whose real name is Elizabeth Layton, who suffered a lifetime of depression and began to cure that depression at age 68 by beginning to paint works of social justice. She now is a famous painter, and Don, again, was promoting her all over the country.

Don in this book put together a book of art on our gorgeous Flint Hills. 85 percent of the tall grass prairie left in the world is in Kansas, an amazing
stretch of land from Nebraska to the Oklahoma border, and artists who paint these beautiful prairies have been featured in this exhibit, but the exhibit toured the nation for 2 years and ended up at the Capitol of the United States, and the book that I wanted to give you indicates that.

Finally, he's been a great promoter of art in our office. Don is my personal curator. So every 3 or 4 months I have a rotating show of Kansas artists, which thousands and thousands of Kansans have seen over the years and have been able to enjoy, but I can tell you it brings a lot of beauty to my life and I'm personally grateful each and every day. Every state needs a muse. I want you to meet the Kansas muse, Don Lambert.

(Appplause)

GOVERNOR NAPOLITANO: Thank you very much. I want to briefly, before we close out today's meeting, recognize an employee of the NGA, Susie Weihofen. She's the one back there that's been handing me the plaques and making sure we're keeping everything in order. She is a person at the NGA who is one of those people, and we all have them on our staff and we appreciate them, they are dedicated, professional and loyal. We can't do what we do without them. She has coordinated the Distinguished Service Awards. She
keeps us informed of federal actions through daily e-mail and is just an integral part of the entire NGA process.

She is getting ready to retire this fall after 29 years of service to the nation's governors and 58 NGA meetings. I think she deserves an ovation, don't you?

(Applause)

GOVERNOR NAPOLITANO: Today, finally, we will recognize two of our Corporate Fellows, Hewlett Packard and Proctor & Gamble, who have been members of our Corporate Fellows program for 15 years. The Corporate Fellows program, of course, promotes exchange between the private sector and the governors. Accepting on behalf of Hewlett Packard is Mr. Carlos Cardoso, and I would ask him to come forward and we will do a picture, and then Karen Smith on behalf of Proctor & Gamble.

(Applause)

GOVERNOR NAPOLITANO: That concludes the general meeting of this afternoon's plenary. I want to thank the presenters again, Randall, Eric, for your participation. The members of the task force, the task force will reconvene in a few moments in accord with the schedule. Right now we will adjourn.

The members of the NGA Executive Committee, if you could come up here to the front, we have to have a
very, very quick Executive Committee meeting and that
will be chaired by Governor Pawlenty. So with that I
thank you all very much. Welcome to the conference.

(At 4:26 p.m. Opening Plenary Session concluded)

--oo0000--
STATE OF MICHIGAN
COUNTY OF GRAND TRAVERSE

I certify that this transcript, consisting of 78 pages, is a complete, true, and correct transcript of the proceedings and testimony taken in this case on July 21, 2007.

Date: __________

Kathleen Tulick, CSR 4806
121 E. Front Street, Ste. 302
Traverse City, MI 49684
NATIONAL GOVERNORS ASSOCIATION
2007 ANNUAL MEETING
TRAVERSE CITY, MICHIGAN

CLOSING PLENARY SESSION
JULY 23, 2007
MONDAY
10:00 - 11:30 a.m.

REPORTED BY:
KATHLEEN TULICK, CSR 4806
CERTIFIED SHORTHAND REPORTER
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Closing Plenary Session
Traverse City, Michigan
Monday, July 23, 2007 - 10:20 a.m.

GOVERNOR NAPOLITANO: Good morning.
GOVERNORS: Good morning.
GOVERNOR NAPOLITANO: I think once again that our hosts of Michigan showed us a wonderful evening last night and have shown Michigan off to great advantage, and we thank you, Jennifer, and all of the wonderful volunteers. Everyone has been great.

(Applause)

GOVERNOR NAPOLITANO: Welcome to the Closing Plenary Session of the 2007 NGA Annual Meeting. This morning we are going to hear from two very distinguished guests about the issues of judicial independence. Following their addresses we will have some opportunity for dialogue, and then we will move on to the proposed policies from our committees, and the election, or selection, of the new chair of the NGA.

As we move into the topic of the judiciary and judicial independence, we have spent most of our meeting talking about relationships with the legislative branches, both at the state and the federal
level. So it's highly appropriate that we turn some
attention to the equally important third branch of
government, but Governor Kaine mentioned to me that we
have a number of spouses of governors here who are
themselves either members of the judiciary or former.

We have the Honorable Midge Rendell, who is on the
Court of Appeals for the Third Circuit; Gary Sebelius,
who is a Federal Magistrate Judge; Anne Holton, who is
a former Virginia Juvenile Court Judge; Katie O'Malley,
who is a General District Court Judge in Maryland; and
Mary Pawlenty, who is a former State Court Judge in
Minnesota. So we cover the judiciary from a number of
angles and are appreciative of that.

Moving on to the topic at hand. The Supreme
Court's ruling in Republican Party of Minnesota vs.
White has had a major effect on judicial independence.
In a five to four decision the court held that states
should not restrict judicial candidates from expressing
their views on political topics. As a result, many
states reversed limits on speech for judicial
candidates which were parts of their codes of judicial
conduct. That case and the aftermath was the
precipitant for our session here this morning.

Our first speaker is Sandra Day O'Connor, who is
the first female Associate Justice of the United States
Supreme Court. She is an Arizonan. She spent her childhood on a ranch in southeastern Arizona, and returned to the state after law school to practice law and serve in the Arizona State Senate. As a state senator Justice O'Connor became the first woman to serve as a state senate majority leader ever in the history of the United States, and while serving on the Arizona Court of Appeals Justice O'Connor was nominated by President Reagan to serve on the United States Supreme Court. Throughout her tenure on that court Justice O'Connor was a leading voice on the topic of judicial independence. Recently retired, and we regret that I must say, after serving for more than 24 years she continues to speak out on this important issue today. Please welcome Justice O'Connor.

(Applause)

SANDRA DAY O'CONNOR: Thank you. (Standing ovation). Now, don't do that, come on. Thank you, thank you. Thank you very much. Governor Napolitano is doing an outstanding job in my home state, and I was so appreciative when as chairman of this group she agreed that I could have a few words with you this morning, and that Tom Phillips, the former chief justice of the Texas Supreme Court, could also be part of this package. And we hope to be brief in our
remarks, so that we might spend some time answering questions, if there are some.

And, Governor Granholm, you're a great hostess. I had not previously been to the northern part of Michigan, and it's beautiful. It's been such a treat to glimpse Traverse City and the surroundings. It's so enchanting. I hope to come back.

Now, it's elementary high school civics that we have three branches of government, not just governors and not just legislatures, and they regulate each other by a very intricate system of checks and balances, and the main check the judicial branch has on the others is the power to declare statutes or executive acts unconstitutional. Although, sometimes judges might check the political branches in a softer way merely by interpreting a statute in light of constitutional values or by ruling that a regulation or executive act is not authorized by statute. But whatever courts do, the courts have the power to make the President or congress or a governor or a state legislature really, really angry. In fact, if judges do not make them mad some of the time, they probably aren't doing their jobs.

Judges effectiveness relies on the knowledge, I think, that they won't be subject to retaliation for
their judicial acts. And as James Madison put it, and he being the father of our constitution of to be heard, "An independent judiciary. . .," he said, ". . . is an impenetrable boulder against every assumption of power in the legislative or executive." Impenetrable may be putting it a bit strongly, but his basic idea is sound. If you believe, as James Madison did and as I do, that courts are important guardians of constitutionally guaranteed freedoms in our common law system, you know that the system breaks down without judicial independence.

Now, judicial independence is sort of hard to define. It doesn't mean freedom to decide cases or issues based on the judge's personal preferences. It means that judges must decide issues before them fairly and impartially based on the law and the constitution, and without fear of retaliation by the other branches.

Now, former Chief Justice Bill Rehnquist compared the role of the judges to that of a referee in a basketball game who is obliged to call a foul against a member of the home team at a critical moment in the game. He will be soundly booed, but he is, nonetheless, obliged to call it as he saw it, not as the home crowd wants him to call it. And that's not a bad description of what judges sometimes have to do.
Judicial independence does not happen all by itself. It's tremendously hard to create, and easier than most people imagine to damage or destroy. And that's why the Supreme Court Building in Washington features a larger than life size statute of the great Chief Justice John Marshall, who spent 35 years trying to nurture a culture where, by and large, the political branches were willing to acquiesce in the judicial branch's interpretation of the law and the constitution.

Now, they don't always acquiesce, but fortunately most of the time politicians do not challenge the courts to enforce their judgments themselves, as President Andrew Jackson did in the wake of the Supreme Court's decision in Worcester vs. Georgia.

Now, creating a culture in our early days as a republic where usually courts' judgments are enforced by the other branches of government entitles John Marshall to take his place in the frieze of the great lawgivers of the world in the Supreme Court courtroom along with such people as Hammurabi and Grotius and Confucius.

Now, our judges and our courts have fared far better than those in some other countries such as in Russia, Uganda, Zimbabwe, Ecuador, to name a few, but
we have some recent efforts in our own country to strip
courts of jurisdictions over certain types of cases,
and proposals to impeach federal judges who cite
foreign court judgments, and to strip judges and jurors
of immunity for their official acts as was proposed in
South Dakota -- thanks to the efforts of the governor
over there that was defeated, but they're coming back
-- or to retroactively terminate appellate judges'
terms of office, as was proposed in Colorado, and so
on. We have all seen examples, and some of them are
pretty much a source of concern.

In a recent article in Judicature two academics,
Bruce Fine and Bert Newborn, one a conservative, one a
liberal, issued a joint statement that I rather liked.
They said, "Judicial independence in the United States
strengthens border liberty, domestic tranquility, the
rule of law and democratic ideals. At least in our
political culture it has proved superior to any
alternative form of discharging the judicial function
that has ever been tried or conceived. It would be
folly to squander this priceless constitutional gift to
placate the clamors of political partisans." I thought
they put it rather well, but then I happen to agree.

The key to maintaining our system lies in the
education of our citizens, and that is where you come
in, and that is why I'm so pleased to be able to have a few words today. You're the elected leaders in our 50 states, and it is up to each state to provide public school education to our young people, and we are not meeting the educational needs.

A recent survey by the National Constitution Center shows that fewer American teenagers can identify the three branches of government than could identify The Three Stooges. Now, I enjoy Larry, Moe and Curly, but the polls show an absence of even the most basic knowledge of our national and state governmental structure. Today there are many school districts in our country that do not make civics and government a required high school course, and many who, at most, offer only a single semester course.

Now, the need to educate our youth about our government and how it works is crucial to our future as states and as a nation. We have to do that. You don't inherit that through the gene pool. We have to do it, and it's complicated. We don't have a simple system of government, and in my view civics education must be made a requirement, and we have to teach it in more interactive ways.

Students should be encouraged to explore issues like separation of powers and federalism by having
debates, mock trials, and personal engagement in the student government in various forms, and I think we should capitalize on the computer proficiency of today's students. Many states provide access to computers to students, certainly in high school, and internet based learning environments offer an opportunity that will engage the students more than reading some dull textbook.

Now, with the participation of Arizona State University in my home state and Georgetown University in DC, I am actively engaged in developing a computer based course on our courts, and it's aimed at seventh, eighth and ninth graders. So that maybe we can capture middle school and the start of high school with something that will be so interesting and fun to use that the students will absolutely want to sit down and work with it.

And I hope that all of you will help in the efforts to preserve the intent of the framers of our fabulous constitution. I hope you will work in your own ways to protect judicial independence and to educate every generation of students about why we need judicial independence and what it is the courts do.

And there's another very important issue affecting the courts that I care a lot about, and that's how we
select judges, and as you well know, the 50 states have many different ways of judicial selection. Some of them much better than others in my opinion, and to start that discussion is Tom Phillips, who himself was a state court judge.

I was too, and when I first became a state court judge I became a trial court judge and I had to run in a contested partisan election. I thought it was a ghastly way to pick a judge. I won and I could have continued to win, but instead I ended up in the state legislature, and I led the effort in Arizona to go to a merit selection system, at least for appellate courts, and we have done that and I am so proud of the judicial system in that state today.

But I think that Tom Phillips is going to talk a little bit about that, and then I hope there will be some questions and we have other discussion. Thanks for letting me speak.

(Applause)

GOVERNOR NAPOLITANO: As to merit selection, I have to point out that my last appointment to the Arizona Supreme Court was actually one of Justice O'Connor's law clerks. So we know how that works.

Tom Phillips is the retired chief justice of the Supreme Court of Texas, having spent nearly a quarter
century on the bench. After leaving the court he was a
distinguished visiting professor at South Texas College
of Law in Houston, and the Dedman School of Law at
Southern Methodist University in Dallas. In 2005 he
joined the Austin office of the law firm of Baker

(Applause)

TOM PHILLIPS: Thank you, Governor. It's a great
honor for me to be here to visit for a few minutes with
such a distinguished group about an issue that remains
very important to me and to the lawyers and judges of
America. I also am here to talk about judicial
independence; why we need it, how we have preserved it
for two centuries, why it is under threat today, and
what I hope the governors of the 50 states will do to
support and strengthen it.

Why should a democracy remain committed to this
process of judicial independence that often leads to a
clash with the people's rights to govern themselves?
As Justice Scalia has noted, the political branches
represent the people, while the judges represent the
law, which often requires them to rule against the
people.

The simple reason why a democracy needs this
system is that the democratic branches alone cannot
guarantee freedom and security. Without the rule of law and strong institutions, including judges, to enforce the rule of law, electoral winners have a nasty habit of trampling on the rights of their vanquished opponents, and democracy alone certainly cannot ensure economic progress. There is not capital investment in any society where contracts are not fairly enforced and government expropriations are not tightly regulated.

Thus, in the words of Justice Breyer, "There is a rule book almost worldwide towards a realization that people's liberty and prosperity depends, in part, upon strong judicial institutions." Of course, an independent judiciary cannot fulfill this role without good judges, and it has never been easy to find men and women who have both the intellect and the experience to understand and apply the law, and also the temperament and humility to recognize and honor the limitations on that power.

Some of the newly emerging countries find it so difficult to choose judges that they import retired judges from other countries. While America has never had to go that far, the states can and do use many different systems to select their judges, which points out the difficulty we have had in reaching a consensus on who's the best judge and how to get and retain that
Some limits on judicial behavior do inhere on the structure of the judiciary itself. For instance, juries usually find to the facts in a case, trial court judgments are nearly always subject to appeal, the appellate courts sit in collegial bodies that require a majority vote and they have to justify their rulings with a written explanation. But all states have traditionally relied on more than these minimal limitations, and more than the innate goodness of their judges to assure that judges remain accountable.

First, there is the nature of the judicial role. Whether judges are following and applying stare decisis when they make a common law ruling or whether they are using principles of statutory and constitutional construction when they read statutes and apply constitutions, they use everyday tools that remind them that they are not free to impose their own personal preferences on litigants, but that they must apply the law that has been made and developed in this government of laws and not men.

Every judge I know takes pride in their ability to make a ruling with which they personally disagree, but which they believe reflects the law as it has been made, either through long precedence or by the
Secondly, every state has promulgated some type of code of judicial conduct, and nearly all have established commissions to discipline or even remove judges who violate that code of judicial conduct. These codes constrain judicial behavior in a way that tries to encourage judges to be, and to be seen as being, impartial and nonpolitical.

Today the increased politicalization of the judicial branch has imperiled these norms, whether by choice or necessity, and that's a debate for another day. Judges are now making more controversial decisions on more contentious policy issues than ever before. As a result, political parties and interest groups are now more keenly interested in who sits on the bench than they have ever been before.

At the federal level a lucrative cottage industry has sprung up to support or oppose nominees not just for the Supreme Court but for all of our Courts of Appeals, and at the state level money is flowing in judicial campaigns in unprecedented amounts, very little of it from widows and orphans. As a result, the press increasingly sees judges less as mutual arbitrators of the law than as mere politicians in robes.
The primary defense against this trend has been our codes of judicial conduct. As Governor Napolitano mentioned, they are under attack. First, most of the really offensive television ads that we've seen in Michigan and elsewhere in judicial campaigns come not from the candidates but from independent committees over which the candidates have no control.

Second, in the last 5 years federal courts at all levels in the name of free speech have struck down restrictions on judges that previously kept them from announcing their views on disputed policy issues, personally soliciting campaign funds, identifying with a political party, making pledges or promises about their performance in office or making statements that commit the candidate on matters likely to come before the court for which the candidate seeks election.

Armed with these judgments political parties, individual and PAC contributors and interest groups are now demanding that judicial candidates announce how they will rule before they have heard a single witness or read a single brief. Whether these changes are merely a passing phase in the relations between the branches and between the body of politics or whether they are precursors of a permanent change in the judicial function remains to be seen. But in order to
ensure that we keep a strong and independent judiciary
the bench and bar needs your help.

I offer a few suggestions. First, as many of you
have done in continuing to defend the role of the
judiciary, don't let these outrageous attacks like JAIL
for judges gain any traction in your state. When a
judge in your state makes a decision that you disagree
with, try to phrase it that the judge misread the law,
not that he or she is a bad person or of the wrong
political persuasion. Explain how that judge's ruling
can be appealed, if it can, or how after appeals have
been exhausted a statute can be rewritten or the
constitution amended.

Second, make sure your judges have the resources
they need to process cases efficiently and effectively
and that our system is as fair and inexpensive as
possible, and that resources are fairly distributed
across your state.

Third, explore whether your state's method of
judicial selection is producing the best judges for
your state. No system is perfect, but some systems
seem particularly bad, especially in today's
politically charged environment.

In my opinion, partisan elections are the worst,
and having run for statewide partisan races I think I
have some incite on that. Judicial candidates inevitably become affiliated with their party's positions and fortunes. So that judges are swept in or out of office depending on issues and personalities far above them on the ballot over which they have no control.

Non-partisan elections are somewhat better, but they do nothing to reduce the need for campaign contributions, and, in fact, they may make single issue politics even more important and more influential in determining who wins.

Legislative elections or gubernatorial appointments do free judges from raising campaign cash and having to sell themselves to voters like snowflakes, but, of course, they are only as good as the appointing authority. Not every governor appoints Supreme Court clerks to these vacancies.

As an extreme example, permit me to quote from one delegate to the 1851 Ohio Constitutional Convention who was seeking to justify popular elections instead of gubernatorial appointments. He explained, "I would inquire if a blindfolded man might go into a crowd of 50 and select at random a man competent to fill the office of governor of Ohio." But with the judges of the Supreme Court who pronounce the final decree upon
questions involving life and property of a citizen, would you go to a crowd and play catch-s-catch can? "No... ," he explained, ". . .because judges require learning ability, experience and purity of character, qualities that cannot be found in a moment."

While I certainly appear to disavow his disparagement of the executive branch, but the delegate pointed out that the appointing power gives the people very little control over accountability, unless there is some way that that judge is periodically called up for reassessment.

So that leaves the fourth system, which is commonly used around the country, and that is merit selection. Under that system the governor appoints judges with or without a pre-screening by a commission, and the judges then keep their jobs by running in a retention or yes/no election. There is some study that suggests on an objective basis that this leads to a better judiciary.

First, no state that has ever adopted merit selection has ever abandoned it, while the other states seem to switch back and forth between the other methods.

Second, the American Judicature Society has conducted several studies suggesting that merit
selection is the best system for promoting women and minorities to the bench.

Third, every US Chamber of Commerce survey of general counsel shows that they rank partisan elected states as the places they would least like to before a court.

And, fourth, and similarly, since 2002 the American Tort Reform Association has identified 26 different jurisdictions as judicial hell holes. 16 of those are in the 8 partisan election states. 7 are in one of the 17 states that conduct non-partisan elections, while only one each are in states with legislative election, gubernatorial appointment or merit selection.

Truly then, judicial independence is an economic issue in America just like it is in China or any developing nation. Chief Justice Rehnquist was fond of calling the American judiciary the crown jewel of the American constitutional system. It is the one part of the American system that is most emulated around the rest of the world. And so as the first nation to create a separate and collegial judicial branch, we have a special obligation to our posterity and to the world to ensure that it remains strong and vital.

Thank you very much.
(Applause)

GOVERNOR NAPOLITANO: Thank you very much. I will open it up to the floor for questions. Governor Rounds.

GOVERNOR ROUNDS: Thank you, Madam Chair. Justice O'Connor, you were very gracious in suggesting that I played a role in the defeating of the JAIL amendment in South Dakota. I'd like to share with all of you a little bit about what happened.

In this particular case South Dakota has a very easy access to the ballot approach for initiatives and referendums. We were I believe the first state in the nation to adopt both the initiative and the referendum on the part of the voters to be able to go directly to the ballot box. In this particular case it took about 30,000 signatures collected over a one-year period to actually place this amendment to our state constitution on the ballot. Once it was placed on the ballot we had a near unanimous, if not a unanimous, support to oppose it in the following manner.

Every single statewide office holder publicly announced their opposition. 105 legislators out of 105 legislators announced their opposition. Not a single association within our state, business or consumer oriented, supported the measure. It was defeated 89 to
11 within our general election. But what I noticed in this process was the amount of work that it took to bring out the facts that our system works just fine without having this type of an attack on an independent judiciary.

And I just wanted to share with you that there is solid support for the three separate branches of government, and we found that at the ballot box. But sometimes I think it's difficult for the voter or the interested individual to recognize the checks and the balances that the judiciary places upon its own members, and I was just wondering if either of you would care to comment in a little bit more detail on those checks and balances that are currently in place on a single individual that may draw the eye or the attention of the public.

SANDRA DAY O'CONNOR: This is not in direct response perhaps to your question, but it seems to me that it cost your state a great deal of money in effect to oppose this ballot proposition. And Arizona, like your state, has measures go on the ballot by initiatives, and it's fairly common in the west, and some of the proposals can be pretty nutty, and they're awfully easy to get on the ballot.

And I think probably some examination in states
that have initiative about how the requirements can be tightened a little bit would make sense. I don't think voters necessarily want to give it up, but I think maybe it ought to be a little tighter than it was in South Dakota and probably than it is in my home State of Arizona.

Now -- well, I think I'll leave it there.

GOVERNOR NAPOLITANO: Justice Phillips, did you want to respond to that?

TOM PHILLIPS: Well, I do think that there are a lot of norms that inhere informally within any group, and the judiciary sometimes is what the appointing authorities and the bar and the citizens demand of it. So that I think it's important to keep explaining to civic groups what the proper role of a judge is, and on those occasions when an opinion is out of bounds, gets reversed on appeal, that it's important to discuss that too.

It's a delicate balance, as I'm sure you saw firsthand in South Dakota, between sweeping decisions under the rug, which I don't think in a democracy we can or should do, and demonizing a judge for coming out in a way you disagree with. Very few cases get as far as an appellate court these days or a serious long trial unless there's an arguably correct position on
both sides. The process is just too expensive for that. And it worries me by the press accounts and accounts by legislators or other public officials seem to assume that the judge is just always off as the Lone Ranger not guided by written rules or precedent or anything else and just doing what they think is fair, much like a judge might do in dividing property in a divorce settlement or something like that.

GOVERNOR NAPOLITANO: Governor Beebe.

GOVERNOR BEEBE: Thank you. I really want to direct this to Justice O'Connor. A few years ago an AG's, attorney's general, Mr. Justice Kennedy, used a phrase that stuck with me, and he said that "The framers split the atom of democracy with federalism." Now, I will admit that this group is probably a little bit prejudiced in that regard, but it seems with preemption several of us wonder whether that atom is still split.

And I understand the need for a central authority, and I understand that the federal government should preempt in certain areas critical to our nation's security and our future. But the balance it seems, at least from our standpoint, and, again, I acknowledge my own prejudices and suggest that my colleagues probably possess the same prejudices, but it seems that this
atom may be fused back together in more instances than not.

And I'm wondering if you had any thoughts in your vast experience of watching this both from the state level and, obviously, from the highest court in the land as to whether or not you think this trend is reaching proportions that are alarming.

GOVERNOR NAPOLITANO: Justice O'Connor.

SANDRA DAY O'CONNOR: There is no doubt that the framers of our constitution intended to leave in place the separate state structures of government as the fundamental regulators of what goes on within their territory, and that was clear throughout the process of the framing of the constitution and its adoption.

That said, the trend for over 200 years now has been for the national congress and government to take over traditional activities of state government, and that trend has seemed almost on an inexorable track. And in my close to 25 years at the Supreme Court I worked pretty hard on a number of cases where I tried to preserve what I thought was a proper role for the states, and it was an uphill going insofar as you are dealing with the commerce clause power of the federal government.

The most recent case decided by the court and
while I was still sitting that, again, went against the state's power was the medical marijuana case out of California where, again, the courts said, well, the feds can regulate it and prohibit the states from even making a medical exception, and I thought that was on the wrong track.

The court has been rather divided on the subject of federalism questions, as you all know, and I think Chief Justice Rehnquist and several of us tried pretty hard during the years to preserve a role for the states, but as you point out, it's been an uphill battle, because the trend is certainly the other way.

And I don't think you should withdraw from a position of asserting the proper role of the states in our system, because the states are closer to the people, and it is absolutely true that it helps our nation when states themselves are experimenting with ways to deal with national problems such as health care.

We have not done much at the national level on health care, and nobody can figure out how to do it. Some of the states have been rather courageous, I think Michigan has made an effort, California is making an effort and others are, in this direction, and I hope states will point the way for how we should do it.
So don't give up. Don't stop raising the issue. I think it's certainly in keeping with the intent of the framers and I hope with long-term interests of our nation.

GOVERNOR NAPOLITANO: Justice Phillips, did you want to comment?

TOM PHILLIPS: This is such a good group that I can't resist. I do think that the trend or increasing centralization is apparent, and I think as communications change and issues change sometimes matters that had previously been at the federal government can be better handled by the states and vice versa, and, you know, welcome the kind of systemic dialogue on where in our system issues could best be addressed, rather than right now it seems to me a lot of times federalism is sort of the last refuge of the scoundrel, particularly in Washington. If you are losing, you say this ought to be done by the states; and if you have the votes, it gets passed.

When congress does pass a bill that appears to trample on existing state regulations or existing common law principles, I wish that they would make the preemption issue clear within the text of the statute. And Senator Thurmond had a bill for years that would have done that, and then there would be presumptions of
no preemption unless it was explicitly stated. That has not been passed.

And there were years when the Texas Supreme Court had 10 percent of its docket were preemption issues, and, of course, the litigants are very sensitive to a situation where you make a choice and if you do that you are violating federal law, but you escape liability in state courts; and if you do it the other way you comply with the federal regulator, but you are open to massive tort liability from juries, and that's a very unfair situation.

So just, you know, the supremacy clause is there. I hope the Supreme Court continues to police when the congress passes its bounds, and when they have not passed their bounds I wish they would clarify whether or not they are preemptive existing state law or not.

GOVERNOR NAPOLITANO: Governor Rendell.

GOVERNOR RENDELL: I want to, for all of us, emphasize the wisdom of what Justice O'Connor said about civics education. We've all witnessed in our lifetimes the level of voter participation drop significantly, particularly when young people, we all talk about how do we engage young people back into the political process, and what a boom for the process it would be if we could get our young people to exercise
their rights as citizens.

And I do think it is incumbent upon us to make sure that civics education is part of curriculums, but not just in high school. I think the mistake we make is if you look at most public education civics really kicks in in high school. I think it should be done earlier, and Justice O'Connor talked about interactive. It certainly should be interactive.

I remember going to a suburban Philadelphia public school to address a third grade class, and they had spent the entire year as a model city, and everyone in that class had been assigned a role; police chief, fire chief, city council person, local judge, et cetera. And they had role-played those roles to understand how the process of government worked and how its relationship with the community worked and how the different branches of government worked. There was, of course, a mayor and a controller, et cetera, and I can't tell you the value. I looked at that class and I answered questions to that class, and that class was going to grow up to be 100 percent participatory citizens, because they had that experience.

And Justice O'Connor has spent a great deal of her time to promote civics around the country, and I think it's a tremendously worthwhile effort, but it needs to
be buttressed by our looking at our curriculums and not only pushing for civics at the high school level or even the middle school level, as Justice O'Connor suggested, but down to the elementary schools as well. I think it's one of the most important things we can leave to future generations.

GOVERNOR NAPOLITANO: Other questions for the justices? Governor Ritter.

GOVERNOR RITTER: This is in the way of a comment and it has to do with, again, I think a balance. We want our judiciary to be independent. We want them to be bright. We have some of the brightest minds seeing social problems unfold in our courtrooms every day. And what I found, I was the District Attorney in Denver for almost 12 years, is that judges did not contribute to the conversation about how we should handle or intersect with those problems, even in a criminal justice system where I think they have a great deal of input that they could offer.

And so this effort to be independent then results in an isolation, and an isolation from the, not the political conversation, but the substantive conversation, and it would be helpful for a message to go back to the judiciary that says there is a way to engage, and, in fact, by engaging I think you encourage
people about the confidence that can and should be placed in the judiciary. But I found that to be the case.

When Justice Kennedy took up the AVA Commission on Sentencing and led that effort, I thought that was a great example of where a justice sitting and watching a very significant problem unfold said, I don't want to become personally involved and here's a way to engage. I think that message should go out to judges and justices all over the country about another way to inspire confidence, not just among school children, but among all the people who participate in a democracy. It would be helpful for them to be involved and be engaged in a really positive and practical way that doesn't have to be at all political.

SANDRA DAY O'CONNOR: I certainly agree with that, and I think one thing governors can do is encourage the state court judges to do exactly that. You might have a little session with your chief justice and some of the leaders and say, look, we think this would be helpful and won't you help us.

GOVERNOR NAPOLITANO: Governor Granholm.

GOVERNOR GRANHOLM: This is really for you, Janet. Who is on your merit selection panel that makes recommendations for the appellate or the supreme
courts?

GOVERNOR NAPOLITANO: There are two commissions; one is for trial court appointments and one is for appellate court appointments, and it's a mix. Some are appointees of the bar, some are appointees of the governor, and some are appointees from some other groups. I can --

GOVERNOR GRANHOLM: Is this a statutory breakdown?
GOVERNOR NAPOLITANO: Yes.
GOVERNOR GRANHOLM: And are those people that you appoint to that commission then?
GOVERNOR NAPOLITANO: No, some are appointed or nominated. For example, the bar association gets some nominees to the commission.
GOVERNOR GRANHOLM: And how often are they moved on?
GOVERNOR NAPOLITANO: They serve every couple of years. I think they serve 2-year terms. That's interesting. The commission nominees have to be confirmed by the Arizona State Senate. The actual judges that I get to appoint from the panel that they present to me, but by appointments do not have to be confirmed. That's very cool.

Governor Blanco.
GOVERNOR BLANCO: Thank you, Governor. I want to
ask the justice and, well, each of the justices, what I see happening is that the executive and legislative branches have been rather noisy public branches, and the judiciary has been a very quiet branch, but as of late a new kind of media attention is being drawn, especially when any individual judge renders a decision that might have fire power for media consumption. And I think that part of the brave new world is that a judiciary has never found itself in a position of having to defend itself. And is this something that you are becoming consciously aware of?

I mean, you come here to ask us to teach our people to respect and to defend the process, but, obviously, there are no sacred sectors left in our world. Everything is subject to dissection and placing value judgments from nonexperts who can be regular citizens or well-trained citizens who have missions to undo whatever has been done.

SANDRA DAY O'CONNOR: I think there's probably no doubt that greater media exposure of judicial decisions that some people might say, at least on the face of it, wow, how did they ever decide that, contributes to a degree of lack of respect for the judiciary, and I suppose it doesn't help a lot to have television programs, so many of them, devoted to watching judges
in action so to speak, some successfully and some not so. I don't think that's helped either.

And that's probably why in the past judges have not chosen to step out of their traditional role on the bench to take public positions on things. But it certainly seems to be a time in our history when we'd better do some of that, and just try to ensure that the public is aware of the proper role of the courts and the contribution that a sound judicial system makes to our form of representative government.

GOVERNOR NAPOLITANO: Justice Phillips.

TOM PHILLIPS: Well, this is a difficult issue, because a judge who attempts to explain a decision later in a press interview or a citizen speech nearly always comes out the worst for it. So there are several things that can be done.

First, if you have any notion that you are fixing to make a controversial ruling, a trial or appellate judge, it's good to explain the rationale for your decision when you're announcing it, hopefully, with as much press there as is going to be there to criticize you the next day.

Secondly, in a number of states the bar associations have set up rapid response teams that try to explain to the press what the judicial process is
about and how this judge was trying to follow the law, what the law was. Those, in my impression, have worked only on offensive starts, but it's better than the judge doing it themselves.

Third, I think as there are inevitably going to be cameras in more courtrooms, and one day Justice Souter will pass on probably, and it will come back on congressional demand and even in the United States Supreme Court, I think more exposure is probably the answer, rather than trying to kick all the cameras out of a courtroom just because some people thought Judge Ito did a bad job in the OJ trial.

Eventually, there will be enough exposure that people will see that, by and large, most of the time the justice system does work like it's supposed to and serves us all well. But, in the meantime, I do think the judge is the poorest defender of his or her own behavior.

GOVERNOR NAPOLITANO: Governor Kaine.

GOVERNOR KAINE: Just a problem that we're seeing in Virginia that I think ties into attacks on judicial independence and understanding of the role, and I don't know how common this is in other states, but in the past the tradition would be if there was controversy, if a judge was attacked about a decision, obviously,
the judge isn't going to defend himself. There's going to be an appeal route to decide whether the decision was good or not. But our legislature was filled with individuals, large numbers of lawyers, who understood the system, and the legislature would often come to back up the judge, to support the system, et cetera.

Kind of an unforeseen consequence of dramatically increased ethics legislation in Virginia has been many law firms now do government relations work, they do lobbying. Ethically, you are not allowed to serve on a body of one of your partners. You are not allowed to lobby a governmental agency, a legislature, city council, if one of your partners or associates or firms serves on the body. So many of our law firms across the state have now forbidden members of those firms to serve on city councils or in the legislature.

The number of lawyers in the legislature have decreased. The percentage of people who don't have a working everyday understanding of the judiciary has gone down. There are fewer defenders of the judiciary, and that has been kind of an unforeseen negative consequence of a well intentioned effort to promote sort of lobbying reform.

I do see this more generally as I talk to folks in other states that, you know, large groups of the
talent, securities regulation, makes it very difficult for people who work in financial institutions to run for legislators. Big groups of the well-educated talent no longer can support folks who go into public service and elected bodies. That then leads sometimes to misunderstandings or folks not being there to back up or defend the judiciary. The judiciary can't defend itself, and so we're really seeing some challenges in that way.

And I know that our Supreme Court in Virginia has felt like they used to not have to spend a lot of time educating the legislature about the important role, and now they really do, because they don't have the natural allies who understood that role that they once took.

GOVERNOR NAPOLITANO: Justice Phillips, do you want to comment to that?

TOM PHILLIPS: I'm still thinking. I think that's a serious problem. Texas still has close to half its legislators with legal training, but I know that's the first or second highest in the nation. California and Texas have always had more lawyer legislators than most states.

I think it just means that the Virginia judges have to find lawyers who are competent in dealing with the press and have access to the press, who can make
this explanation both to the legislature and to the public when the judges come under unfair attack, and it's more difficult, but judges are getting out into the community I think of necessity.

A lot of states have started programs where judges trade places or they accompany a legislator for a day and then a legislator sits on the bench with them for a day. Judges are making more speeches from third grade on to rotary clubs to senior citizens clubs, not as part of a campaign for election, but explaining what the process is about, and there's really no alternative to that. But to say formidable sealed and tell people just to trust you isn't working well anymore.

GOVERNOR NAPOLITANO: Justice O'Connor, did you want to comment to that? Governor Baldacci.

GOVERNOR BALDACCI: Thank you very much, Janet. Thank you very much, Justice O'Connor and Justice Phillips. Le me just say, first of all, I really appreciate your service to the country, and it was greatly appreciated, and we appreciate your ideas on judicial education.

In our state our chief justices have really gone out and, as Justice Phillips has suggested, in trying to be as helpful and to be making people more and more aware. But we need to do more, and we do have
technology in the classroom, and we would be very
interested in that, and I'm concerned about that
national survey that you cited.

I would be kind of interested in your thoughts,
each one of you, in terms of the relationship between
federal courts and state courts and how's that
refereeing working; and, also, in terms of federal
appointments, if there are suggestions that we can
learn from the way federal appointments are made that
maybe we could look at in the states to kind of emulate
or not emulate.

GOVERNOR NAPOLITANO: Justice O'Connor.

SANDRA DAY O'CONNOR: On the appointment process
in a state where the governor has appointive power,
different presidents have used different techniques to
find names of qualified people to appoint, and you are
just going to have to experiment and see what works for
you.

When I was nominated by President Reagan in 1981
he had made a decision to let suggestions flow through
his attorney general, and William French Smith at that
time was attorney general, and he told me the first
thing he started to do when he sat down in the
Department of Justice was to keep a little list
handwritten under his telephone in his office of
possible names in case there was a vacancy, and sure
enough there was one. And that's not a very scientific
way to get names, is it? But I'm sure you can find
gathered advisors who will help you, because it does
make a huge difference when appointments are made of
people who are qualified.

Now, I might also suggest that you look for a few
cowgirls now and then, but not every state has those in
abundance. Maine probably doesn't have as many as
Arizona.

GOVERNOR NAPOLITANO: Justice Phillips.
GOVERNOR BALDACCI: We have a chief justice who
probably would like that definition.

GOVERNOR NAPOLITANO: Justice Phillips.

TOM PHILLIPS: I think that the federal and state
judiciaries work very well together. They meet in
conferences. Some states have formal relations, formal
meetings between the two sets of judiciaries, others
it's informal. But most states now have a
certification process where federal judges who have an
open question of state law can certify that to the
state supreme court. So there's that type of
interbranch cooperation as well.

As to the appointments, really, one of our biggest
problems in trying to get traction for merit selection
in Texas is people we appoint to the federal system say
we don't want that, we don't want benches staying
vacant for 2 or 3 or 5 years. We don't want
multi-million dollar ad campaigns directed at the
confirming authority. And I think the federal
appointment system is broken right now in the short
term. Hopefully, that will get better.

Of course, I do think governors, in those states
where governors have plenary powers, sometimes they
have found it useful to create their own merit
selection formal committee like Governor Dukakis
started in Massachusetts, and most of his successors
have continued.

Where you have merit selection, the main complaint
I've heard about it is that there can be regulatory
capture of the commission. Some places commissions are
elected, like in Missouri, others appointed. It's very
important that commission have a broad enough spectrum
of diverse views that the governor is not stuck with a
list of people who all look just alike, particularly if
those people are being voted out of office by the
voters and three clones are replacing them. So I think
governors can take proactive leadership there just to
make sure, insofar as they can, that their commission
fairly represents the spectrum of acceptable legal
abuse.

GOVERNOR NAPOLITANO: Justice O'Connor.

SANDRA DAY O'CONNOR: I just have one additional thought, and that is, that most circuit courts I think have tried to establish a formal mechanism to involve interaction with the state courts as well. I was the circuit justice in the 9th, which is the biggest circuit, and there was a mechanism within the circuit to involve representatives of the state courts throughout the year, and they would have meetings and they would talk about issues of conflict.

And one of the worst when I first took office was the unhappy relationship that evolved by virtue of habeas corpus review in federal court of criminal cases decided in state courts, but that's changed over the years with action of congress.

But I think many of the circuits have formal relations, and you might check with your circuit, you are in the 1st, and see what the mechanism is for that, because it can work effectively.

GOVERNOR NAPOLITANO: Very good. Well, thank you very much, Justice Phillips, Justice O'Connor, for spending some time with us. We're very grateful for that.

(Applause)
GOVERNOR NAPOLITANO: You certainly have given us a lot of food for thought. Now we will proceed with the final business items of our meeting agenda. We will move to the committee reports, and motions will begin with the Committee on Economic Development and Commerce, Governor Granholm.

GOVERNOR GRANHOLM: Thank you, Governor Napolitano. The Economic Development and Commerce Committee this week heard from a number of businesses as well as investment capital leaders on how to have states respond to a global and changing economy. We have also proposed a number of recommendations with respect to policy for existing EDC policies, three in the nature of a substitute. On behalf of the committee I would move adoption of our policy recommendations.

GOVERNOR: Second.

GOVERNOR NAPOLITANO: There's a motion and a second. All in favor please say aye.

GOVERNORS: Ayes.

GOVERNOR NAPOLITANO: Any opposed?

(No response)

GOVERNOR NAPOLITANO: So held, so moved, so approve. Governor Rell, Education, Early Childhood and Workforce.

GOVERNOR RELL: Thank you, Governor. I would like
to report that we met this week, and our discussion really centered around working together to keep students safe from online predators, and we heard from Attorney General Kelly Ayotte from New Hampshire, Miss America of 2007 Lauren Nelson, MySpace.com, and an internet crimes investigator from Illinois. The governors were also joined by AT&T, Quest, Scholastic, and the Symantec Corporation.

At the conclusion of the panel discussion the governors announced the formation of an NGA cyber and electronic crimes industry roundtable to seek advice from the private sector and identify recommendations to improve online protections for students. And, lastly, the committee unanimously reaffirmed two policies all without change. We recommend to the NGA membership the reaffirmation of these two policies; ECW-8, Individuals with Disabilities Education Act; and ECW-9, National and Community Service. On behalf of the committee I move adoption of these policy recommendations.

GOVERNOR NAPOLITANO: There's a motion. Is there a second?

GOVERNOR: Second.

GOVERNOR NAPOLITANO: There's a motion and a second. All in favor please say aye.

GOVERNORS: Ayes.
GOVERNOR NAPOLITANO: Any opposed?

(No response)


GOVERNOR DOUGLAS: Madam Chairman, the Health and Human Services Committee met yesterday and focused on two topics. One, S-CHIP, something that was the essence of our discussion at the governors-only meeting as well yesterday. As I think all of our colleagues know, we've sent another letter to the congressional leadership that you, Governor Pawlenty and Governor Corzine and I have signed. We will circulate that to everybody, so that we can get all the governors on board, and we encourage them to act promptly and substantively to approve S-CHIP with an increased appropriation and reauthorization.

The second topic we discussed is health information technology. Governor Bredesen and I have been chairing a Health IT task force that continues to work hard. We're having a meeting in Vermont next month. If you'd like to come, we welcome you. It's the 15th of August in Burlington. We had three experts in the Health IT field make some very helpful presentations, and I think that's the topic that's going to be of continued importance to the health care
1 system in all of our states.
2
3 We have approved amendments to four existing
4 policies, reaffirmation of two others, and I would move
5 that they be approved on.
6
7 GOVERNOR NAPOLITANO: There's a motion. Is there
8 a second?
9
10 GOVERNOR: Second.
11
12 GOVERNOR NAPOLITANO: All in favor please say
13 aye.
14
15 GOVERNORS: Ayes.
16
17 GOVERNOR NAPOLITANO: Any opposed?
18
19 (No response)
20
21 GOVERNOR NAPOLITANO: All right. Natural
22 Resources, Governor Schweitzer.
23
24 GOVERNOR SCHWEITZER: Governor Huntsman had to
25 return to Utah because to attend to the fires he's got
26 out there, and, of course, the vice chair, Bill
27 Richardson, is trying to get some fires started in Iowa
28 and New Hampshire. I tried to fill in as best as I
29 could, and thank you.
30
31 The governors focused on climate change, and we
32 heard from the EPA agency's administrator, Steve
33 Johnson. We also heard from several panelists that
34 gave us ideas. And the committee has adopted six
35 policies all without changes, and we recommend adoption

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by the NGA on the policies on Clean Air, Comprehensive
Energy and Electricity Plan, Drought, Solid Waste,
Recreation Resources, and Invasive Species. On behalf
of the committee I move adoption of our policies and
recommendations. Thank you.

GOVERNOR: Second.

GOVERNOR NAPOLITANO: There's a motion and a
second. All in favor please say aye.

GOVERNORS: Ayes.

GOVERNOR NAPOLITANO: Any opposed?

(No response)

GOVERNOR NAPOLITANO: Very good. Governor
Pawlenty, would you please address the Executive
Committee policies?

GOVERNOR PAWLENTY: Madam Chair, we have for
consideration four proposed changes in policies that
have come through the Executive Committee. The first
relates to our policy on Comprehensive Health Care
Reform, which was worked out earlier by the Executive
Committee in June.

We also have some minor changes to the Homeland
Security Policy to reflect an "all hazards" approach to
terrorism that needed to be updated.

It also reflects our need and desire to change the
policy relating to State Communications and Tax
Modernization to continue to work with our federal partners, and, hopefully, to have a consensus approach with some of the communication industry's concerns in that regard.

We also have a change in the Medicare Reform Policy, so that it reflects the changes in the Deficit Reduction Act of 2005, and also reflection of the biosimilar pharmaceuticals as Medicaid reform is forwarded.

With that I would move adoption of those policy changes, EC-3, 5, 15, 16, and the amendments to those policies.

GOVERNOR NAPOLITANO: There's a motion. Is there a second?

GOVERNOR: Second.

GOVERNOR NAPOLITANO: All in favor please say aye.

GOVERNORS: Ayes.

GOVERNOR NAPOLITANO: Any opposed?

(No response)

GOVERNOR NAPOLITANO: Very good. That concludes the motions and actions on policies for this plenary. As we move into the concluding items of business, again, I want to thank Governor Granholm, Dan, your staff, the wonderful volunteers of the State of
Michigan. You opened your arms to us, and, really, I think many of us have never been to this part of Michigan before, and it was just a wonderful experience and a great place to have a substantive meeting like we had. So thank you again, Governor Granholm.

(Applause)

GOVERNOR NAPOLITANO: It is now time to transition in terms of the chair, and let me just say that I really enjoyed my time as chair, and I really want to express my personal thanks and appreciation to the staff of the National Governors Association and the staff of your offices who work with them. There's a reason why these motions and policies proceed so expeditiously. That's because all the work has been done already and issues ironed out and discussed between us and amongst us before we actually get to these plenaries, and that requires a lot of work by a lot of people to make sure that the governors' positions on issues are taken into account. So a personal thanks for the efforts there.

A personal thanks also to the NGA for their work both on this plenary, this meeting, and also the February meeting where we kicked off the Innovation America initiative.

Also, I would like to thank the members of my
staff who have worked throughout the year on NGA related matters. As Governor Pawlenty will discover, there is a certain amount that goes on on a fairly regular basis from the position of the chair, and I would not have been able to do half the work that we got accomplished this year without the members of my staff, Dennis Burke, Noah Kroloff, Loren Kielmeier, Darcy Renfro, Bib Hubbard, Amy Shlossman, who all were working regularly on matters involving the NGA. I'd like to give them a round as well.

(Applause)

GOVERNOR NAPOLITANO: Also, my Washington office, Brian de Vallance as many of you know could not be with us at this meeting. He's had to have some surgery. We're sending a get-well card around for those of you who know Brian, if you'll sign it. Katie Green is here from my DC office as well, which I think puts out more work on a per capita basis than any other office I've ever met. So I would like to thank them as well.

(Applause)

GOVERNOR NAPOLITANO: And as I close I would like to just reiterate that the initiative that we began on innovation really is designed not to stop today. It really is designed to help us think about K-12 education, postsecondary and how that works into the
economy of the 21st century. It allows all different types of public and private partnerships to plug in, and it's really a long-term initiative designed to make sure that we are recasting our efforts and really thinking long term about the future of our country and what we do as governors to make sure that the United States maintains its position in the world, and that the next generation is able to thrive as we have and the generations to come as well.

So we will be continuing the work through the Innovation America Foundation. Several of you have indicated you want to personally participate. We will begin with a kick-off in the fall with a competition for high school students to design 30-second videos on what innovation means to them. We will partner them with the National Science Foundation on some regional meetings designed to really bring the concept of innovation down to earth in particular regions of the country.

So the work will be ongoing, but I must say over the last months with everybody's help here and some folks who are not here I think we've had a tremendous, tremendous effort and focus on this very, very important topic, and I thank you for your efforts there as well.
With that I will now turn the microphone over to Governor Douglas to give us the report of the Nominating Committee for 2007-08. Governor Douglas.

GOVERNOR DOUGLAS: Madam Chair, on behalf of the Nominating Committee I'm pleased to nominate the following governors to serve on the Executive Committee in the ensuing year; Governor Easley, Governor Huntsman, Governor Sebelius, Governor Hoeven, Governor Doyle, Governor Perdue and Governor Napolitano.

For vice chairman of the association I should offer a cautionary note. The last time I presented the Nominating Committee report the new vice chairman was defeated for re-election a few months later, but I guess I don't think there's a risk of that this time. It's a pleasure to nominate Governor Ed Rendell for vice chairman of the association, and for the position of chairman of the National Governors Association, Governor Tim Pawlenty.

GOVERNOR NAPOLITANO: We have now heard the report of the Executive Committee. I take it that's in the form of a motion?

GOVERNOR DOUGLAS: Indeed.

GOVERNOR NAPOLITANO: Is there a second?

GOVERNOR: Second.

GOVERNOR NAPOLITANO: All in favor of the motion
please signify by saying aye.

GOVERNORS: Ayes.

GOVERNOR NAPOLITANO: Any opposed?

(No response)

GOVERNOR NAPOLITANO: Well, thank you very much.

And with that, Governor Pawlenty, I'm proud and pleased. I think you've been a fabulous vice chair, and you will be a fabulous chair of this association. Congratulations.

(Applause)

GOVERNOR PAWLENTY: Thank you. And just as I start I too want to say thank you to Governor Granholm and First Gentleman Dan Mulhern, what a fantastic extension of hospitality. The meetings were terrific, the weather fantastic. You've exposed all of us to just a beautiful slice of the country, and amongst the other things, overlooking that vista last night on the water and the vineyards and the beautiful countryside in northern Michigan. We deeply appreciate it, and you put a lot of work into it and we are grateful to you and your whole team.

So as a first order of business as the Chairman of the NGA I have the pleasure of asking Governor Napolitano to rejoin me back at the podium for just a moment. As you all know and just heard, she
spearheaded the America Innovation initiative, focusing on how states can use innovation to foster and develop better policies and enhance economic competitiveness and the standard of living for our citizens. We all appreciate, Governor, the tools that this initiative has developed and made available to us, including research reports and challenge grants and policy academies, all designed to highlight the strategies and ideas coming from your initiative.

We also are thankful for the task force that you assembled and had a chance to work with you on. We collected a great deal of information, cataloged best practices that have now been put forward and I think will better equip us as policy makers to help our states compete in the global economy.

So we want to thank you and congratulate you, but I also want to just say on a personal note how much I enjoy working with Governor Napolitano. She is a strong and clear leader. She's a consensus builder. She's obviously a very gifted communicator. We had a chance, amongst other things, to go to the middle east together and to Iraq, and so we snored together on the plane.

She is just somebody who is a strong leader, but also understands the need within the context of the NGA
to work together to sand off the rough edges and find a common point, and she did that time and time again.
And I think we all should, again, give her another hand, and I want to present to her a Gavel of Appreciation for her time as the chair of the NGA.

(Applause)

GOVERNOR NAPOLITANO: Thank you.

GOVERNOR PAWLENTY: Arizona is very fortunate to have you as governor. I also hope we can continue Governor Napolitano's good work with her initiative on innovation as we move forward into the next year, and the topic that I have chosen kind of feeds into her topic or continues it in one particular area, and that is energy. And as you'll see from the brochure that's been passed out the title for the initiative is Securing a Cleaner Energy Future, and it is going to involve a number of subcomponents, and we're going to need all of your help, and so I hope that you'll join me in addressing this opportunity that we have at this historic crossroads.

We have as a nation for a long time enjoyed inexpensive energy, seemingly inexhaustible oil in a relatively forgiving environment, but as we move forward now further into this new century we need to confront an inescapable challenge. By the year 2030
America will be able to meet only 65 percent of its energy needs from domestic supplies. Our remaining energy needs and over 60 percent of our transportation fuels will depend on foreign sources. And, as you know, many of those foreign sources are places that are unstable and unfriendly to the United States of America. So we want to encourage and discover and produce more American energy to further our national security needs and other opportunities as well.

Our current energy technologies and patterns of use are causing us to emit greater and greater amounts of carbon dioxide into the atmosphere, exacerbating global concerns over potential climate change. By the year 2030 the United States will be responsible for about 20 percent of the planet's carbon dioxide emissions, largely because of our growing transportation and electricity sectors. Only China will outpace us by then in terms of emissions, carbon dioxide emissions.

So if we continue down this path we're going to risk further our national security posture. We're also going to risk potentially our prosperity and our quality of life. But if we take the road not yet taken, one that involves the devotion to conservation, research and development, innovation, clean fuel
technologies and incentives to build a brighter and better and cleaner energy infrastructure and delivery system in the United States, we can alter and improve our future prospects.

So I look forward to working with each and every one of you on that agenda, and we'll need everybody's participation to succeed. We are already seeing some wonderful leadership at the state level on conservation, on carbon emissions, on climate change and on alternative fuels, and we want to accelerate and mutually celebrate and share those ideas and see if we can make some quicker and stronger progress.

We will have a task force that will continue to work in these areas, and that will include Governor Sebelius, who will co-chair the task force with me. We'll also include Governors Rell and Lingle and Crist and Schweitzer, Rendell, Gregoire. And if there are others who want to join the effort, we welcome you. We want to make sure we're inclusive as possible.

We also want to make sure that we recognize there are traditional energy states that have concerns about this potential new energy future. We want to make sure there is room in the debate for taking the existing energy sources and using new technology and promoting the potential of clean coal, for example. Governor
Schweitzer and Governor Rendell has raised that as well from a federal perspective.

We hope that even though federal governments have been a partner in these issues, I think many of us would conclude that their energy legislation is not as comprehensive or robust as we would like, and the states can play a role I think in encouraging and demonstrating faster, more aggressive approaches.

Now, with all of that we're going to have some agreements that we're going to try to reach in these areas with industry, with governments. Regionally, the Western Governors Association has led the way as an example on that, but we think those can be expanded upon in terms of public/private partnerships in other parts of the country, other states, and that's an area of opportunity as well.

Now, we have another opportunity coming up as governors, and switching gears a little bit, we're going to meet in Philadelphia in the summer of 2008. It's my hope that we can demonstrate not only a cleaner, better energy environment there, but we'll also have a chance to celebrate 100 years of the National Governors Association as we gather next summer in Philadelphia, and it will be a great honor for all of us I think to be serving at that historic benchmark.
The first national summit of governors involved Theodore Roosevelt, Teddy Roosevelt, in 1908. The topic was conservation, and the NGA began to serve as a collective voice for those issues and, obviously, many more over the ensuing 100 years.

So to mark the beginning of this year-long celebration of the NGA's centennial celebration we have a new logo. Some of you I know are fond of the old one, but we're moving forward with a new 100 years, and so at this time if you'll turn your attention to the board you'll see the new National Governors Association logo. The dates will appear as we use that logo over the next year, and then after the next year, obviously, the centennial reference will fade away, but overall that's the new logo. We hope that you like it.

They've also designed at the NGA a new web site that's going to involve celebration of 100 years of the NGA's role. At this site you and others, there's my picture that won't always be there, but you can scroll through on a state by state basis, and you'll see a list of every governor that has served during this time. You can learn about the past meetings, initiatives and policy statements of the NGA through an archive like experience. You can hear former governors talk about their NGA experiences, glance through a
timeline of notable NGA and gubernatorial events. So I
hope you all take time to visit the site at
NGA.org/centennial.

And then next we have a chance to hear from our
host of next summer's meeting. Governor Rendell is
somebody who I've always enjoyed working with, and I
look forward to working with him on a bi-partisan basis
on behalf of the NGA in the next year. He's strong,
he's clear, he's bi-partisan, and he's very cuddly. So
the host of our next year's meeting, Governor Rendell.

(Applause)

GOVERNOR RENDELL: Thanks. Thanks, Tim. And I
am looking forward to working with Governor Pawlenty on
what I think is the one or two or three most important
challenges facing our country in an area where
governors have led in the absence, as Tim said, of a
robust federal policy, and where I think it's incumbent
upon us to continue to lead. So I think he has adopted
a really exciting agenda, and we're looking forward to
it this next year.

I want to thank you all for your resounding vote
of confidence in my election as vice chair. I've
always analyzed my election victories to find the most
important factor in those victories, and in this one it
was the fact that nobody else wanted the job that led
me to this successful election.

So, but we're real excited about next year in Philadelphia. As Governor Pawlenty said, it's a great opportunity to celebrate 100 years, but not just celebrate by looking back, the governor made this point in a meeting we had right before the plenary session, but to sort of look forward to see where we are and look forward. And this meeting is going to have, unlike our normal summer meeting, is going to have a day devoted to the centennial, and then we're going to devote time, of course, to Governor Pawlenty's agenda, and we're hoping to make this a very impactful day to really make a mark on the national scene.

We're inviting every former living governor to join us in Philadelphia, included among that, of course, are two ex-presidents, President Carter and President Clinton, and one sitting President, former Governor Bush, and many former cabinet members, et cetera.

And at yesterday's governors-only luncheon we discussed, and a few of you brought it up as did Justice O'Connor, the increasing challenges on federalism, and I think that is a tremendously serious discussion for this nation as we go forward, and it's a discussion that cuts across all parts and lines. As
Justice O'Connor said, can you imagine if we could bring back Thomas Jefferson and tell him that the federal government has already declared a moratorium on one important area of potential state taxation, and has three other moratoriums in the pipeline, can you imagine what Jefferson would have said? He would have been astounded that they even thought about that type of encouragement in the power of states.

So I think we're at a critical juncture, and among the issues, and federalism will not be our only discussion, but among the issues are; what are the proper balance between the roles of states and the roles of the federal government; how are we going to rebuild this nation's infrastructure. So many different things that are crucial to us, but, more importantly, crucial to American citizens will be discussed during the centennial.

We're also going to have occasion to celebrate with wonderful entertainment, a high level of entertainment, and it should be a terrific, terrific meeting, and I urge you all to come and urge your ex-governors from your states to also attend. So we're looking forward to having you in Philadelphia. It will be a different experience than Traverse City. The only thing we hope to duplicate is the weather. It's about
a 100 to 1 shot, but we're hoping that we will have a
great time, and, hopefully, use this session to leave a
real impact on the nation's psyche. Thank you.

(Applause)

GOVERNOR PAWLENTY: With that if there is no
further business we will adjourn the 2007 Annual
Meeting of the NGA. Thanks.

(At 11:43 a.m. closing plenary session concluded)
STATE OF MICHIGAN
COUNTY OF GRAND TRAVERSE

I certify that this transcript, consisting of 65 pages, is a complete, true, and correct transcript of the proceedings and testimony taken in this case on July 23, 2007.

Date: __________________

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