

NATIONAL GOVERNORS ASSOCIATION
ANNUAL MEETING

Transcript of Plenary Session
"Infrastructure (Freight)"

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GOVERNOR [JIM] DOUGLAS:

Welcome governors, guests. Great to see everyone here at our 101st Annual Meeting of the National Governors Association.

Before we get underway with this morning's Plenary Session, I wanted to urge all of you who haven't picked up a translation device and ear piece at the door to do so. We're going to have a presentation from a distinguished guest from China in just a few moments. No. They're not for Haley Barbour. We're going to have a distinguished Chinese guest speaking with us in a few minutes, so I would urge you all to pick one of those up if you didn't get it.

Well, this is an exciting time for all of us who have this important responsibility to our states and to the people we serve, a difficult economic and fiscal environment, and we'll be talking about a lot of those issues over the course of the next couple of days.

We'll get underway very shortly with our opening session. We're going to talk about infrastructure. We're going to make the presentation, as we do each year, to the Distinguished Service Award winners and recognize our 15- and 20-year Corporate Fellows.

First of all, may I have from my colleagues a motion to adopt the rules of procedure for the NGA Annual Meeting?

Moved by Governor [John] Baldacci; seconded by Governor [Chet] Culver. Any discussion?

If not, all members say "aye" at this time.

[All say "aye".]

GOVERNOR DOUGLAS:

Opposed: "No."

The ayes have it and we've adopted our rules. One of which, I want to remind you, is that any governor who wants to submit a new policy or resolution for adoption at the meeting will require a three-fourths rule suspension vote, and any of those initiatives ought to be submitted

to David Quam, of our NGA staff, no later than 5:00 p.m. tomorrow.

I want to welcome a new colleague to the annual meeting, Governor Jan Brewer of Arizona. Governor, thank you for being with us. We are delighted to have you and we want to put you right to work, so I, at this time, will appoint the Nominating Committee who will make a recommendation to the Plenary Session on Monday for Executive Committee members and officers. I would like to appoint Governor Brewer. You want to help me with your resume here? Governor [Bob] Riley, Governor [Bill] Ritter, Governor [Mike] Beebe and as Chairman of the Committee, Governor [Mike] Rounds.

We've got a number of distinguished guests from outside the United States here. I mentioned the Chinese delegation. We're also honored to have members of Parliament from our nearest neighbor to the north, Canada. We have representatives of the National U.S. Arab Chamber of Commerce. We have the head of the Korean Governors Association. We have a representative from

Pamplona, Spain, and we have a number of former governors here at our annual meeting as well, and we welcome them and thank them all for being a part of NGA's annual meeting.

I want to recognize our distinguished host, someone who has provided tremendous leadership to the people of the great state of Mississippi, who along with his wonderful wife, Marsha, has worked tirelessly over the last year or so to prepare for this annual meeting of the association, our good friend, our host, Governor Haley Barbour.

GOVERNOR BARBOUR:

Jim, thank you very much. I take no offense at that smart aleck remark by you or Governor [Joe] Manchin wearing his earphones.

We, in Mississippi, and I literally speak for all Mississippians, not just those who are from the Mississippi Gulf Coast, welcome the National Governors Association back. The last time we held this conference was in 1935. And we just had the opening

news conference over in the sister city to Biloxi of Gulfport, which is immediately to the west. And from the room in which we held the opening news conference, you could see the Markham Building, which in 1935, was a hotel where the National Governors Conference was held. The Markham got about three stories of water through it when Hurricane Katrina hit here almost four years ago.

Several of you have mentioned to me that you had visited Mississippi since the storm, and we are very, very proud of the progress that's been made and that continues to be made. But, as you can see, we're not through. There's still more to be done, but the strong, resilient, self-reliant people of south Mississippi are up to the task. The coast is coming back bigger and better than ever, and we are really glad to have a chance to show it to you.

And one reason is every one of our sister states helped us after the storm. So many of you sent National Guard, you sent law enforcement. We had 600,000 volunteers,

not from Mississippi, who came to volunteer during the first 12 months after the storm. They came from every state.

And, Jim, I'll have to tell you, the first time that I realized how Americans were pouring out their hearts for my state, on Friday, after the storm came in on Monday, President Bush was here, and we went over to a feeding station, and at the feeding station, which is so crowded, and whenever the President would come, I would usually try to get as far away as I could just because of the crowds.

So I saw these seven guys standing over under the edge, so I went over to speak to them. It turns out, they were from Vermont. And they said, yeah, we drove those big tractor trailers down there full of food. I said, golly, that is so fantastic. And a little man named Eddie, who is older than I am now said, this is my third trip.

It's just spectacular what people did, what the states did, what your citizens did and we'll never forget it. I mean that

sincerely.

I want to thank you again for coming here. I have told everybody who was here last night that this is going to be a great conference. We've got a lot of business to deal with, some serious issues to talk about and share ideas about solutions, but the other thing is, we intend for you to have a good time. And if you don't have a good time, it's your fault.

We're going to have a great show tonight of Mississippi Grammy winners who are coming in to play. Your spouses today are over at Keesler Air Force Base, where they're packing packages for our men and women overseas and for their families. And Paul Overstreet, who is a several-time Grammy winner, came actually a day early to go over and play for the military families and for our spouses.

It will be fun. Tomorrow morning, there is going to be a gospel lunch, a gospel brunch. I don't care what religion you are or aren't, it's going to be fun. Marty Stewart, who is a several-time Grammy

winner and Mississippian, is going to entertain, and he's incredibly talented, and it will be a good way to start your day.

So come have a good time while you are here tonight and tomorrow night. Mississippi is known as the hospitality state for a good reason, and we want to show you that.

I should tell you this building was devastated by Katrina. We had water about 20 feet deep in the coliseum part. But then much of what you are seeing has been built since the storm, part of our recovery. And so we're very proud of it, want you to enjoy it.

And with that, governor, let me say, on behalf of all Mississippi, for every governor, welcome. We're glad to have you here.

GOVERNOR DOUGLAS:

Well, Haley, thanks so much. I think it goes without saying that all the American people are privileged to assist whenever other Americans are facing the kind of adversity that Mississippians and

Louisianians did a couple of years ago and we're glad we could help. Thanks so much for putting this together. It's not a small task to raise the resources necessary, organize the events to make sure that everything goes smoothly, and Haley and his staff are doing an outstanding job.

Well, unfortunately, as all of you know, the Chairman of our association is unable to be here because of the fiscal and economic crisis in his home state. Governor [Ed] Rendell is doing a great job leading our association. We will miss him.

But he is here through the magic of telecommunications, and we're going to start with a video message from our chairman and then invite him to offer some other remarks as we get into our discussion on infrastructure this morning. Chairman Rendell.

[Video presentation given by Governor Rendell--Welcome Message and National Infrastructure Bank]

GOVERNOR DOUGLAS:

Thanks so much for your leadership,

for your great work. It's been a privilege to work with you during this past year. Thanks for your hospitality at the Centennial NGA meeting last summer and the special meeting that you mentioned with the president-elect and the vice president-elect last fall, as well.

We'll get into our speakers in just a few moments, but Ed, are you there?

GOVERNOR RENDELL:

Yes. I can hear you loud and clear. It was a pleasure working with you this year, as well.

GOVERNOR DOUGLAS:

Well, thank you, Ed. We're sorry you are not here with us physically, but we are glad you can participate. And we are going to, as you suggest, jump right into our discussion of the importance of repairing, enhancing and improving our infrastructure system. We'll talk about how we can get it done, and perhaps most importantly, how we're going to pay for it, particularly in these difficult economic times.

We are really facing a once-in-a-generation opportunity to address our nation's infrastructure needs. As we know, the challenges couldn't be greater. After a century of buildup, our roads and bridges are in disrepair, our water infrastructure hasn't kept pace with our growth, and our electric grid is little different from the one that was envisioned by Thomas Edison more than a century ago.

We face enormous costs to bring our infrastructure into the 21st century. An estimated \$2.2 trillion is needed over the next five years, and while the recent stimulus investments have helped us to begin this journey, we still have a long way to go.

We're fortunate to have several distinguished speakers with us this morning to provide us with different perspectives and insights into how we can get it done. Vice Governor Zhang Dawei joins us from Henan Province in China to share with us how they're transforming their infrastructure on a massive scale. Wick Moorman joins us as

chairman, president and chief executive officer for Norfolk Southern. He'll focus on the important but often overlooked area of freight infrastructure and the contribution it makes to our economic and environmental sustainability.

Then we'll hear from Congresswoman [Rosa] DeLauro of Connecticut, to whom Ed referred just a few minutes ago, about the prospects for the National Infrastructure Bank that could help provide much needed support.

We'll, of course, open the floor to your questions, and I think it may make sense to do it after each individual presentation.

First of all, Vice Governor Zhang Dawei joins us from Henan, China's most populous province that is home to nearly 100 million residents. It's considered the cradle of Chinese civilization, housing the capitals of a long list of dynasties back thousands of years.

China is renowned for one of the greatest infrastructure achievements of all

time, of course, the Great Wall of China, which was constructed the beginning of the 5th Century B.C. and stretches over 4,100 miles.

More recently, China has been engaged in a massive infrastructure development effort. They realized, as we have, that a robust economy depends on a robust infrastructure, and they've been investing on the order of 9 to 12 percent of their GDP in highways, ports, railroads, energy and water infrastructure in recent years.

As part of these investments, China is also exploring the role of private investment to help design, build, operate and manage a 106 kilometer four-lane toll road in Henan Province, which is part of a key passage from the northwest mainland areas to the southeast coast.

China is tackling many of the same issues we face with respect to meeting the needs of both urban and rural communities through new financing strategies while also considering environmental sustainability

issues. These public and private investments create a solid platform for global commerce. They're key to helping build the bridges of the worldwide economic recovery.

We'll be doing simultaneous translation, and at this point, I would invite you to put your ear piece in and begin to listen to the vice governor's presentation. What a pleasure it is to welcome to NGA Vice Governor Zhang Dawei.

MR. DAWEI:

Mr. Chairman, ladies and gentlemen, I'm absolutely delighted to be able to come from the Yellow River, which is the cradle of Chinese civilization, to come to the Gulf Coast of Mississippi on the other side of the ocean. I'm honored to be able to represent the government of Henan Province at this annual session of the NGA. I thank you all for the invitation to myself and my colleagues and also for the great hospitality and considerate arrangements you have made for us. I look forward to having this opportunity to exchange thoughts with

my colleagues on infrastructure. I've given you copies, in English, of my remarks and these are in the packs that you have.

I'd like to take this opportunity to just tell you, very briefly, something about Henan Province, a bit of history, our present and our future.

We have a very long history. We are in central China and we are located right where the cradle of Chinese civilization is, based on universally accepted criteria for civilizations.

The people who first settled in Henan were among the first in all of East Asia to enter the era of human civilization. The earliest cities in China and the earliest dynasties were all in Henan Province. So for thousands of years, Henan was the economic, political and cultural center for some 3000 years, and 20-plus dynasties set up their capitals in China in Henan, and four out of the eight most famous eight Chinese capitals were located in Henan Province.

So this unique geography means that

Henan is full of historical relics, underground relics and museum relics. We rank number one in China in underground relics, and even in above-ground relics, we rank number two. The earliest written characters in Chinese were found in the Anyang Yin ruins. We also have the height of Buddhist structure in the Luoyang Longmen Grottoes and these are part of the World Heritage List.

Now, many of you have heard of Chinese kung fu, which is Chinese martial art. The world famous Shaolin martial arts is originated in Henan where Queen Elizabeth, former President Putin of Russia, and Jacques Rogge, the President of the International Olympic Committee, all have fond memories of visiting the Shaolin temple in Henan, and we hope that all of you have the chance to come visit the Shaolin temple to see it for yourselves.

Taiji boxing was also founded in Henan. It's famous for body building and the cultivation of the mind and is considered one of the marvels of Chinese

martial arts. Like Shaolin kung fu, it has spread all over the world and is now another bridge for us in our cultural exchanges.

The Henan of today is growing explosively. We have 167,000 square kilometers of land. We produce grain, oils and meat abundantly. In fact, we rank number one in China. We are the biggest grain producer. We produce one-tenth of China's grain. We also have ample energy resources, nonferrous metals, bauxite, trona, and many other types of ores.

Because we have such rich resources, we have a pretty complete industrial system. We produce Chinese food products, nonferrous metals, energies, raw materials and equipment.

Also, we are in a very centrally located geographical location so we connect north to south and east to west. Our capital, Zhengzhou City, is the heart of the Chinese railway system. We have 4000 total kilometers of railways, and three north/south railways and four east/west railways which cut across our province. We

are a hub of highways in China with 4841 kilometers, which is tops in all of China. We have three civilian airports in Zhengzhou, Luoyang and Nanyang. But Zhengzhou International Airport is one of the eight major regional airports in China.

Now, our province is almost 100 million. We're the most populous one in China, and that means we have a lot of room for investment, consumption and market growth. In recent years, with the stepping up of industrialization and urbanization, we've maintained a 13 percent growth rate, and last year, our GDP reached 280 billion U.S. dollars, which is fifth place in China, and the same is true, our industrial added value is fifth in China; and therefore, we are both very old and very young and very vigorous.

And what about Henan's future? We have very good potential because we have good conditions and a good environment for development. Since last year, the international financial crisis has swept over the whole world, and this has been the

worst in the world economy since the Great Depression of the last century.

In order to cope with these risks brought about by this economic downturn, the Chinese government has issued its own stimulus package of 4 trillion RMB [Ren Min Bi]. Half of this package is going to improve the people's livelihood and for major infrastructure and environmental conservation. This is not only going to help China fight off the effects of the global crisis, it will also stimulate domestic demand and stimulate the development of the economy.

Now, working together with the central government, the provinces and cities in China are using infrastructure construction as a key project to drive our economic growth. This will be investment led. Last year, our total social investment exceeded two-and-a-half trillion U.S. dollars. Right now, \$600 billion is already in place and our overall economy is on its way to recovery.

In order to fully utilize this

opportunity, our province has now passed various supportive policies, including communications, energy, systems housing, people's livelihood and environmental protection laws. So although this crisis has affected us to some extent, thanks to this investment-driven growth our GDP growth in the second quarter of this year is still going to keep billing at a 10 percent rate.

Ladies and gentlemen and friends, global experience tells us that economic development requires lots of investment in order to promote industrialization, urbanization and agriculture modernization. With our population of almost 100 million, every year, as we accelerate our organization, 1.5 to 1.7 million people are going to be moving from rural areas to our cities. In this process, we must avoid the problems that have appeared in some developing countries where extreme poverty appears, and this means we absolutely have to enhance investment in infrastructure and public service. We must provide apartments and housing, basic education, medical care,

electricity, running water, public transportation and so on.

At the same time, we also have to provide lots of job opportunities so that these people have jobs, have incomes and only then can they really enjoy the fruits of development.

To do this, our government has proposed a basic thought for our future infrastructure development; that is, we will be moderately advanced and level. We will start from a starting point of sustaining and enhancing our economic social development in the long-term, but we also have to tackle key areas and weak links in order to establish a modern infrastructure and a basic industrial system to support our growth in a timely way.

Now, in communications we plan to make civil aviation a priority or we will make the Zhengzhou International Airport a key hub. It will become an international aviation and cargo hub, and it will have an annual passenger throughput of 60 million people.

Rail is also important both for people and for logistics, and this has been a bottleneck in the past few years. In the next few years, Henan will establish or rebuild 4000 kilometers of track so that we'll have a total of 8000 kilometers of railways in operation. Of this, part will be high-speed rail and we will have traffic between cities of rail transport exceeding 2000 kilometers, so that in one hour, we will have a one-hour travel time economic circle covering the whole province with Zhengzhou as the hub.

In energy, we will promote the development of scientific and technological information and will change away from traditional energy exploration and utilization. We want to focus more on nuclear, optical wind, and other forms of new and recyclable energy. We want an energy supply structure which is clean, sufficient, safe and reliable.

In terms of urban infrastructure, we have to beef up electricity, water supplies, and gas. Particularly, we have to build up

rail systems like the metro and improve public service facilities which affect people's livelihoods or production, like education, medical care, culture and sports and only then can we give comprehensive support to our development.

In environmental protection, Henan will take the lead in China for building sewage and trash processing facilities. By the end of 2047, every single county and city in our province will have been equipped with its own sewage and garbage treatment plants.

In the next phase, we will further invest and improve crucial drainage areas and key areas. We need to transform old boilers and kilns, reduce carbon emissions and thereby make contributions to reducing the greenhouse effect and cut back on global warming.

Right now, Henan Province has started investments in all these areas, and we already see results in some of them. But as a whole, Henan Province is also still a developing province. Our infrastructures,

public services like rail, aviation, education, health and environment are still very inadequate when you compare it with the huge demand. Therefore, we still will need huge investments in order to improve these systems. This huge investment will be guided by the government, but it also requires active participation from various social capitals, and this provides many opportunities of mutual benefit and win/win for the United States and for Henan Province.

Ladies and gentlemen and friends, this year will mark the 30th anniversary of the establishment of diplomatic relations between China and the U.S. For the past 30 years, both China and the U.S.--and the whole world--have changed profoundly. As the biggest developing country and the biggest developed country, China and the United States have both experienced ups and downs, but still, we continue to progress. We've had exchange in dialect at very senior levels and at other levels, and this is now covering areas like politics, diplomacy,

economic trade. We have over 60-plus mechanisms for change and cooperation.

Bilateral trade has risen from \$2 billion U.S. dollars in '79 to over \$300 billion last year. We're now each other's second biggest trade partner.

In early years, there was very little nongovernmental exchange. Now, we have 2.1 million people exchanging travel each way, and every day 5000 people cross the Pacific. There are now 35 sister province state relations and 145 sister city relations. The U.S./China relations are now one of the most influential and exciting relations in the world. This is good not only for the people of our two countries. It's also good for world peace and development.

Henan is the sister province of Kansas State of the U.S., and to celebrate this 30th anniversary of the ties between our two countries, to promote better relations, our government, the Chinese People's Association For Friendship of Foreign Cities, the government of the State

of Kansas and the Midwest U.S. China Delegation is going to conduct a U.S./China Midwest Cooperation Forum in Zhengzhou in Henan Province this coming October 10th. The topic will be exchanges, cooperation and development, and we'll be having a high-level summit as well as economic and cultural exchanges. We're going to be covering topics like how the Midwest can better cooperate with China to deal with the financial crisis, how it can cooperate in agriculture, how we can have more exchanges in culture and education, how we can have more innovation and regional developments, and how we can have more cooperation in future exchanges and modern logistics. And by doing this, we will help address the financial crisis, and we will build a new platform to promote exchanges and cooperation between the U.S. and China in all areas.

Now, the NGA was established in 1908 and it's an important place where U.S. governors can exchange ideas, where you can influence the federal government's policies;

and it's also an important voice in American society. My colleagues and I have been paying great attention to this year's meetings and we have great expectations for what you will achieve here.

So I would like, on behalf of Guo Gengmao, the Governor of my province, to extend our sincere invitation to all of you to bring delegations to attend our forum, to celebrate this event, and our invitation letters are already in your packets because an energetic and prosperous Henan will look forward to welcoming you.

And, finally, I want to express my hopes for progress for both China and America, my hopes for a happy life of the Chinese and American people and good health and happiness to all of you here. Thank you very much.

GOVERNOR DOUGLAS:

Vice Governor Zhang, thank you so much for your presentation and invitation. It's certainly clear that a lot of the challenges faced by our two countries are similar, in terms of rebuilding our

infrastructure and putting in place the road, bridge, rail, electric and telecommunication systems that will be necessary for success in a global economy.

As you pointed out, we are large trading partners, and many governors have led trade missions to your country, and we look forward to continuing to build on that relationship.

Are there questions of Vice Governor Zhang?

Again, thank you so much for taking the time to be with us and bringing your delegation with you, as well.

I would like to now invite Haley to come back to the podium and introduce our second speaker.

GOVERNOR BARBOUR:

You can certainly have that back. It wouldn't do me much good.

It's my pleasure to introduce Wick Moorman, who is the Chairman, President and CEO of Norfolk Southern Railroad. Wick joined the railroad in the 1970s, had a number of senior positions since then.

Norfolk Southern is one of the leading railroads in the country, owns and operates more than 21,000 miles of tracks in 22 eastern states. Coal shipment provides about a fourth of their revenue, but they're critical in transporting a wide variety of products, cars, metals, chemicals paper and agricultural products. NS appointed the rail industry's first corporate sustainability officer in 2007, released its first sustainability report in 2008, and is working to integrate sustainability practices across its business.

As part of the sustainability initiative, the company has developed an in-house green machine that enables shippers to instantly calculate the carbon dioxide savings from greater use of intermodal facilities and freight rail. Norfolk Southern manages the Heartland Corridor, and it's one of the nation's critical rail transportation routes between Norfolk, Virginia, and Columbus, Ohio.

The heart of the corridor was recently upgraded through a public/private

partnership to increase intermodal freight capacity by raising vertical clearances in 28 tunnels.

Finally, NS, their leadership on sustainability is the use of advanced locomotive technologies to reduce idling and fuel use. Norfolk Southern's expanded its use of new locomotives, known as GenSets. They're multi-engine locomotives that can reduce nitrous and particulate matter emissions up to 80 percent and achieve a 40 percent reduction in fuel consumption.

Of course, the reason I'm here to introduce Wick is he's a native of Hattiesburg, Mississippi. Wick Moorman.

MR. MOORMAN:

Thank you, Governor Barbour. I grew up about 70 miles from here, and when I get down in this part of the world, I call it Mississippi, too. I'm now a resident of Virginia, and a very proud one, governor, so up there, we say Mississippi and spell it out.

Well, thank you very much. Thank you for the opportunity to be here. Thanks

to the NGA for making this opportunity available. I feel very privileged to be able to participate in this discussion this morning about our nation's infrastructure.

And I'm obviously here today to talk to all of you about the critical nature of rail as a vital part of the solution to what I think I see, and I know many of you see as a looming transportation crisis in this country.

And I think that the fact that I've been invited here in itself speaks of the recognition that all of you--and that public policy leaders at all levels--have and a growing awareness that rail has to be part of the solution, and that railroads offer significant economic and environmental benefits while helping to relieve the stress on our nation's highways. And as you know, highway congestion, I think, is fast becoming public enemy number one in a lot of parts of our country.

And, certainly, all of you and the nation's state houses are key to helping provide needed relief for transportation

gridlock. And I want to say that I'm here to speak on behalf of all of my fellow rail CEOs in saying thanks to all of you for the leadership you've demonstrated and for the relationships that we've built with all of you.

I should also say that while he's listening on the phone, in Governor Rendell's absence, that he is a longtime supporter of railway development programs. We appreciate that greatly because we have more of our 21,000 miles of network in Pennsylvania than in any other of the 22 states that we serve, and we certainly commend Governor Rendell for his leadership in initiating this national dialogue and effort to strengthen all of our nation's infrastructure at such a critical time.

Well, I don't need to tell all of you that our nation's transportation network is a very complex interdependent system and it demands the most creative and cooperative efforts of all of us to operate it on an efficient basis.

Our experience at Norfolk Southern,

which is really what I want to talk about today, has shown that by working together in public/private partnerships, we can achieve far more in far less time and with far greater public benefits than any of us can while working alone.

Now, in some sense, that's not a big mystery. It's not a big secret. We've been doing this individually, with a lot of you over the years, in terms of economic development, where we partnered with you to bring new industries into states, as well as expanding the existing industries that are there.

These efforts, as all of you know, are all about new jobs, raising tax revenues, creating local business growth and creating business for the railroad. And they're great things for all of us.

Let me give you a few Norfolk Southern numbers. All the other carriers--I should say, I'll give you numbers--all the other rail carriers have their numbers. I'll talk about a couple of Norfolk Southern projects. All of the other carriers have

projects that are almost as good as ours.

But working with the states we serve, just this past year, we located 80 new industries, we expended 35 new industries. That represented about a \$2.2 billion investment by customers and by new citizens of the states, and we created about 3600 new jobs. And those are major headlines, particularly in the economic environment we're in today.

If you look at the past 10 years, just on Norfolk Southern, we participated in the location or expansion of more than 1100 new facilities. That represents an investment of \$23.6 billion and created nearly 55,000 new customer jobs just in the territory we serve.

Now, it's our belief, and I think the belief of a lot of people, that by expanding that partnership concept across state lines and broadening it we can achieve major public benefits associated with transportation infrastructure improvement, that as I said before, none of us can do by ourselves in any kind of reasonable or

practical time frame. And this is also a concept that works.

And I want to talk for just a moment about something that Governor Barbour mentioned, which is our Heartland Corridor Project, because we see it as a great example of how these public/private partnerships can be leveraged to provide additional rail transportation capacity on our network with the public benefits of job creation, less highway congestion, lower environmental emissions and fuel savings.

The Heartland Corridor is a Norfolk Southern rail route. It connects, essentially, the Virginia ports and Hampton Roads with the heartland of America, Columbus, Ohio, and then onto Cleveland and Chicago. And what we've been able to do is raise clearances and tunnels to allow us to operate double stack railcars through that corridor. It's going to be open next year, and when we do, it will save about 200 miles on the route, in terms of existing rail transportation alternatives, and we'll take a lot more trucks off the highways. It's a

model public/private partnership, in that we've had federal, state and local support, substantial federal government support, along with state support from Virginia, West Virginia, Kentucky and Ohio.

We opened the western anchor of this route last year. It's the Rickenbacker Intermodal Facility and Logistics Park at Columbus, Ohio, which we built in partnership with the Columbus Regional Airport Authority.

And what's happening in global trade is more and more international trade is entering the country through East Coast ports, and we've seen this trend for some time now. And the challenge for us and for the ports is to get that traffic inland and to be more competitive by running quicker over shorter distances, and the Heartland Corridor is a great example of how we're doing that as a partnership.

And let me just say, by the way, that the federal funding for the Heartland Corridor came from the 2003 SAFETEA-LU bill, as part of the corridors of regional or

national significance. Of all the projects that were authorized in that bill, there are only three that are now underway. We'll be finished in 2010, and we'll be the first project finished, and we think that's an absolutely great example of how the private sector can work with the public sector to really leverage investment and get the job done quickly.

Now, let me also mention that there's an even bigger and better example on the way, now that we know about heartland and we have done that, we have a bigger project with a lot more public benefit and it's what we call the Crescent Corridor. It's a 2500-mile route that stretches from New Jersey, down to New Orleans and Memphis, and will ultimately take it from New England, down into Texas, or as we like to say, from Austin to Boston.

This is an underutilized rail intermodal market right now. We don't have the infrastructure capacity to provide the truck competitive service that's really needed to take a substantial portion of the

now more than 5 million truckloads that travel every year in that market.

And these improvements that we're talking about will allow us to build that truck competitive service, both in terms of speed and capacity, to take those trucks off the highway.

Now, let me be very clear about this. We're not against trucks. In fact, they're amongst our biggest customers. Governor Barbour mentioned what coal is, in terms of our business, but an even bigger percentage of our business is the intermodal business, containers and trailers running on the railroad.

And we're working with the trucking industry, with their partners to try and address what they also see as an infrastructure crisis. The trucking industry, as all of you know, has its own share of problems, fuel efficiency problems, particularly with higher energy costs, big problems with driver shortages, growing problems with highway congestion and they want us to help them get the long-haul

trucks off the highway. The Crescent Corridor is an ideal opportunity. The average length of haul on the corridor will be about 1200 miles.

So, very quickly, what are the public benefits? Well, first, it creates jobs. We estimate some 41,000 jobs over the next decade just in the five states that are most directly affected by Phase 1: Mississippi, Alabama, Tennessee, Virginia, Pennsylvania. These are green jobs. I want to say that again. These are green jobs that ultimately help relieve congestion on the highway, conserve fuel and reduce environmental emissions.

Just two days ago, we announced construction of two new intermodal terminals near Birmingham, Alabama, and Memphis, Tennessee, that will anchor one end of the Crescent Corridor. We'll also be building new terminals in eastern Tennessee, Charlotte, and in Franklin County, Pennsylvania, and in all, we'll have to expend or build 13 new intermodal terminals in 11 different markets.

Now, I mentioned the big environmental and safety advantages, as well as creation of jobs and raising tax revenues. You've heard a lot of these numbers, but I'll say them again. Rail is far more fuel efficient as a form of transportation than truck. That's reduced fuel consumption, lower emissions. One train handles the equivalent of 280 truckloads, and a train can haul a ton of freight 436 miles on a single gallon of fuel.

So with that kind of efficiency, here's some of the numbers for Crescent. More than a million trucks taken off the highways every year; more than 150 million gallons of diesel fuel saved annually; carbon emissions reduced by nearly two million tons a year because we're nearly four times more fuel efficient than trucks on a ton-mile basis and an emissions basis.

And the public will also save costs related to highway congestion. Right now, as all of you know, it's estimated that gridlock costs this country about

\$80 billion a year in wasted travel time and in increased fuel consumption. Crescent Corridor will save \$123 million a year in reducing highway delay.

Now, for the customers and communities that need this safe, dependable delivery of goods, of raw materials and finished products to grow, expand and economically thrive, the corridor provides them a superior form of enhanced transportation to do that.

Well, so how do we do this? Well, I'm telling you all about this because Norfolk Southern can't pull this off on its own. We've done all the numbers, and I will tell you, if we could build it on our own and make the numbers work, we'd build it. And over some long period of time, we'll continue to work on it.

But there are huge public economic benefits and environmental benefits, and we see this as a perfect opportunity for the public contribution, for the public benefits, but a substantial railroad contribution for the railroad benefits to

make it a win-win solution. And as you know, we're already working hard at the state level. We appreciate your support, and we're continuing to work at the federal level, as well.

Long-term increased rail transportation has to happen. Freight volumes in this country are projected to grow 88 percent by 2025, and we have to improve our national freight transportation infrastructure to handle that.

The railroad industry is prepared to do its part and to do its part largely with private dollars. To give you an idea of that, our industry has spent, in capital and expense money for infrastructure, about \$440 billion since 1980. It's a record that's unparalleled by any other industry.

But, I tell you, as we look at the demands on our systems over the next 10, 15, 20, 30 years, we're not sure that we can expand enough on our own to keep up, and we're working with you on a lot of that.

Now, at the risk of not overstaying my welcome, I will just say that I could

stand here--I'll be happy to answer questions about our view of the economy, but I'll just say, it looks like maybe it's a bomb, and if you want to get more depressed, we can talk about that, as well.

But better days are ahead. Rail is going to be an important part of those better days. We, at Norfolk Southern, as well as all of the rail industry, are prepared to help the country continue to move forward as we have for the past 150 years. Thanks so much for inviting me to participate today. It's great to see all of you, and I look forward to working with all of you in the future. Thanks.

GOVERNOR DOUGLAS:

Mr. Moorman, thank you very much for being with us. I know all the governors in all parts of the country are interested in doing what we can to include rail infrastructure as part of our economic future. New England governors recently articulated a vision for our part of the country, and I know many of the rest of you have, as well.

Are there questions for Mr. Moorman this morning? Haley?

GOVERNOR BARBOUR:

Wick, can you share with us thoughts about the Panama Canal, which, as you know, is being expanded, widened, deepened? Because of the congestion of the ports on the West Coast, are the railroads going to be prepared in 2015 or so to take this huge increase of container throughput that is going to come into the Gulf and some of it will go around to the East Coast?

MR. MOORMAN:

Well, that's a great question. As I said, we are seeing the migration of traffic already to the East Coast. And to give you an example of that, I think in 2001, 2002, of the international container traffic we handled into this country, 80 percent came to us from the West and 20 percent came to us from the East. This year, it's more than 50 percent through the East. So that transition has already begun.

And I think, if you read different studies about the exact effect of the

widening of the canal, but it's only going to accelerate that, I think, as well as the use of these enormous new ships, the 8000 TEU ships that are now being--in fact; some of them are in service.

We are doing a lot of investment right now. Get ready for that. The heartland quarter is a big, big part of that. Another big part of that is the Port of Savannah, where we've already seen substantial increases. And Governor [Sonny] Perdue and his team have been very helpful to us, in terms of starting to expand the capacity down there.

So the good news about--one of the good news pieces about rail infrastructure is we can't do it overnight, but we can respond a lot more quickly, in terms of building rail infrastructure than you can highway infrastructure. A lot of times, we have the existing right-of-way to build on. We work through the environmental issues fairly quickly, just because there's already a railroad there, and so it's already property that's in a certain use. So if we

have two to three years vision out in the future, we can handle it. And I think that's what we're doing very effectively right now.

GOVERNOR DOUGLAS:

Any other questions for Mr. Moorman?
Governor Culver.

GOVERNOR [Chet] CULVER:

Just quickly, what was the total cost on that Heartland Corridor project and how was it split between the private and public?

MR. MOORMAN:

The heartland--my experts are sitting here with all the numbers, but I'll make them up. We, in all, got about \$95 million out of safety loop. The State of Virginia was--State of Virginia was almost 10. West Virginia was a little bit less than that. Ohio primarily came in through the Rickenbacker facility, but some other, as well. And the balance, which is going to turn out--you will notice I said the project was on time. I didn't mention the budget. We will put . . . the total

project is over 150. Now, we'll be around 70 to 80 of it. But, still, a great cost-effective project, in terms of the benefits.

GOVERNOR DOUGLAS:

Any others? Mr. Moorman, thanks so much for being with us. The best of luck.

Governor Rendell began to introduce our next speaker by videotape a few minutes ago, but it's a pleasure to welcome a fellow New Englander to the podium and to the NGA meeting.

Congresswoman Rosa DeLauro, of Connecticut, has been focused on the need for transparency and accountability in infrastructure spending and new sources of funding, a sort of national capital budget for some time, and it's a real honor to have her with us this morning. Please welcome Congresswoman Rosa DeLauro.

CONGRESSWOMAN DeLAURO:

Thank you very much, Governor Douglas. I'm really delighted to be here this morning with all of you to take part in what is a very, very exciting and important

conversation.

And if I can, just for a second, I would be remiss, I have former colleagues who are now in exalted positions, here. Governor [John] Baldacci, who I served with, Governor [Bill] Richardson have both served in the House together. And, also, I want to acknowledge Governor [Chet] Culver. Thank you for participating in the leadership meetings in the House and helping us find our way. And Governor [Brian] Schweitzer, thank you for coming to Connecticut for our Jefferson-Jackson. Thank you very, very much Bill. Bill is always giving me pointers.

But I truly do want to say a thank-you to our host, really, and that's to Governor Barbour, very, very much. I'm pleased to be here, and maybe for a couple of hours can take advantage of that hospitality before I jump on a plane to get back to Connecticut.

It's also great to see Governor [Martin] O'Malley and Governor [Deval] Patrick. Thank you. And all the rest, who

I don't--you know, don't know as well as I do, but thank you for the wonderful work that you do. To Governor Rendell, I want to say really a very special thank you to you and to Governor Douglas about the work that you are doing on refocusing all of us on national infrastructure and its improvement. But for the invitation to be here today, to have an opportunity to talk about the Infrastructure Bank.

And it's a pleasure to listen to Vice Governor Zhang, and to you, Mr. Moorman, and I thank you both for your insights and the exciting work that you are doing. And Mr. Moorman, I think we could really work together, if we got this Infrastructure Bank off the ground and help to really try to make a difference.

And in terms of infrastructure, we are at a time of both great peril and of great opportunity. Everyone here is well aware of the economic troubles that we face right now. As governors, you are on the front lines of our government response. You know the difficulties that state budgets are

having, and what you are forced to do and what--the everyday suffering, if you will--that's been brought by this recession. And Governor Rendell is in Pennsylvania today trying to deal with this difficulty.

It is the longest recession that we have seen since the Great Depression. The unemployment rate climbed to 9.5 percent in June, a 26-year high, and tragically, American families have lost 18 percent of their net worth in 2008.

But with these challenges comes a chance to make big choices about our national trajectory and to get serious about improving aging and decaying infrastructure.

Looking over our history, it is often in moments of crisis, when our nation has been truly tested, that wise leaders have taken the long view, and they have made a strong investment in infrastructure that have both brought about renewed and continued prosperity.

Even as a young republic, reeling from its first major financial crisis, the panic of 1819, Governor Dewitt Clinton of

New York held fast to his vision of a grand canal connecting the Hudson River to Lake Erie. And here is a Clinton that even our host, Governor Barbour, can get behind.

And thanks to his perseverance, what has been derided as Clinton's ditch when ground broke in 1817 instead became the Erie Canal, which transformed the economy of the empire state, vastly increased the financial importance of New York City, paid dividends throughout the rest of the century. And the tonnage on that canal did not peak until 1872, nearly 50 years after it opened.

And when America faced its greatest crisis, Congress passed and President Abraham Lincoln signed the Pacific Railway Act of 1862, donating the land and issuing the bonds that would come to form the Transcontinental Rail. By wisely planning for the future, even as our nation was rent asunder, Lincoln helped tie post-bellum America together from coast to coast.

After the economic depression of the 1890s, President and former Governor Teddy Roosevelt came into office avowing a renewed

commitment to our infrastructure. He vastly expanded the National Park Service, and with typical enthusiasm, he brought infrastructure not only to America, but to the world. The Panama Canal transformed global trade and yielded tremendous economic and strategic benefits for our nation.

And when the Great Depression put one-fourth of the nation out of work, President and former Governor Franklin Roosevelt coupled short-term solutions and then unprecedented investments in our national infrastructure, roads, bridges, highways, tunnels, parks, public buildings were constructed all across America through the works and progress of the administration. The REA wired rural areas for electricity. The TVA built hydroelectric dams from the Tennessee Valley to our north.

Time and time again, our wisest leaders have kept their eye on the big picture, and even during short-term crises, have made long-term investments in our infrastructure. And for good reason,

whether you serve at the local, state or national level, we know the economic value of infrastructure. For every \$1 billion spent on transportation projects, for example, 47,500 jobs that cannot be outsourced are created, and \$6.2 billion in economic activity is generated.

Meanwhile, the capital markets, including central banks, pension funds, financial institutions and sovereign wealth funds are looking for sound investment opportunities and have a growing interest in financing infrastructure improvements. And the fact is, in America, we suffer an infrastructure deficit at the moment. As you know in your states, the American Society of Civil Engineers estimates that we need \$2.2 trillion over five years just to bring our infrastructure up to good condition.

Traffic congestion creates a \$78 billion annual drain on our economy in lost productivity and wasted fuel. The United States ranks 15th in the world in broadband access. Electric utilities need

to invest an annual average of \$28 billion for generation, \$12 billion for transmission and \$34 billion for distribution of electricity to keep pace with demand.

The numbers, jarring as they are, do not even take into account the wider opportunity of failing to invest in infrastructure. The educational rewards of rural broadband waste, the environmental benefits of a clean energy grid squandered, the chances at economic growth sorely lost. And as of 2007, bridge collapse in Minnesota, the failure of the levies after Hurricane Katrina, as the citizens here of Biloxi know all too well, taught us sometimes the consequences of neglect move beyond the economic to the catastrophic.

We are at a fork in the road and the paths before us are clear. When we ease the burdens on commuters, modernize our public transportation systems or ensure we have safe drinking water, we are paving the way for new growth and for opportunity. When we fail to do those things, when we neglect our air traffic control systems or fall

drastically behind other nations in broadband adoption, we create a costly drag on our economy.

As Vice Governor Zhang's address reminds us, our friends around the world understand the critical importance of infrastructure economic growth and have invested accordingly. China invests nine percent of their GDP in infrastructure. India, five percent and rising. Here, in America, we spend less than two percent of GDP.

If it is true that a civilization is measured by the quality of its roads, then we soon face a reckoning. Our economic competition around the world is increasingly steep, and if we are not careful, we will fall behind. We can continue to be a nation that mainly consumes or we can try to move back to being a nation that invests and produces, and to do so, we need a 21st-century national infrastructure policy that makes us more energy efficient, reduces our reliance on foreign oil. That means constructing smart power grids, designing

buildings that consume less energy, making alternative fuels more accessible, diversifying our energy resources and making public transportation systems more efficient, all of which will create new markets for new jobs and jobs that cannot be outsourced.

For these reasons, and many more, it's time to prioritize our national infrastructure, but we need to be smart about it. Simply throwing money and resources at the problem willy-nilly will not pay the dividends we seek. In this moment of peril and possibility, to paraphrase a beloved President Lincoln, the dogmas of the quiet past are inadequate to the stormy present. We must think anew and act anew, which is why I, along with my colleagues, Representatives Keith Ellison, from Minnesota, Steve Israel and Anthony Weiner, of New York, have introduced the National Infrastructure Development Bank Act. The bill establishes a development bank for America, a new independent entity that can objectively consider public works

projects and provide financing for those of regional or national significance with clear economic, environmental and social benefits, such as high-speed rail, clean water, wastewater systems, a smart electric grid, broadband deployment to rural and disadvantage communities.

The development bank would issue 30-plus year public benefit bonds and provide direct subsidies to infrastructure projects from amounts made available from the issuance of the bonds. Funding from the bank would supplement--supplement, I add that, not supplant-- current financing mechanisms, and capitalized with \$250 billion, \$25 billion through congressional appropriations, \$5 billion a year, over five years, and the rest subject to the call of the Treasury secretary, as well as a conservative leverage ratio of two-and-a-half to one. That's based on the European Development Bank.

The bank would have an ability to issue up to well over \$600 billion in public benefit bonds, providing for an

unprecedented level of infrastructure investment across this country.

After 19 years in the House of Representatives, 15 of which have been focused on promoting this concept--we don't move very quickly--I've developed a keen and a firsthand sense of one reason why this bank is desperately needed. You see, we, in the Congress, are very good at compartmentalizing, sometimes to the detriment of major infrastructure investment, where you need a holistic view that may better serve the people.

The way that things are set up now, a big multistate project--and you know this--or a project that crosses problematic silos, and this becomes before the Congress, it usually has to contend with multiple subcommittees, overlapping jurisdictions, all of which can work to slow highly useful new plants or critical improvements.

Quite frankly, infrastructure projects that do make the congressional cut are all too often chosen on the basis of port, path of the home district, as it were,

rather than utility.

Ultimately, this bill aims to depoliticize infrastructure investments, while creating new opportunities to directly support and accelerate the kind of projects that will make a significant and a long-term impact. In other words, the creation of a National Development Bank would make it much easier for states and municipalities to get the important transportation, environmental, energy and telecommunications projects they need to get off the ground without getting them tied up forever or drastically altered by the Congress.

How would it work? I know some of you have had experience with the idea at the state level, and a National Bank would function similarly. The bank would include a five-member board of directors, chosen by the president, with advice and consent of the Senate, with authority to consider projects based on objective criteria and to provide financial assistance to qualified infrastructure projects.

After this board sets out the

criteria, a nine-member executive committee would accept applications, prioritize them for the board. The executive committee members, headed by the bank's executive director, would also serve as chief financial officer, chief operations officer, general counsel, other functions that are characteristically needed for the day-to-day operations of the bank.

At the same time, a risk management committee, headed by a chief risk officer, would among other things, ensure a diverse portfolio of lending activities by region and project type, and an audit committee headed by a chief compliance officer would work with independent auditors to ensure the bank is functioning properly, as a bank should.

The plan is modeled after the European Investment Bank. It's the European Union's long-term lending bank which, for 50 years, has raised private sector capital from around the globe to leverage investment in, among other things, transportation, energy and telecommunications. It is

working wonders for them, including an ambitious trans-European network strategy that is integrating the continent with high-speed rail and other modes of transportation, and it could work wonders for us.

We have support from many groups in the business and labor communities, including the American Society of Civil Engineers, the National Construction Alliance, Building and Trades, AFLCIO, the U.S. Chamber of Commerce, Policy Link, SEIU, the Association of General Contractors, Transportation for America, Governors Rendell, [Arnold] Schwarzenegger, Build America's Future and others. When you can get the U.S. Chamber and the AFLCIO on the same track here, I think we've got something that we might be able to see come to fruition.

The bank concept also enjoys the support of President Obama and many in Congress. In fact, it has already been budgeted. The President's budget provides \$5 billion annually for five years, a total

of \$25 billion, as in our bill. The House budget provides \$2 billion in fiscal year '09 and \$5 billion in fiscal year '10 towards a National Bank, and the transportation, housing and urban development appropriations bill that's now moving through the House makes room to fund the bank, should it be authorized.

So after a long and hard fight, I'm really pleased to tell you that we are on the cusp of making this happen. If we're going to do it, we need to do it right. And frankly, I've just seen a draft of an ONB outline that it looks, to me, like a piecemeal version of the bank. And in that plan, the bank would be set up as a piece within the Department of Transportation. It would only focus on transportation projects.

In my view, this is far too narrow a vision. We not only lose all the enormous benefits a bank would bring to its environmental, energy and telecommunications projects; under the proposal, we lose the ability to attract investments and to leverage private dollars.

As former Treasury Secretary Mary Peters has observed, there are upwards of \$400 billion available in the private sector for infrastructure investment. But under this ONP proposal, governors will be left with little additional funding for their home states beyond what is currently at their disposal.

Since the treasury--this is important to keep in mind--the treasury department is the sole entity that borrows on behalf of the federal government and can do so more cheaply and efficiently than any other entity. The banks should be under the treasury's authority; otherwise, it just becomes a part of the Department of Transportation and their existing finance program. We need to be thinking bigger. And if ever there was a time to start thinking big, it would be now.

We need to continue to have a national discourse about the future of our infrastructure. I very much hope that the discussion today and your leadership tomorrow and beyond and with resolutions on

Monday will help to raise the profile of the developing bank proposal. In his book, *Bold Endeavors*, investment banker Felix Rohatyn, the former ambassador to France, head of New York's Municipal Assistance Corporation for 17 years, and a strong supporter of our plan, talks about the government's vital role in rebuilding America. And in it, he makes a key point. "American history . . ." he writes, and I quote, ". . . shows that economic growth, the creation of wealth, employment and opportunity are all built on the platform of investment, innovative public investment."

"Further . . ." he writes, ". . . every great American President has sponsored a great investment project."

He is right. From the Erie Canal and the transcontinental railroad to the Federal Highway Act and the Internet, America's economic vitality has always rested on the foundation of our infrastructure. The chapters of our American success story have always been written in stone, and mortar, and iron, and

in steel, in granite and in fiber-optic cable and it's time now for us to come together to write, in bold strokes, the next chapter in infrastructure investment for our nation.

And I truly look forward to working with you. We can do this. We need to have the courage and the will, the foresight and the vision to move forward on this plan, and you can play an incredibly significant role in raising the profile of this issue and letting your colleagues, your members of Congress take your clout and use it to put pressure on the institution that I serve in to make this happen.

Thank you very, very much for allowing me to be with you today.

GOVERNOR DOUGLAS:

Thank you so much, Congresswoman DeLauro, for being with us. We've had an infrastructure failure. Our Chairman is not on the phone any longer, but he passed along a question for you.

He noted, as you did in your remarks, that the administration has

proposed the Infrastructure Bank as part of an extension of the transportation authorization, and he notes that Chairman Oberstar supports it. So the question, and you've addressed this, is how can we work together, what can we do to be helpful.

CONGRESSWOMAN DeLAURO:

Well, as I said, I think there is a . . . there really is an appetite to move forward on this. I can speak for the Speaker of our House, Speaker [Nancy] Pelosi, who I know is very, very much interested in this effort and has spoken out about it. We would like try to move on Chairman Oberstar. Yes, indeed.

I think what we can't do is to limit our vision to just making this part of the Department of Transportation or make it another piece of that agency; rather, its strength, its strength is in its independence and as a bank. And, again, as I conclude it, we need your help. We need your voices and are happy to sit down at any time, any place, anywhere and discuss this with people, and we need your voice and your

aggressive advocacy of this concept to impress--look, this is a tough time. We're dealing with energy, energy legislation. We're dealing with healthcare and an economy that's difficult. I'm of the view that this has to be part of that national discourse on what happens with our economy.

And you are all facing very, very difficult times. But that doesn't lessen what you need to try to get done with Norfolk or with other entities to try to move forward. And in that context, I believe that with the kind of capitalization that we can talk about which requires the Congress to move on this, that you can help us to get there, and in addition to that, help yourself do the kinds of things that you want to do to create a solid economic base in your own states.

GOVERNOR DOUGLAS:

Governor Richardson.

GOVERNOR RICHARDSON:

Congresswoman, I think your proposal is a very good one. If you could explain, how would it work in an instance of--there's

a high-speed rail effort by the administration, I think it's \$8 billion. There are 11 corridors that have been selected. We, in the West, Governor [Bill] Ritter and I, and Governor [Rick] Perry are trying to have a corridor from El Paso to Denver, and there's federal and state matches.

Under your Infrastructure Bank, could states apply? How would it work?

CONGRESSWOMAN DeLAURO:

Well, that's actually the point. First of all, let me go back to the concept that this is not to supplant the already existing mechanisms that are there to finance these projects. This would be another avenue of revenue. And, in fact, with such a project, the states could request and apply for funding to the bank in order to be able to get this financed.

What we're looking at, because locally, where you've dealt with municipal bonds and usually somewhat smaller projects, such is the advantage of this, is that it is projects of a national significant nature

and regional in scope that will look at how you can take traffic off the road, how you can lessen congestion, how you can deal, you know, that has an environmental benefit. It obviously deals with job creation.

But that is the perfect setup for the two states in order to be able to apply to be able to get funding from this bank.

GOVERNOR RICHARDSON:

Now, on your question that Governor Rendell asked you, I was very pleased that you said that the House is going to move forward on a highway bill, but I read in the paper today-- I think it was today, and I may not have all my facts--that this highway bill may be delayed.

CONGRESSWOMAN DeLAURO:

Well, you are right. You are talking about the reauthorization of the transportation, the transportation reauthorization, and the Senate, last week-- just to bring you up to date--first of all, the Highway Trust Fund, as you know, is about \$8 billion short. There is a commitment on the House side and on the

Senate side, with Chairman Rangel and Chairman Backus, to address that \$8 billion shortfall, and to do that before the August recess, because time runs out, in terms of the trust fund at the end of August.

Now, the Senate already acted on the reauthorization bill, and they extended it for 18 months. I suspect that that's what will happen in the House, as well, governor. And that it's being worked out through the Ways and Means Committee, but I think that's what's going to happen.

And rather than what happened in prior years is that we've seen that it's been a two-month extension, a three-month extension, a five-month extension, and it makes it very, very difficult to try to do anything and get done with that short period of time. So that's why they moved, while they're trying to sort out how to fund the entire reauthorization, and Chairman Oberstar is masterful in what he is doing and what he's doing. But the issue is, where would you get the funds to do it?

But, clearly, there is a

determination to deal with the \$8 billion shortfall in the Highway Trust Fund so that we can make states whole.

GOVERNOR RICHARDSON:

We've got a lot of projects in the states ready to go that would suffer, so I hope you succeed, and I commend you.

CONGRESSWOMAN DeLAURO:

Thank you very much. It's great to see you.

GOVERNOR DOUGLAS:

Well, an important topic. We are running over, and if my colleagues agree, we need to get to a couple of other items at this plenary session and we'll move right along.

But I want to thank our special guests, Vice Governor Zhang, Mr. Moorman and Congresswoman DeLauro for being here on this important discussion on infrastructure. Thank you all.

I'd like to ask my colleagues who have some presentations here to be as expeditious as possible, while still doing justice to the topic over the next few

minutes.

And first of all, I want to call on Governor [Deval] Patrick, who is going to be our host a year from now, Massachusetts, Mississippi, two long names with M, both with coasts. Well, come on up here and tell us what we're going to enjoy next year.

GOVERNOR PATRICK:

Thank you, Governor Douglas. I am proudly wearing the colors of Red Socks, and Diane and I, and you are all about to get your own colors to wear. Diane and I are honored to host next summer's NGA meeting in Massachusetts, and we very much look forward to welcoming all of you and your families to Boston in July next year. We are planning meetings that are both productive and fun, and we very much look forward, particularly on the front side, to showing you where American democracy was invented, our historical attractions, exposing you to our cultural and artistic community, and just showing off the beautiful landscape, the mountains, the valleys and the coastline.

So plan to come early. Plan to stay

late. And we're going to have some version of concierge services, I think, so that we can help you plan your family vacations around that time, as well. Very much looking forward to having you. And I want to thank Jim Douglas and Ed Rendell for their leadership and for the honor of giving us this opportunity. Thank you.

GOVERNOR DOUGLAS:

Thank you. And there is a Massachusetts display here at the convention center, so feel free to stop by and get more information.

Now I want to call on Governor [Jan] Brewer to talk about a program called Childhelp. Governor.

GOVERNOR BREWER:

I don't want to keep everybody between their lunch. I know we're running late. But I want to just take this time, as my first meeting that I've been able to attend as governor, to talk to you all about something that's very near and dear to my heart. It's an organization called Childhelp USA. The national organization's

headquarters are in Phoenix, Arizona, and it is an organization that I got involved with because of the wonderful great work that it does and because two dynamic women, who were entertainers in their younger lives, decided that they would put aside their career, if you will, and to reach out and help those abused children that we all have in our states.

Statistics will tell us that five children die every single day in the United States due to child abuse, and these children are in your states, as well as mine.

They're here today, and if I could, if I could have Sara and Evonne please stand up, and if you would kindly acknowledge them for me, I would really appreciate that. They've been fighting child abuse for 50 years, and we've just celebrated our 50th anniversary, and they've done marvelous, marvelous things.

Today, here, probably some of you have noticed, at least, that there is a bus outside with wraparound colors on it called

To End Child Abuse Now Bus Tour, and it's to raise attention, if you will, to everybody that lives in America and awareness to the issue of child abuse. And that includes the Childhelp national hotline.

So while you are here today and on the table, you have got a piece of paper here that explains what their mission is, so I don't need to explain that to you. But first and foremost, we want you to know that they're going to be out there in your community. They've got the bus. It's going to go to each and every one of your states, and at that time, I hope that you have the opportunity to welcome them and participate with them to raise that awareness of people because they are out there and they are focused on encouraging and providing support and resources for parents, families and caregivers around the country.

And today, I have with me a Childhelp resolution. It's not an official resolution of NGA, but it is a resolution from Childhelp. What we're hoping is that we can get all the 50 governors throughout

the states to sign on to say that they too, as governors of their state, they want to prevent child abuse and they want to help those families that are victims of child abuse. It's a very, very worthy cause. And I'll have this, and I would encourage all of you either to come by here before you leave or when we go into the governors session to sign up with it.

So with that, I've cut my presentation down, so I ask you respectfully, all of you governors, to take this sheet of paper, find Sara and Evonne, if you can, or reach out to me, and let's really make this issue something that we can collectively do in each of our states and make a difference. There's children hurting out there. Thank you, Mr. Chairman.

GOVERNOR DOUGLAS:

Governor Brewer, thank you very much. And thanks to our guests from Childhelp for being here today, as well.

Our next order of business is a very special one. It's the presentation of the NGA awards for distinguished service in

state government and the arts. This awards program offers governors the unique opportunity to recognize their most valuable civil servants and private citizens. Each of these honorees has made selfless and invaluable contributions to state government and to public service. On behalf of all of the governors, I'm honored to commend these extraordinary individuals for their commitment to improving their communities, their states, and indeed, our great country.

I want to thank the governors who submitted nominations for this year's awards program. All of the nominees were outstanding, but, obviously, the selection committee had to fulfill its responsibility to make these choices. And I want to thank Barbara Hafer, from Pennsylvania, who was the former state auditor and treasurer, who served as the chair of the selection committee. I think Barbara is here. Barbara, thank you very much.

And to Midge Rendell, the first lady of Pennsylvania, who chaired the arts review panel, and to all of the other members of

these selection committees.

Awards are in several categories, state official, private citizen and the arts, and as I announce each winner, I would like to invite you to come forward, along with your governor, if he or she is here, and I want the governors from whom these individuals come, from states from which these individuals come, to come up here and make remarks about each winner.

In the state official category, the first winner is John Cooper, the former Secretary of the South Dakota Department of Game, Fish and Parks. Governor [Mike] Rounds, please come up and introduce us to the honoree.

GOVERNOR ROUNDS:

Thank you, Mr. Chairman. Ladies and gentlemen, John Cooper served as the Secretary of the Department of Game, Fish and Parks in South Dakota for two different governors, but before that, he also served as a U.S. Fish and Wildlife Officer for a number of years. Before that, he served two terms of duty in Vietnam as a Navy SEAL. As

a matter of fact, he was on the SEAL Team 1.

John is a gentleman that truly has been responsible for improving the quality of life for not just people who live in South Dakota, but for literally 100,000 hunters and fishermen that come in and enjoy the pheasant hunting season, the ducks and the geese, as well as the fisheries.

He's also been very actively involved in taking care of clean water issues, and in promoting and negotiating changes in the Missouri River water resources plans. He's been an active member, not just in South Dakota, but in coordinating with the other states, as well.

It is truly my pleasure today to introduce to you a gentleman who has done marvelous work over a long, long career, Mr. John Cooper.

GOVERNOR DOUGLAS:

Thank you, Secretary Cooper and Governor Rounds.

Next, in the private citizen category, from Virginia, Dr. Terry Dickinson. I would like to invite Governor

[Tim] Kaine to come forward.

GOVERNOR KAINÉ:

We are engaged in an incredible debate in the nation right now about the future of our healthcare system. Terry Dickinson would have been a good nominee in any year, particularly right now. Terry is a dentist, by training, who served in the Air Force as a dental clinician, practiced as a private dentist, but then in the late 1990s, came to Virginia, where he became the chair of the Virginia Dental Association.

He noticed that 47 million Americans don't have access to health insurance, but many more than that don't have access to dental care. So Terry started something in Virginia called the Missions of Mercy, which organized private sector dentists, dental clinicians, hygienists and students to provide free dental care around our state. He's organized nearly 40 missions of mercy since that time, and he has been responsible for providing free dental care through these networks he has organized to over 30,000 Virginians.

The work that he's done with the Missions of Mercy has spread throughout other states that have tried to emulate the work. Terry also organized a Mission of Mercy in New Orleans in February of 2006 for folks who had been hurt hard by Hurricane Katrina.

This work is very important. Many of you might have seen, the centerpiece Mission of Mercy takes place in Appalachia. It's next weekend, in the county fairgrounds in Wise County, Virginia. It's been covered by "60 Minutes" and *Newsweek*. I have served there, and I will be working as a volunteer with Terry next weekend, with my wife, Ann.

When you come to this, people start lining up, driving from all over the Eastern part of the United States, Wednesday or Thursday. It's now not just dental care. It's all kinds of medical care. And if you walk through the parking lot, you'll see vehicles from as far away as Oklahoma and Florida, people coming in the most powerful nation in the world to seek free dental and medical care.

It's an incredibly humbling and even saddening thing to see, but the work that Terry has done in bringing people together is tremendously inspiring. And his motto is, it's not about the care. It's about the caring.

So I'm very, very happy to have Terry Dickinson here, to recognize him and say, Terry, I'll look forward to being with you next week to continue your wonderful work. You are a real credit to our commonwealth and our nation.

GOVERNOR DOUGLAS:

Congratulations, Dr. Dickinson.
Thank you, Governor Kaine.

Now, in the arts categories, first, from Maryland, Mary Ann Mears. I would like to invite Governor O'Malley to come forward.

GOVERNOR O'MALLEY:

Governor Barbour, thanks very, very much for your hospitality and pulling us all together here.

I'm joined by Mary Ann Mears, who is one of the recipients of the Distinguished Service Award.

It has been written that Americans lived in a present that is shaped by their individual dreams of the future. And for Mary Ann, her individual dream of the future in Maryland was a future where every single child had the ability to receive the quality arts education that would unleash their own creative potential, their own abilities to think in creative ways.

This year, *Education Week* magazine declared that Maryland has the best public school system in the United States of America, and that is, in part, due to Mary Ann's leadership, her understanding that if our children are to attain a higher level of reading and math, that the arts and music are critical to that drive.

Mary Ann, she worked with the Maryland State Department of Education. It resulted in the adoption, for the first time, of a voluntary state curriculum in the fine arts and the integration of outcome-based performance measures in arts education.

What does that mean? That means we

are setting up objective criteria that says that this is true arts education, that putting 20 kids on a bus to go visit a museum once a month after school is not arts education.

So Mary Ann has been a tremendous leader. She's a true champion for arts education, and because of her efforts, we are actually seeing some tremendous progress in education in our state. Her leadership in the arts community has greatly improved the quality of life for our kids and their outcomes.

So Mary Ann, we're proud of you. You make Maryland proud. You make Maryland a better place. Thanks very, very much for your leadership.

GOVERNOR DOUGLAS:

Our final award winner is in the artistic production category, representing the State of Florida, and in the absence of Governor [Charlie] Crist, I would like to tell you a little about James Gibson.

He's a resident of Florida, has been since he was born there in 1938, began

selling his paintings for \$20 out of the trunk of his car. Today, James estimates he's painted more than 10,000 Florida landscapes. His work has been exhibited at the Florida Supreme Court, the Florida House and Washington, D.C., and has also been commissioned by two governors of that state.

James lends his time and expertise in support of numerous community projects that benefit the less fortunate. He volunteers for art education programs, as well as social programs that benefit children, and crime and drug prevention programs, as well. He also contributes regularly to charitable events.

Governor Crist says, and I quote, "James's artistic contributions capture the beauty of this great state and great excellence to Florida's artistic community. The generosity of his time and talent helps bring greater understanding of the importance of art for the public."

Congratulations to James Gibson.

I want to take just a moment, before we break, to recognize the 15- and 20-year

Corporate Fellows who are playing such an important role in NGA's activities, especially in their support of the work of our Center for Best Practices.

Our Corporate Fellows Program was founded in 1988 and promotes the exchange of information between the private sector and governors, where Corporate Fellows can share their unique experiences, perspectives and expertise through our research and development arm.

Corporate Fellows companies demonstrate a commitment to improving cooperation and understanding between state government and industry, and help us develop bipartisan collaborative responses and solutions to our nation's problems. There are about 100 of America's top companies who are Corporate Fellows. We deeply appreciate their involvement in NGA.

The 20-year membership Corporate Fellows are Altria Client Services, Blue Cross Blue Shield, IBM, Johnson & Johnson, and Unilever United States.

15-year members are Hallmark Cards

and Kaiser Permanente.

On behalf of all the governors of America, let's thank these companies and all of our Corporate Fellows for their contributions.

Now, a bittersweet moment at NGA meetings, when we say farewell to a colleague who is moving on after his service to not only this association but to his state. I want to ask Governor Tim Kaine to return to the podium.

Tim, as everyone knows, is serving as governor of the Commonwealth of Virginia. They don't let them get reelected in Virginia, so he is turning over the keys to a successor next year. But we really appreciate, Tim, not only what you've done for your state, but for your hard work in NGA, as well, serving on the important committees and task forces of this association. You've been a real key part of what we've accomplished over the last four years.

Tim has been involved in public office for about 15 years, serving on the

Richmond City Council, a couple of terms as mayor, as lieutenant governor of the Commonwealth, and, of course, as governor of Virginia during the last term.

He's done so much in different areas, transportation, infrastructure that we talked about today, land use planning, education. They've all been priorities for Tim during his service as Governor of his state.

Sometimes, as we all know, things happen, difficult challenges that we need to confront. We talked earlier about Mississippi, and what happened here on the Gulf Coast, and Governor Barbour and others responded to the adversity faced by his state.

Well, a couple of years ago, there was a real tragedy for Virginia Tech, as I'm sure everybody here knows. There was a mass shooting, and Governor Kaine had just left for a trade mission to Japan, but returned immediately to comfort the students and families, all of the staff who were on campus at that time.

In the wake of that tragedy, Governor Kaine issued an executive order requiring those who are judged mentally ill to be included in state databases to prevent them from purchasing firearms, and that executive order was later codified into law by that state.

That was a tough time, but not surprisingly Tim Kaine rose to the occasion, and we're proud for what he's done for the people of his commonwealth.

So, Tim, we are going to miss you. We appreciate all that you've done. We hope you will keep in touch and value the friendships that you've made here at the National Governors Association. Best wishes to you.

GOVERNOR KAINÉ:

Thank you all very much. Thank you. You are very kind. Thank you very much. Please have a seat. Please have a seat. In Virginia, we are the only state where you can just serve one term. I think we're the only state where the title is not "The Honorable" but "Your Excellency." So

there's a compensation. I think they felt like eight years of "your excellency" might be a little much on your ego, so they just gave you one term.

But I have truly enjoyed it. It's been the great honor of my life, for Ann and I to have been here. And I just want to say to each of you, being governor right now is the toughest job in the United States next to being president. And every one of you, every one of us has made, is making and will make very painful and difficult decisions, and not a lot of people understand how difficult they are.

I understand. I applaud you for your courage, for your backbone, for your service. It's been a treat to serve with you and I look forward to working with you. Together, we are going to continue to be public servants together for a very long time. Thanks very much.

GOVERNOR DOUGLAS:

The framed picture that I just gave Tim, he said he didn't recognize himself, it's the picture with President Teddy

Roosevelt and the governors a century ago.

Well, that concludes our plenary session. I'm sorry we went late. I think some important discussions, some important presentations. Let's all go to our governor's lunch and business meeting. Thank you all for your patience.

[Plenary Session concluded.]

NATIONAL GOVERNORS ASSOCIATION
ANNUAL MEETING

Transcript of Plenary Session
"Emergency Preparedness"

Mississippi Coast Coliseum
Biloxi, Mississippi

Sunday, July 19, 2009
2:30 p.m.

Reported by:

Monica Schroeder, RPR, CRR, CSR

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GOVERNOR [JIM] DOUGLAS:

I invite the governors and others to take your seats so we can get our afternoon Plenary underway.

Before we get into the presentation this afternoon, our Plenary Session yesterday ran a little long and there were a couple of acknowledgments that I intended to make and would like to at this point.

We made presentations to a number of distinguished public servants and private sector individuals around the country who were nominated by their governors for Distinguished Service Awards, and there are four who are not with us today, but I want to mention very briefly and thank their governors for the nominations.

Robert Genuario is secretary of the Office of Policy Management for the State of Connecticut. Secretary Genuario has helped Governor [Jodi] Rell work through mounting budget deficits in crafting a budget for the next couple of years that streamlined the state government, eliminated redundancy and

increases accountability while making bold investments in areas that need it most.

Kathleen Blatz, former chief justice of the Minnesota Supreme Court, was the first woman to lead the state's highest court in 1998. She's a former legislator and victim's rights advocate. She spearheaded the Children's Justice Initiative, which helps get abused and neglected kids out of foster care faster and helps to improve public trust and confidence, and access to justice and court technology.

In the private sector category, John Walsh, of Florida: As I'm sure you know, Mr. Walsh has worked tirelessly for more than a quarter-century to educate the public in the fight to locate missing and abducted children. He's the host of the television series "America's Most Wanted," which provides an avenue for citizens to participate in the apprehension of wanted people, identification of suspects or witnesses and recovery of missing persons.

And Will Allen of Wisconsin: Mr.

Allen is the CEO and founder of Growing Power, an organization that supports the development of community food systems. He's a former professional basketball player. He's also a farmer and community activist. He's dedicated to supporting low-income and small family farmers and bringing healthy, affordable food to urban areas.

On behalf of NGA, we congratulate these four Americans for their distinguished service to their states and to our country.

Well, this afternoon, we focus on emergency preparedness. The location of this year's annual meeting, here on the Mississippi Gulf Coast, nearly four years after it was devastated by Hurricanes Katrina and Rita serves as a reminder that, as a nation, we must always be prepared for disasters.

While not all areas of the country face the threat of hurricanes, we need to be ready to face threats of other natural disasters or of terrorism. As we saw this past spring and are likely to see in the fall, we need to be prepared for emergencies

arising from public health threats, like the H1N1 virus, otherwise known as swine flu.

Today, we have with us our former colleague and the current Secretary of Homeland Security, Janet Napolitano, to lead the discussion on emergency preparedness. Having previously served as the governor of Arizona, she understands the challenges facing state and local officials in preparing for the unexpected. Her commitment to working with state and local officials and ensuring that our concerns are heard and addressed will help strengthen the partnership that's necessary to prevent, prepare for, and respond to all types of emergencies.

In addition to the secretary, we have with us several distinguished guests to talk about particular aspects of emergency preparedness. Following the secretary's remarks, we'll have time for questions and discussion before turning to our panel of speakers.

Let me invite my colleague, Governor [Martin] O'Malley of Maryland, to introduce

our keynote speaker.

GOVERNOR O'MALLEY:

Governor, thanks very, very much. And it's my humble honor today to be able to introduce someone--a woman who many of us know as our friend, who all of us know as our colleague. And we're very fortunate, as governors, to have one of our own at the Department of Homeland Security, someone who has served as a governor, who has had to stand up in emergencies and answer the questions of, "What do you know? What are you doing about it? and What should my family be doing about it?"

As you know, Secretary Napolitano comes to DHS after having served six years as the governor of Arizona, where she implemented one of the first state homeland security strategies in the country, opened the first state counterterrorist center, spearheaded efforts to transform immigration enforcement.

Madame Secretary would be heartened to know that in conversations yesterday, the governors were talking about the importance

of our taking advantage of this moment in history--and your understanding of how states work, and their importance to Homeland Security--by creating our own special committee on Homeland Security so we can better interact with your department on issues, whether it's hurricanes, counterterrorism, fusion centers or the like.

Already, Secretary Napolitano has coordinated federal, state, local and bi-national homeland security efforts. She's presided over large-scale disaster relief efforts and readiness exercises. She has helped us to launch a comprehensive strategy on cyber security, something that's very, very important to all governors.

And without any further delay, let me introduce our friend, our colleague, our partner, and a person we're all very proud to have as Secretary of Homeland Security, Janet Napolitano.

SECRETARY NAPOLITANO:

Well, thank you, Governor O'Malley and Governor Douglas, and it's good to be

back with the NGA at the summer meeting. It's good to be back in Mississippi. The last time I was here was with Governor [Haley] Barbour, and we were doing some review of what had happened post-Katrina and talking about emergency response and resiliency.

So let me, if I might, I'm going to speak briefly about a couple of areas, and then I will open up for questions. And I rely, Governor Douglas, on you to be the hook.

Suffice it to say that this is a unique time and there are unique opportunities here vis-à-vis states and the federal government. I'm not the only governor in this Cabinet. I have three colleagues who have also served as governor. One, I think you will see later today, Secretary [Kathleen] Sebelius, at HHS. But also the secretary of agriculture, former Governor [Tom] Vilsack, and secretary of commerce, former Governor [Gary] Locke. And I think that illustrates that we understand, particularly as former governors, the

importance of the states and how services actually get delivered on the ground to people and improve the quality of lives of people that we all represent.

I'm grateful to Governors [Sonny] Perdue and O'Malley. They serve on the Homeland Security Advisory Committee. I am grateful to Governors [Mike] Rounds and [Chris] Gregoire for agreeing to serve on a task force I created last week or announced last week to review the color codes. We all know, in Homeland Security, we have color codes. They've been around for a while. Well, they've been around long enough to ascertain whether that's the best way to keep people informed about what's happening or whether there are other ways. Maybe we keep what we have. Maybe we keep it for certain segments of the economy. Maybe we change it. The task force has a very broad mission with no preconditions and no pre-decisions except that it's time to review the color code situation. And I would anticipate their report back to me with recommendations within 60 days, so

we'll move it right along.

I'm also, of course, grateful for the work many of you have done with me on particular state situations and emergency stuff, whether it's just a phone call or whether we've had to do something--site visits or the like--I view this as a partnership where we are supportive of you in the efforts that you are making, and I think you will hear more about that from Administrator [Craig] Fugate when the panel occurs. He's nodding yes. It's a good nod. Thank you, Craig.

I also think that the NGA establishing a permanent committee on security makes a lot of sense. There are so many issues around that require linkage between the federal and state government, and to institutionalize a way that that can occur and those communications can occur just makes all the sense in the world, so I encourage you in your efforts there.

I want to talk about three issues today with you. I want to talk about Pass ID, which we talked about a little bit at

lunch. I want to talk about information and intelligence sharing at the law enforcement level, and I want to talk about H1N1.

First, Pass ID: As we all know, because we were sitting around this table a year ago talking about Real ID, and every governor was saying, this bill, you know, just doesn't work for us. The benchmarks are expensive or it's too inflexible. We want to be secure. We're all security governors. But Real ID, which was drafted without input from governors, who actually have to implement it, has some flaws. It needs a fix.

So one of the things I did when I became secretary was to engage with the NGA, what is the fix. You know, how do we fix Real ID so we meet the security principles underlying it because we need a more standard form of identification that's more law enforcement secure? That's one of the 9/11 Commission recommendations. We need to move forward on that. But we need to do so in a way that the states will actually not only comply, but accomplish, and we need to

look at ways to do it in a more cost-effective manner.

Hence was born Pass ID, otherwise known as the Real ID fix. It has been introduced by a bipartisan group of senators. It had its first committee hearing last week. Governor Douglas and I costarred on one of the panels. I do think, as I said at lunch, I thought we were riveting and dramatic, but there was another hearing going on that got all the press.

But in any event, in terms of impact on people moving this bill forward, this year--this fall--is very, very important because Real ID deadline is December 31, 2009. And my view is that we need to keep that deadline as a hard deadline and have a real sense of urgency about getting this fix in place prior to that deadline.

So what I'm asking governors to do is not just write a letter that you will sign on with NGA. That's a start. But what I need governors to do is to make the time to personally visit with your senators and congresspeople about this bill. The number

is S.1261. It's co-sponsored by Sens. [Kahikina] Akaka, [George] Voinovich and a number of others. We anticipate markup in the Senate by the end of this month, so that means it will be moving.

But if NGA and the Department of Homeland Security have taken the time and trouble to negotiate and do a real fix, which is what Pass ID is, it's a real security bill that will actually be implemented, then we need to take the time now to get the fix actually passed this fall. So I share that with you and ask for your direct, immediate personal help on the bill.

Secondly, information and intelligence sharing: I believe this is one of the areas where the Department of Homeland Security can provide real value added. Here's what I have learned in my six months in Washington, D.C. There is a lot of intelligence and intelligence analysis about those who would seek to harm us, particularly harm us in our homeland. And it kind of circulates around in Washington,

D.C., and it circulates around pretty well. I get a morning brief every morning. I get all of that information.

But what we need to improve upon is how information gets shared to states so that states not only are getting intelligence, but are also improving their own analytic capability and capacity. It's not just intel sharing, but it's also analytic capacity that we need to be working on.

So I spoke a few months ago at the National Conference on Fusion Centers. The method I'm going to use to do this is the fusion center concept, where you have federal, state and locals co-located, and I'm doing it in that fashion because sharing information on a real-time basis with all the many, many thousand law enforcement departments around the country logistically doesn't make a lot of sense. Having real active fusion centers that can then make their own independent judgments about what needs to happen at the state and local level, that's a better way for us to go.

So I will be looking forward to working with you on how we strengthen the fusion centers that we already have, then we make sure that, as a goal, that every state has at least one fusion center. That we, in addition to improving the amount of intel analysis that is shared--that we also, on the receiving side, increase the number of people who actually have the appropriate level of security clearances to review some of this information, so that everything doesn't have to be scrubbed down to a non-secret level. So it's improving that capacity at the state level, but also at the federal level.

This is a long-term initiative. It will not happen overnight. A lot of it has already been started, but we need now to mature it and create a web, a security web for this country of information sharing and analytic capacity. And that is something that I will be looking forward to working with the states on in the right way, the right way, conscious of constitutional and privacy protections that also are out there.

There are a lot of issues that we need to be very conscious of as we do this. But all of our efforts will be better if we are working more seamlessly in the information-sharing environment.

A third thing I would like to speak with you about is H1N1. You know, I take my cues from the scientists and from history, and the scientists and history tell us that when you have a new flu, like H1N1, and it goes away, it will come back. And we can anticipate and should be planning, if it were to come back early this fall, from the southern hemisphere, in some form somewhat different than the form we saw this spring and the form we don't quite yet know and cannot say with surety exactly what form it will be.

This is something that I think we all need to be leaning forward on because, as we saw this spring, where H1N1 really hits is school-age children. And when you have to start thinking about schools, and what you are doing with schools, and whether some schools may need to shut down, and then

those children need to stay at home . . .
but the whole point of this is to slow or
retard the spread of the disease . . . then
you've got issues about parents who need to
stay home with their children and also do
some at-home schooling because the
Department of Education is very serious
about education should not stop if we have
to . . . if there is guidance that a school
or schools need to be closed.

And so that means really thinking
about how you continue operations, how you
continue doing things. We need to be
leaning forward on that now. Why? Because
the school year starts in a few weeks in
many states. We've already seen some summer
camps close because of flu. This thing
transmits very, very quickly. And we need
to be leaning forward in a very aggressive
posture.

Doing that, meeting with your
private industry sector, meeting with your
education leaders and making sure they've
really thought through what they are going
to do and how they're going to do it, that

will not be wasted effort because even if H1N1 doesn't come or if it comes back in such a mild form that it's negligible, these efforts are good preparation for other sorts of hazards that may appear from time to time. So it's not wasted effort, but the urgency is now, the timing is now.

So if I can summarize my remarks, we need Pass ID. We need it before December 31st. I need you to personally engage in the bill that we have worked on jointly between the governors and the Department of Homeland Security. We need to be working together on the fusion centers, and how we share and improve information sharing in the kind of environment which we live, and we all need to be leaning forward on H1N1 and preparing for its reemergence in the United States, timed with the beginning of the school year, which, by the way, for some of you, is also the same time as hurricane season. So you need to be thinking through how you do your emergency operations, response and alike if you are doing it in the midst of an H1N1 outbreak.

So with those cheerful words, I will stop talking about it. I will close with just one thing, and that is that I believe the security efforts in this country have never been stronger. And one of the things, I know the governors in every city are struggling with, is budgets. But securing public safety comes first, and we want to continue moving forward with the efforts that we have started. So I'm looking for ways in our department, at our level, that we can provide more assistance and flexibility in the states so the security efforts keep moving forward, even in the midst of the economic downturn.

So I think the governors of the country need to be congratulated for all of the work that has happened post-9/11. It is a different country now than it was then, but the threat is different now than it was then, and the governors have played a big role in making sure that we are more prepared because if we are prepared, then we don't have to live in a constant state of fear. Thank you all very much.

GOVERNOR DOUGLAS:

Madame Secretary, thank you so much for coming back to NGA and sharing those thoughts with us. We all have such tremendously important responsibilities to ensure the health, safety and welfare of the people we serve, and having your recent experience as a governor in this role of Homeland Security is going to help us fulfill those responsibilities. So thank you so much.

The Secretary will take some questions from the governors. Governor [John] Lynch.

GOVERNOR LYNCH:

Madame Secretary, good to see you. It's also good to see a former governor who understands our issues heading up a department agency like you do.

My question has to do with FEMA guidelines and whether or not there will be an initiative or an effort to review the FEMA guidelines as they may apply after natural disasters; and how can we be helpful, if there is such an effort to

review the current criteria by which aid is distributed to states or individuals?

SECRETARY NAPOLITANO:

Thank you, Governor Lynch. The answer is yes, we are looking at all of the policies and guidelines and regs emanating from the Stafford Act. FEMA is based on the Stafford Act. And ascertaining whether things are really required by law will require an administrative rulemaking or simply with the policy that was grafted on that could be changed administratively.

We're not close to being done with that review. I would--I don't want to give us a deadline, but it is moving forward with some speed. There's a lot of stuff there. But some of the rules and practices, I think to the extent we can be flexible, we intend to be flexible. That's why I think it's great to have somebody like Craig [Fugate] at the head of FEMA, who knows what it's like to administer emergency funds in a Stafford Act environment.

So, yes, there is an ongoing thorough review of all of the policy regs

and so forth. At an appropriate time, I think we will be engaging with the National Governors Association, yet another reason to have kind of a security standing committee on some of those things, particularly if we need an administrative rulemaking or legislative change.

GOVERNOR [JOE] MANCHIN:

Madame Secretary, I want to thank you, first of all, for working on the Pass ID and also bringing a common sense approach, as a governor, knowing what we face. The Real ID had an awful lot of uncertainties and costs that affected us and concerned us.

Give us things that we can do, as a bipartisan league of governors, to help get this passed in a timely fashion, and what it really means to get it passed by the end of the year.

SECRETARY NAPOLITANO:

Well, I think there are a couple of things. One is, as I mentioned in my remarks, meeting personally with your congressional delegation and telling them

about the urgency of this, and what are the consequences if we don't amend Real ID before December 31st, in terms of access to federal buildings, other federal facilities and air travel.

Secondly, be willing to explain to people that Pass ID is not a retreat at all on security. We're not lessening the security of the people of the United States. We are moving it forward. Because Real ID was, as I said at the press conference earlier, becoming unreal, it wasn't moving us forward to meet the 9/11 Commission recommendations. Pass ID, because the states have agreed to it, will move us forward and more quickly. The deadline for compliance with Pass ID is 2016. For Real ID, it was 2017, so it's actually a quicker implementation.

But governors have huge bully pulpits, and don't let a few naysayers out there control the dialogue. Get out there and say, no way! This is a bill that will move us forward, and if it didn't, the bipartisan group of governors wouldn't be

supporting it, because governors are security people. They start with security first. I know that. We know that. So engage them and use that bully pulpit.

And then the third thing is, be available to the NGA leg team on a person-by-person, governor-by-governor basis, because as this thing moves through the fall, they may need one, two or three of you to make particular calls to particular people at particular times. So those are the things I would suggest.

GOVERNOR DOUGLAS:

Governor Gregoire.

GOVERNOR GREGOIRE:

Madame Secretary, thank you for joining us today. If I could turn to H1N1 for a moment: We talked a little bit earlier, and I would like to thank you again and reinforce the conference call that we had with you and Secretary Sebelius when we were all given the opportunity to ask you questions so we could disseminate similar information to our public at large.

As a result of the round of H1N1, I

assume that you have done some debriefing inside the federal family. Could you share with us lessons learned, and most particularly, anything that we could do better in responding should we have another round of H1N1 in the fall?

SECRETARY NAPOLITANO:

I think, first of all, on the lesson-learned standpoint, the whole issue of schools, and school closure guidance and how that is to be handled, I think until we started seeing the schools close, people didn't fully appreciate what that means and how much centers around schools being open.

And that's why I'm urging us, as we head into the fall school year, when the H1N1 likely is coming back, to really think. Go back to last spring and think about what happened when just a few schools were closed.

And as the rethinking is occurring, the CDC, and that's who we take our guidance from, and they will be doing the guidance, understands that school closure is not the ideal model, but the better model is keeping

schools open as much as possible and have students at home who are sick. And that's a lesson learned, I think they would say, at the CDC level. So they're working now with Secretary [Anne] Duncan and others on that.

But as we all know, getting that type of information out to and talking with your state superintendents, your county superintendents, school board, associations, whether they really have focused and thought through what they would do. Do they have a take-home curriculum that they're ready to employ should a school or schools need to be closed for several weeks so that the kids keep learning?

That's the kind of follow-up that is difficult to do at the federal level, and that is the kind of follow-up that a governor could easily convene a meeting or two and say, okay, where are we? School is about to start, what are your flu plans? What are you going to do? How are you going to keep kids learning? What's your plan for keeping schools open? That sort of thing. So that was, I think, a lesson learned.

Secondly, a second lesson learned, and we will build on it, is that as we communicated about communications, we had conference calls not just with governors, but also with the private sector and others. We had some conference calls that had as many as 1200 participants to communicate the same information so that everybody knew what we knew and what we did not know, because it's a changing environment when you are dealing with a pandemic situation.

So those are the kinds of things that we will build on in the fall. And has uses other than--and, like I said, all of these things have uses other than a flu pandemic--so all the work we do here and how we employ it is not going to be time or effort wasted.

GOVERNOR DOUGLAS:

Governor [Mike] Beebe.

GOVERNOR BEEBE:

Madame Secretary, let me join in thanking you, too, for the continuing great relationship that you've provided, I know, to me, and from what everybody says, from

all your colleagues.

Two things: First of all, all of us know that it's the substantive response from FEMA and from the federal government that means so much, whether it's individual assistance or public assistance, and it's the substantive response of the federal government that we all rely on.

Having said that, in a disaster, as you know from your days as governor, it's those first critical hours that calm people's fears and restore their faith and let them understand that somebody does care.

And I just want to tell you that my experience, with you, personally, is it's the governor's job to get out there even--I can't put up new power lines, and they wouldn't want me to, and, you know, I can't rebuild a bridge or do any of those things that repair damage or restore lives from a tornado--but what I can do, and what is expected of me, and what we can do in those first few hours is be there and let them know that the power of the state is there and available for help and assistance and

that there is hope for a better day.

You provide that on the federal level, and you have provided it in the first six months extraordinarily well. You don't realize the response, in my state, when the press was standing around, and my cell phone rang and it was you. First of all, I don't know how you got my cell phone number. But it had . . .

SECRETARY NAPOLITANO:

I got your number.

GOVERNOR BEEBE:

But it had a tremendous positive effect on people who were scared and discouraged and frightened. I know you can get jaded. I know you can get overwhelmed. I know you can get so backed up and so busy with all of the responsibilities, and sometimes, it's easy to forget little things.

But let me just, one, compliment you on what you have done so far in that regard, by being there for us telephonically or any other way so that we can start to rebuild the hope of people immediately after a

disaster and encourage them not to quit, not to quit doing that, not to let that part slide.

The second point . . .

SECRETARY NAPOLITANO:

I would encourage you not to change your cell number.

GOVERNOR BEEBE:

The second point is, about the fusion center, as I understand where you are headed with that, in terms of better communication between the states and the federal law enforcement agencies on intelligence gathering and dissemination; it's almost going to require a two-tier level of folks in the fusion center, at least on the state level: Those that need to be there for carrying out specific duties, broader duties of what a fusion center entails; and then a smaller group, which just happens to be housed there because that, apparently, is the best way for you to communicate, a smaller group that would have higher security clearances that under certain circumstances would get more

sensitive information that would not be and should not be available to the broader population in the fusion center.

Do you have plans in place and how quickly can you share with us what you would like to see the states do in response to that? Because I assume you are talking about FBI security clearances and even higher security clearances that, as you know, take a long, long time, if you don't already have them. And there's a timely . . . a timeliness factor to this issue.

And so do you have any thoughts or do your people have any thoughts that they can get out fairly quickly and have the governors identify as a few people or maybe a few people that you would envision would be on that upper level of information sharing in a fusion center so that if something happened three months from now or six months from now and we would need to know about it, we wouldn't be constrained in receiving it?

SECRETARY NAPOLITANO:

Right. A couple of things: First

off, the fusion center, you have two concepts or two institutions that coexist, and in my view, need to continue to coexist. One is the fusion center, which is kind of an all-threats, all-hazards way of sharing information; and then you have your joint terrorism task force, your JTTF.

Now, your JTTF is an FBI-driven, from the federal level, institution. You already should have state representation there and they already should have a certain secret or above clearance. But there are additional or other types of hazards that also require some clearance, and for the fusion center, in a way, is . . . you know, JTTF has one function, and that's actual intel about possible terrorists or terrorism activity that should be shared and needs to be shared on a local level and information that needs to come back. Go back and read the 9/11 Commission report about how much was kind of seen at the state and local level, but there was no way really to collate it or put it together and say, wait a minute, why are all these guys taking

flying lessons, for example.

So the JTTF continues and we work very closely with the JTTFs, and that's the FBI. But all hazards include the fusion centers. And, yes, Mike, what I'm envisioning is that there will be some people there at that fusion center that will also have clearance. Why? So we can increase overall intelligence analytic capacity in the states.

I've already moved intelligence analysts out of Washington, D.C., into the country. I think that we are going to be seeing more of that. The deputy under-secretary for Intel and Analysis, Bart Johnson, comes out of the State of New York, where he set up their counterterrorism fusion center, so he knows very well how that goes.

So why don't I recommend that Bart convene a meeting with governors or their representatives, sometime in the near future, to talk about where they are with their fusion centers, and where we would need to go and what would be required, and

I'll ask you to take the lead and communicate through the NGA and your Homeland Security Committee and your cell phone.

GOVERNOR DOUGLAS:

Governor Rounds.

GOVERNOR ROUNDS:

Thank you. Madame Secretary, first of all, let me also offer congratulations, as well as thanks for work you've done, particularly the conference calls and so forth were very, very helpful.

I want to change the subject on you for just a minute. As a governor, you were very instrumental and you were one of the voices on behalf of all of us for strong borders and about the need to protect those borders and so forth.

As governors, we have the opportunity to say, look, federal government, you need to do something about it. It's your responsibility on the borders, you know, why aren't you doing things. Now, you get to wear the other hat as the security director . . .

SECRETARY NAPOLITANO:

What would you like?

GOVERNOR ROUNDS:

What I'm really curious about is if you could just share with us, briefly, what your finding or perhaps the frustrations that you've found, in terms of trying to address the issues surrounding more security in the new job versus what many of us have expressed in terms of the need for additional border security, and even as when you were a governor.

SECRETARY NAPOLITANO:

Thank you. A couple of things: One frustration, and it's ironic, is a lack of appreciation of Washington, D.C. with what has occurred with regard to border security, particularly on the southwest border. That is a much different border, operationally and otherwise, than it was eight years ago. And I can see it.

When I was governor that border was out of control, and I was always back in Washington saying, where are my border patrol agents? Where's the station?

Where's the staffing? Where's the technology that's been promised? How come everything got put in San Diego and Texas so that traffic got funneled up through Arizona?

But as time has gone on, infrastructure has been put into place, a lot of it, and a lot more agents have been added and alike, so that it's a very different border.

Is it sealed so that there's never any illegal immigration? No. Well, can you ever guarantee no illegal immigration? No. But what you can do is make sure that you really minimize any illegal immigration in the country, that you keep strong, secure borders in that fashion, that you use manpower, coupled with boots on the ground, coupled with technology. And there's a lack of appreciation in Washington, I think, for what has already occurred, that we are not only sustaining, but we are growing, and I think growing in the right way.

Secondly, and this affects your part of the country a little more. We are

working now on the Canadian border. Now, that has different issues. It's a different geography, among other things. And I don't equate the two, necessarily, in terms of operationally what you need to do, but the law is equivalent on both. You've got to have security on both borders.

So the big issue for us this spring was the implementation of the western hemisphere travel initiative, where people had to have the right kind of documents to go back and forth. That implementation has gone very smoothly. We did a lot of prep for it. We did a lot of advertising about it. The wait times at the ports between Canada and the U.S. are actually less this year than they were for the same day last year, and I get a daily chart that compares those things.

So the need to make sure that we don't forget the northern border because of what's been happening in the southern border, I think, you know, that has taken some time, and I think there's a lack of appreciation there about what needs to occur

and what will continue to need to occur. Always knowing, in the back of my--you know, whenever I talk about security at the border, I will bet you dollars I will get somebody talking about the need for trade to go back and forth. And I get that, and I understand that, and I know the lines need to be shorter, and you've got to have your port inspection stations and you need your technology. I understand.

But the borders are part of our security system, and I start from that standpoint. So cognizant of the trade issues that need to be confronted, being smart about it, which I think we can and are. But both borders need to operate as real borders, not just the southern border.

GOVERNOR DOUGLAS:

Madame Secretary, we are going to have to move onto our panel, but we're delighted to have you back at NGA.

Before we let you go, I'm sure you recall from your service here that at our annual meetings, we pay tribute to colleagues who leave office and move onto

the next stage of their lives. We honored Governor [Tim] Kaine yesterday.

Perhaps we should have anticipated a year ago that you would move onto a federal responsibility, but we didn't, and so I want to take just a moment this afternoon to thank you, on behalf of NGA, not only for your service as governor of Arizona, but as our chair two years ago.

Janet was the first woman to chair NGA, and she's fond of pointing out that was a milestone that required 98 years to achieve. But we're delighted that she had that responsibility and led us.

You may recall that her initiative, as chair, was Innovation America, and that focused on the importance of supporting science, technology, engineering, mathematics, education and state strategies to encourage and support innovation in economic development.

Before she got into public office, she had a distinguished career in the legal field clerking for a United States District Judge, Appeals Court Judge, and serving as a

partner in a Phoenix law firm. President Clinton appointed her United States attorney for Arizona, and in 1998, the people of that state elected her as attorney general, the first woman to hold that position. In 2002, she was elected governor, the 21st governor of the state. I forgot you are a new state. I'm the 82nd governor of Vermont.

SECRETARY NAPOLITANO:

Well, we had the Grand Canyon.

GOVERNOR DOUGLAS:

[Jokingly] We shouldn't have voted, back in those olden days, to admit all those new states.

Anyway, she was the first woman to succeed a woman as governor in America, and now it's happening again with Governor [Jan] Brewer.

So we're delighted, Janet, to have you in your new position, but also to thank you for your service as governor. And on behalf of the members of NGA, I would like to make this presentation to you, and thank you and wish you all the best.

Congratulations.

Let me call upon our gracious host, Governor Barbour, to introduce our panelists.

GOVERNOR BARBOUR:

Thank you, Governor Douglas. When Governor [Ed] Rendell talked to me about this conference being here, he suggested he thought it would be appropriate, considering what we went through in 2005 and since then, to have a session on disaster preparedness and emergency management.

And one of the things he asked me to do was tell us some of the things you learned that you might not have been expecting. And I've got three people here who are going to share with you some perspective on three of the things that we learned.

Before I introduce them--I'm going to introduce you all at once--we're also very happy to have with us Greg Fugate, the new administrator of FEMA, very well known in this business, and I will say right now, a huge help to us before, during and after Katrina--Greg. We Mississippians appreciate

you, and we are proud of you wearing that Mississippi MEMA lapel pin that you've got there.

Greg, as you all know, ran emergency management in Florida through umpteen hurricanes, including 2004, where they had four big hurricanes in Florida in one year. He brings great vitality to this job. And you are going to be the first to speak, Greg, but let me introduce these other guys. I'm going to introduce them to you in the order you are going to need them if you have a mega-disaster.

Greg Brown is the present co-chief executive officer of Motorola. He particularly runs Motorola's broadband mobility business. He's been at Motorola since 2003. He's been in this industry for more than a quarter of a century.

Let me tell you why you are going to need him. If you have a gigantic disaster, with the utter obliteration that we had, you have totally failed communications. All your communication systems are gone. And, as I said, my general of the Mississippi

National Guard might as well have been a Civil War general for about five or six days because somebody had to come see him face to face to tell him what happened. Now, we did get to send folks around in helicopters, which we did then. But literally, survivable, reliable, interoperable communications is the single thing you need first. And several of us have testified before the Senate and the House about that. Regrettably, Greg, we still haven't been able to get FEMA to allow hazard mitigation grant money to be used for that. But there's nothing to protect property and lives as important as what Motorola is doing for us here now.

Jay Fishman is the CEO of Travelers, or I guess I should say the Travelers Company. He was CEO of St. Paul and the two companies merged, and he became, in 2004, the CEO of the merged company.

The Travelers Institute is a public policy dialogue that they have, and one of the public policies that they have been very good in trying to help us address is the

issue of property and casualty insurance in the hurricane zone. We had, after the storm, many, many people who lived outside the federally designated flood zone [and] did not have flood insurance because they were told by the federal government that they didn't need it because they weren't in a flood zone.

Tens of thousands of those homes were destroyed by the storm surge of Katrina. In insurance parlance, it's a flood. They didn't have any insurance. Some of them thought they had \$500,000, \$1 million worth of insurance on their house, and they did, but it didn't cover rising water. It didn't cover storm surge.

We've been trying to figure out how the insurance industry can help us deal with that fact and also the reaction of some in the business to not write wind anymore close to the coast. We had a conference here Thursday and Friday of insurance commissioners from the Southeast, and a lot of other people, to talk about, among other things, a plan that Travelers has put

forward as a suggestion, not . . . it's a work in progress, I think. But if you are a coastal state, even as far north as Maine or New Hampshire, there is some risk that you are going to have a hurricane with a storm surge and that the houses that are flooded by the storm surge aren't covered by their regular insurance.

Last, Bryan McDonald. Bryan is with the Horne CPA firm, and at one time, ran my Office of Recovery and Renewal. He's an accountant, but one of the smart things we did--we've actually been cited by OIG and HUD and by GAO--we immediately put out an RFP to hire an accounting firm to help the small governments deal with the federal paperwork that would have been really hard for them to deal with [in] some of these small towns and the counties, under normal circumstances, but when your courthouse blew away and all your records blew away, these people really, really needed help.

And we are very pleased. Our error rates are incredibly low for disaster assistance, for FEMA's historical dealing

with this. And so we thought this was one of the smart things that no, as far as I know, no state ever did it before. I wish it would have been my idea. It wasn't. But we did this, and it really helped state government and local governments.

So I'm going to start with Craig Fugate. Mr. Administrator.

MR. FUGATE:

Thank you, Governor Barbour. We've got some short time here, and I like to kind of get to the crux of the matter.

When I got to FEMA, I said, what's our mission? And they were describing it to me. The point was, we want to be the preeminent emergency management agency, save lives, walk on water, solve all the problems.

And I said, and how do we plan to do that? Well, we are going to write all these plans and guidance procedures and give these grants out. Well, who is actually doing all the work? The state and locals.

I said, well, maybe our mission statement ought to reflect that. So why

don't we take a step back, and instead of talking about being the preeminent emergency management agency, talk about FEMA's mission in working together as a team, working together as a nation to prepare for, protect against, respond and recover from and mitigate against all hazards. And let's make sure everybody here at FEMA understands that we're part of a team. And that team is made up of local, but most importantly, through the governors, coordinating response to disasters under your programs. Our job is to support you.

We do it through a variety of ways, grant programs, building capabilities, administering programs, and then when disaster strikes and you request and warrant the president's engagement to declare a Stafford Act to support your response.

And in many of these disasters, it is strictly going to be a financial grant program to backstop the money you spent; that in effect, your state responded, we're helping pay bills.

But there's going to be a disaster

that can be bigger than that. And as Governor Barbour can attest to, we know hurricanes can do that, but it's not the only threat we face. And not every threat gives us a forecast or a warning. So disasters, we don't get to pick them. And we have a tendency to plan for the last one, which isn't always the best. You've got to plan for the one in the future.

So our mission is to build the team and be part of that team. And that team has to be greater than just government. You've got representatives here from the private sector. Without them, we cannot do or provide or feed our population on a daily basis because that's what the private sector does.

We have tremendous capabilities with our volunteer, community-based, faith-based organizations that take care of folks every day and step up during disasters.

One group of people governors needed help on, and I know many of you do this every day and talk about it, there's a tendency in this country for far too many

people to portray the role of government is to take care of everybody in a disaster. And I've been doing a lot of work looking at catastrophic style disasters, looking at natural hazards and technological and man-made events, and the one thing that I've come to the conclusion of in this country, we have got to stop writing the public out of our plan and quit treating them as a liability, and look at them as the best untapped resource when we get these big-scale events.

Governor Beebe, you know that in a New Madrid earthquake, we are going to be cut off, sliced and diced, and your small towns, if they're not ready to take care of each other, if neighbors aren't helping neighbor, nobody is going to get there fast enough.

So we have to change the dialogue of that team and make sure that the public understands they're part of that team. And those of us that can and should be prepared need to so we can focus on our multiple citizens.

The other thing we're trying to get across to FEMA is we need to quit putting those multiple citizens in little boxes and say we are going to plan for everybody and then we'll get you later. We do that for people with disabilities. We do it for our elderly. Shoot, we even do it for children. You know, we oftentimes plan for the people that should be taking care of themselves but forget that our most vulnerable population out there sometimes isn't all children. Do you know, in the United States, we have more regulatory requirements to plan for our pets than we do our kids?

So we need to step back and quit putting all these communities in a box and start planning for the communities that are there and the vulnerabilities they face. But we've also got to put more responsibility back on our folks.

And I have got a real simple message for you, if you could help me carry it. We can say this in a variety of ways. We need to tell people: get a plan, get trained, take basic first aid or CPR, and when

disaster strikes, when you and your family are okay, check on a neighbor. We are going to save more lives doing that than any program I can get spun off the ground, and that's going to allow you and your teams to focus on your most vulnerable citizens and our support role.

The last two things, the process side of the House, we have a lot of rules and regulations. I oftentimes ask how did we get all these rules and regulations. It turns out, somebody did something that probably wasn't the right thing to do, so we wrote a regulation so they wouldn't do it again instead of looking at it as a training issue. The only problem was that we were doing that for a small disaster, then we come back and go, by the way, we need to measure every one of them stumps trying to clear debris. It don't make much sense to me, sir, why are we having to measure stumps when your coastline just got moved 400 yards off the beach up the hill.

So we want to look at outcomes. I think the tendency is we try to resolve

disasters by trying to take all these pieces and get somewhere instead of defining them and trying to go and make sure we are able to get through the tools we have.

As the secretary alluded to, we can break them into three big chunks. What the law says--we have to go back to Congress; what the rule says--we have to go through an administrative hearing; or what our policy guide says--we can fix that in house. And so we are going back and looking at those issues, trying to make sure that they're doing what they're supposed to do and not precluding what Congress intended us to do in the Stafford Act.

Then the last thing I think some folks here are going to talk about is we also have to look at disasters don't always get solved by the Stafford Act. Remember, a lot of the disasters you've dealt with or you may have are going to be readministered FEMA programs, where staff are reimbursing your expenses of repairing or rebuilding things that weren't insured, and that generally gets most everything done. But

then you get the bigger disasters, where we've got tremendous loss of housing, we've got tremendous loss to community businesses. And FEMA doesn't do housing. We do shelter. It may be a temporary housing unit in your driveway for two years, but that's essentially a shelter environment until we get to the other side.

So we have to really step back and look at how do we define long-term recovery, and make sure that all the federal programs that work to support your community when you say--and I am a creature of government, I like to use tax base, because it's easy to explain and measure. But we have to drive. We can re-establish tax base within communities within a reasonable time frame; otherwise, we run the risk, we may get those fire stations rebuilt, we may get the police station rebuilt, there may not be a business or tax base to support people working there.

So we have to step back and realize the Stafford Act is not the only solution when you are looking at large scale disasters. We have to look at all of our

federal programs and think about what we want to do and what we want to achieve, and define that in such a way that we don't limit ourselves to what the Stafford Act does, and recognize there's a whole host of federal programs that can support your communities getting back to where they have a sustainable tax base.

So that's more of a change in the outlook of how we do things, from the standpoint of the process, the outcomes and focus in on who are we working for in a disaster. And ladies and gentlemen, that's you.

GOVERNOR BARBOUR:

Mr. Brown.

MR. BROWN:

Thank you, governors, for keeping focused on this very important topic of emergency preparedness and the opportunity to speak here. I would like to particularly thank Governor Barbour, who ensured that this topic be on the agenda today.

And as Governor Rendell says in the report, *An Infrastructure Vision for the*

21st Century, quote, "America's infrastructure is the backbone of our society." As the report states, our country's infrastructure has not kept pace with our country's growth and shifting demands.

The nation's governors have been presented with a unique opportunity, through the American Recovery and Reinvestment Act, to address our nation's infrastructure challenges, not only in terms of modernization and repair but also in the areas of emergency preparedness. Let me give you a few quick examples.

First, Congress gave governors--and were urging--discretion to at least use a portion of the state fiscal stabilization fund for public safety and other government services. This amounts to about \$8.8 million nationwide. Some governors are already planning to use a portion of their so-called Government Services Fund allocations for public safety technology, and I would urge you to balance your short-term needs related to filling budget

gaps with using at least a portion of this one-time funding for long-term investment completing or making measurable progress toward achieving your state's interoperability objectives.

Second, an unprecedented level of funding, about \$7 billion, has been made available for broadband infrastructure in unserved and underserved areas, and Congress has specifically included public safety access to broadband services as one of its specs. The grant guidance of the first round of funding for programs being administered by NTIA was just recently released, but I think there's an opportunity there.

Third, \$2 billion was made available for the Byrne Justice Assistance Grants Program. This is the high watermark for this program, which can be used for a broad range of law enforcement purposes, including technologies. States have discretion over how 60 percent of this funding is used.

Fourth, there is another \$300 million available through FEMA for port

security and transit security, which can include technology investments such as video surveillance to protect that critical infrastructure.

In a similar vein, there are numerous programs in the Recovery Act under which technology investments can be made to protect infrastructure and advanced safety. Highway money can be used for intelligence transportation, solutions that enhance safety and facilitate preparedness. Education money can be used for campus security. Health IT money will make hospitals better prepared to handle vast emergencies.

So with the Recovery Act, you have a unique opportunity to leverage some of these funds for the critical infrastructure needed for emergency preparedness.

Now, that said, it doesn't change the fact that you will have a mandate for annual balanced budgets, and undoubtedly, the heavy lifting and the funding for state infrastructure modernization around communications and emergency preparedness

comes from the state.

Now, in terms of emergency preparedness, when we look at the topic, it covers disaster response, planning, securing our nation's borders and ports and even emerging threats, such as cyber security, which are borderless.

Emergency preparedness cannot function without wired and wireless communications. It's like oxygen. Without it, nothing happens. Voice and data communications capabilities must survive disasters and emergencies.

As a CEO, fellow CEO, I can relate to the enormous challenges you face as CEOs of your respective states in finding the resources in this economic climate to balance your numerous priorities within the area of emergency preparedness and keeping your states safe for the public.

Technology is the mechanism to deliver the various systems of government you manage as CEOs of your states, including both the prevention and response side of emergency preparedness. I believe states

can balance the priorities and address emergency preparedness in a cost effective manner by taking an enterprise wide approach to your technology infrastructure. And by that, I mean, as we have seen over the last several years, more and more states--and to date, 34 states have taken a statewide approach for efficiencies, effectiveness, state, local, county, et cetera--for the interoperability and survivability of emergency communications.

An enterprise wide approach enables you to take a holistic view of your technology needs and look across the regions in both public safety and public service sectors and the recession requirements to meet the goals of prevention and response.

With any enterprise and within the public safety realm, you need to invest in multiple types of technology in order to satisfy the needs of your users. Within the public safety enterprises, your users have three key requirements that are the same across all of your agencies.

One is seamless connectivity. Your

entire enterprise requires broadband communications, networks both wireless and wire line, both public and private. Mission critical voice and data communication is critical, both for the prevention and in times of response to ensure the safety of your states. Broadband communications networks should be considered part of our nation's core infrastructure, just as roads, transit systems, education systems and hospitals are. We are in support of the administration's call for a national broadband strategy.

Second, real time information. And Secretary Napolitano talked about information and intelligence sharing and her movement toward fusion centers. Your public safety and agency personnel need information in real time to assess situations. Getting information to them in real time not only requires seamless connectivity, it requires mobile applications, wireless video and command centers to make it possible.

As an example, Los Angeles Police Department saw a 40 percent reduction in

crime when they began using mobile video surveillance over a wireless broadband network in Jordan Downs, one of the city's most dangerous areas.

Third requirement, in the hands of users, in addition to getting them real time information to assess situations, the information has to get into the right hands. Getting real time information into the hands of users is possible through mission critical two-way radios, in-vehicle computers and mobile computers. The type of device depends [on] and should be tailored by the type of user.

As with any enterprise, ensuring your technology investments that are interoperable with other agencies using different technologies and compatible with existing systems should be both a budgeting and a planning priority. Interoperability across networks enables interagency communications, ensures real time information gets into the hands of your users when they need it. Backward and forward compatibility minimizes risks to

prior and future investments, and in addition, better spectrum utilization, data sharing and integrated security possibly affects total cost of ownership and improves the effectiveness of your state's workforce.

Our own experience, as was referenced with public safety, we've known that mission critical technology is vital to emergency preparedness. We've seen this in real time. Katrina was clearly our largest single disaster recovery response, as I'm sure it was for all of the other companies affected. And although we provided personnel and equipment and more--to Governor Barbour's opening remarks in referencing the Civil War--it was like overnight, going from an interconnected communicating infrastructure, to overnight, waking up to what felt like a third-world country overnight and what has to be done on the very fundamental blocking and tackling things that are necessary. It's a different thought. It's a different mentality.

I remember asking questions about what was deployed and where it was deployed,

money that was invested, and where are the redundant systems, and what about battery backup. But if battery backup that's been invested in is deployed a mile over in a basement that has equal flooding, the investment is useless.

So there's a lot of, I think, lessons learned around deployment planning best practices that are absent and indifferent of technology that we all could grow and use in an advantageous way going forward.

We saw, in practice, the benefits of true interagency communications when state troopers from Michigan were able to use their 25 two-way radios on the State of Louisiana network, which allowed a more efficient mutual aid response.

At the Minnesota bridge collapse, we saw a single 800 megahertz radio communication system used by first responders during the bridge collapse, and 74 different agencies, during the rescue and recovery effort, providing seamless interoperable communications of first

responders from several different jurisdictions throughout the area.

With the California wildfires, the same thing: there were radios and batteries and other communications supplied, but a whole host of very well thought through processes allowed a very efficient and strong response to those hazards.

In terms of lessons learned, I think the most obvious, given the immense variety of emergency types--it's most important to man an all-hazards approach to emergency preparedness, which is exactly what FEMA has done, and I'm sure Administrator Fugate will address. We heard Secretary Napolitano, Governor Barbour reference, I think, the potential for regulations and policies to be actively reviewed, which we know is being done, and potentially having hazard mitigation funds available could go a long way.

Second, there's a direct correlation between restoration and preparedness. Exercises, drills, scenario planning, keeping contact information updated,

prepositioning equipment, knowing what you can count on from your vendors to do before and after an event occurs will greatly facilitate the recovery process. In other words, inspect what you expect, and there's no shortcut around training.

Third, very important to have network monitoring of mission critical systems and applications which can provide early diagnosis of problems, track storms and outages, and provide proactive damage assessment. This also helps reduce costs, while enabling some problems to be corrected remotely without the need for field personnel, and, when field personnel are deployed it makes them more efficient by providing the backup technical support they need.

Fourth, existing assets should be hardened. Plan for the worst. For example, prior to Hurricane Katrina, towers, shelters were built to a quote-unquote, category 3 specification. Post-Katrina, we're building to a category 5 specification.

Fifth, primary network should be

augmented with alternative technologies, such as mesh networking and/or satellite and/or cellular. Similarly, alternate energy sources should be available, such as portable fuel cells.

And, finally, and perhaps most importantly--this is something I've already touched on--which is true interoperability is non-negotiable. Interoperability provides the means logically and effectively to manage situations in both crisis mode, response mode, and also the prevention mode. The P-25 Standard, which was jointly developed by the Public Safety User Representatives, as well as the Telecommunications Industry Association, includes participation for multiple equipment manufacturers and is an open industry standard; therefore, it doesn't represent a specific technology, but it does represent the unique requirements for reliable voice data and video communications.

So the technology to solve the challenge of interoperability and

interagency communications exists today. But in many instances, the main impediment to implementing it is funding. States should be given maximum flexibility to use their disaster mitigation dollars for the prevention of disasters and for use in upgrading current communication systems to the open standard nationally and federally and state and local defined 25-day systems.

As governors, I urge you to make the case to the federal government for support in upgrading our nation's public safety communications infrastructure, just as they are doing for roads, schools and hospitals. Some want to think that interoperability has been solved because of the significant investments that have been made since 9/11, but I don't have to tell you that I think there remains much to be done. While we've talked a lot about Katrina today, there's one emergency situation where the use of P25 communications devices was extremely beneficial because of intra-agency communications was possible and real. And earlier, I gave the example of Michigan

state troopers bringing their P25 devices into Louisiana and being able to communicate with other public safety agencies. In a time when communications was barely possible in our agency, this was a huge benefit of all.

A parallel example of this is e-mail. Once standards enabled various proprietary e-mail systems to be fully interoperable, e-mail usage flourished and became the indispensable tool that it is today.

So, again, I urge you to continue to make the case at the federal government for funding and for flexibility when using disaster mitigation dollars for technology, both for prevention and response.

In terms of cyber security, which we mentioned, we have to do more in terms of a public and private partnership. I had the privilege of being one of 30 CEOs from the high-tech industry to serve on the president's Administration NSTAC Committee with recommendations on assuring vital communications links through any event or

crisis.

But I will tell you that cyber security, while talked about significantly and with President Obama highlighting it in a press conference about four weeks ago, is a national issue, and, yes, there's steps that can be taken at the federal level, but it's a state and local coordinated effort, as well, and I think with some of the national association state CIOs that you all have in place some good coordinating work will be done on that.

Lastly, I will just leave you with one final thought. People ask me, with different budget situations, priorities in the states, pretty much a ubiquitous shortage of funds, Greg, what are the common attributes that are there when states successfully implement a state-of-the-art interoperable communication system, and I think the number one requirement is you. Because when a governor takes a leadership role, and he or she makes it a priority, and then determines and declares that as a top priority to your respective administration

and constituents, things happen significantly.

So putting the state on the path to an enterprise wide approach to technology investment, establishing the proper government framework, bringing different stakeholders together, I was thrilled to see the NGA's proposing policy position on public safety communications and the explicit recognition and the need for public and private sector coordination.

I really appreciate you highlighting this on the agenda and your continued courage and leadership in making this a priority. Thank you.

MR. FISHMAN:

Thank you, Governor Barbour, and thank all of you for being kind enough to invite us to participate here today.

How poignant it is to be here on the coast of Mississippi, and to come in from the airport, and four years after Hurricane Katrina, to see the level of rebuilding that still needs to be done. You speak about a work in progress. It just made the point

very eloquently.

And Governor Barbour, a tip of the hat to you. There has been no one who has been more constructive and added more to the dialogue about property casualty insurance than you. You remind me frequently that your coast is predominantly a working coast. There is a tendency to think that it's all about high-rise condominiums overlooking a wonderful water, but here, it's about jobs, and tax revenues, and energy, commerce and shipping, all of the things that create stabilities in states, and so you've challenged us, and you've tried very, very hard to respond and to be engaged in the debate, and thank you for that opportunity and for your serious engagement.

As the governor mentioned, I am the Chairman and Chief Executive of Travelers Companies. We are a large property and casualty insurance company conducting business predominantly in the United States. Fortune 500 ranks us as 99th from a revenue perspective and 50th from profits.

We run our business for the

long-term and have been fortunate to have avoided the assets and investments that have proven so problematic for so many financial services companies. Notwithstanding the difficult investment marketplace, we posted net income of nearly \$3 billion and generated a return on equity in excess of 11 percent in 2008. We have not requested nor have we taken financial assistance from anyone.

We trade on the New York Stock Exchange under the symbol TRV, and a few weeks ago, we were pleased to have been added to the Dow Jones 30 Industrial Index.

We're here today not because Travelers seeks any particular structural relief related to wind exposure. Much as we did in the investment arena, we've managed our wind exposure prudently and were well positioned.

Rather, we're here because we believe we have an obligation to constructively participate in finding a solution to the difficult problem of availability and affordability of insurance

in coastal areas. This issue, which we believe can be traced back to the experience with Hurricane Andrew in 1992, became particularly problematic after the 2004 and 2005 wind seasons. Think, of course, Hurricanes Rita, Katrina and Wilma in '05, and when scientists subsequently indicated that they believed we had entered into a period of more active and more intense hurricanes due largely to cyclical warming of the Atlantic.

While 2006 and '07 were benign years from the U.S. perspective, candidly, we were lucky. Both years were active and there were serious category 4 and 5 storms that made landfall in Mexico in both years; 2008, of course, was again serious for the U.S. with storms Ike, Gustav and Dolly making landfall and causing serious damage, particularly in Texas.

Over these years, we have spent considerable time and effort engaged in the debate, in part, because we've been particularly disappointed that our industry has not been able to find consensus and

lead. No pun intended, there seems to be a notion of dig-hole-in-sand-and-insert-head. It's not a philosophy that we think is a responsible action, and we want to be engaged in the debate.

The concepts that we're putting forth, which have changed some over time, as thoughtful people such as yourself, governor, have participated was first evidenced by us in a *Wall Street Journal* editorial nearly two years ago.

When an insurance company decides how much catastrophe business it can write, it has to consider a few things.

First, every company has limited capital, and it has to be in a position to meet all of its claim obligations after an event.

Secondly, the company has to evaluate whether it can make a reasonable and fair return, not excessive, but a reasonable and fair return on that business over time. Both of these issues are seriously impacted by the regulatory environment in which the industry operates.

The less predictable the regulation, the more difficult it is for a company to commit capital for the long term.

Consequently, we've attempted to identify the real issues that are at work here and to propose solutions that will help deal with these challenges. We know that there are any number of potential solutions to this crisis, in large measure dependent upon one individual's view of whether the solution should be government based or private market based, and while we tilt strongly to a private market solution, we do recognize that there are other ideas and thoughts that have been presented, and we're open to input from anyone. We don't pretend to have the monopoly on good thinking and can embrace other ideas as well.

In addition, but probably most importantly, ultimately Mother Nature will determine whether any of these structures provide long-term genuine relief. The more difficult the weather, the more problematic it will be for any of these proposals to work for the long term. With that, let me

turn to the proposal specifics.

The Travelers proposal envisions five specific actions that are geared towards resolving specific issues that confront--particularly--coastal communities.

The first is, that as we all know, insurance has been a state by state regulated industry for many, many years. Wind, unfortunately, doesn't recognize state borders; it just blows, and as a consequence, the insurance industry can be most effective when it's able to spread risk across customers, consumers with like risk.

So in trying to identify a way in which to spread the risk more effectively, we've created or suggested the creation of four wind zones where rating mechanisms, premium mechanisms would be able to be spread across each of the consumers in those states obviously more impacted by those closest to their coast than those further away from it.

But the statistical likelihood of an event occurring in Texas is virtually identical to it occurring in Louisiana,

which is identical to it occurring in Mississippi or Alabama; and what the industry is facing right now is a situation where individual insurance commissioners in the state represent its state's constituents, as they should; but the fact is, it makes spreading the cost of insurance more effectively quite limited. So creating these . . . in effect, these interstate zones will provide the insurance industry a meaningful vehicle to spread the cost of insurance much more effectively and much more predictably.

Secondly, we seek regulatory stability. That's not to say that we seek less regulation. Quite the contrary. Make the regulation as onerous as you think, make it as pro-consumerist as you think is appropriate, make it difficult, but make it. Make it and allow companies to understand the rules and regulations, to understand the level of capital that that will permit them to commit and then stick to it.

The less predictable the environment, the less willing insurance

companies are to commit capital for the long term. And make no mistake; one state's actions in this regard can affect another state's, as well. It's not as if one state stands on its own. For better or for worse, many of you are linked together in this context.

Now, it was originally our proposal that that regulatory environment be provided by federal regulation because it seemed to us that it was the most effective way to provide a political and consistent regulation over time. Governor, you challenged us and asked if, in fact, regional consortiums could be created and provide that same vehicle. And the answer is, yes, it can. We are not religious about this point. We are not seeking federal regulation or any particular regulation. What we're seeking is consistent regulation.

And to the extent that coastal governors can gather up and create an environment that provides that stability and the consistency, and to do so in a way that the insurance industry can embrace, I assure

you that there will be an increased commitment of capital that will go along with it. So, absolutely, your suggestion as to regional consortiums would work just fine.

The third element is rating transparency. One of the things that's become very apparent to me is that there's a perception among much of the public that the insurance industry wins and the public loses. That when wind blows, rates go up, and when wind doesn't blow, rates go up, and we can't figure out why rates just go up.

To the extent that you've created regional consortiums to provide regulatory oversight, then our program would envision a very transparent and clear mechanism for establishing premiums, one that could be subject to appropriate public inspection. And most importantly, I think, to the extent that the science turns out to be wrong or, in fact, we continue to just get lucky, there should be a mechanism by which prospective premiums are adjusted downward to reflect the fact that the experience was

not as we had expected.

The entire industry uses wind-based models to establish costs and make projections, and it's the best science available, and I will tell you categorically that it's allowed insurance companies to take on far more risk than they did previously; but it's nonetheless a prediction.

And I quote Yogi Berra when he said, it's really difficult to predict, especially when you are talking about the future. In fact, these models may turn out to be wrong, and the insurance industry has an obligation, through a return of premium mechanism, prospectively, to have a fair transaction, a fair deal with the public.

The fourth element is a result of a series of issues that took place after 2004 and '05, when rating agencies revved up the amount of capital that the insurance industry has to carry to cover extremely remote but extremely expensive events. And I'm speaking now in the context of events that would be considered multiples of

Hurricane Katrina. I'm not speaking about the normal wind kind of season that we're very capable of handling.

Well, the insurance industry responded because having its ratings at appropriate levels was necessary, and the industry raised that capital and committed it to that business. That capital, unfortunately, is not ours. It's our shareholders. A return has to be earned on it. So a meaningful part of the premium mechanism right now is to reflect the cost of these very, very highly remote but very highly costly events.

We believe that one way to deal with that is to have the federal government provide reinsurance to the industry for those types of very extreme events at cost. At cost, not through a subsidy, not through a cost from any other state that isn't impacted, but at cost. And, obviously, that eliminates the requirement to build a return on capital into that premium.

The insurance industry would be obligated to pass those savings onto the

consumer, and obviously it could be adjusted for the individual regions. The amount of reinsurance that's needed in Zone 1, for example, is a great deal different from the amount of reinsurance that would be required up in the Northeast and it would have a meaningful impact.

Many public policy folks ask me, how do we keep this from becoming another flood program? It's in such serious straits and a real deficit. The answer to that, of course, is that the reinsurance will be made available to the insurance industry, not directly to consumers. The fact is, I don't see too many public policymakers who are focused on cutting a break to the insurance industry. They'll make sure that they collect what they should, as opposed to the flood program, which is directly billed to the consumers themselves and is the subject of much political debate.

And lastly, to deal with the issue of Mother Nature. And many of you have embraced this aggressively. The best way to avoid losses is to avoid them--and through

mitigation. We're speaking now about much stronger building codes, most importantly, enforcement of those building codes. And finding ways with which our industry is participating in to invest in building stronger homes that are better able to withstand those storms.

It's up to you, also, to deal with land management and land mitigation. We all know the stories of the land silt outside of New Orleans that was so impactful in causing damage into New Orleans. And, ultimately, mitigation is going to play an important role in dealing with this issue. Whether it is a wildfire issue or a hurricane issue or a flood issue, it all matters.

And that's our program. We're interested in being a participant in the debate. We do, I do, in particular, feel a genuine responsibility, as an industry leader, to be as thoughtful as we can and to be as helpful. We recognize that the absence of insurance creates enormous stress on communities and we don't take it lightly.

So thank you again for giving us the

opportunity to be here, and I'm happy to take on any questions later that any of you have.

GOVERNOR BARBOUR:

Jay, thank you. Bryan.

MR. MCDONALD:

Thank you, Governor Barbour.

Governor Douglas, thank you for allowing me to be a part of this panel. I greatly appreciate it. And let me also give you my word that I will do the best to avoid another disaster here, which is a long-winded CPA waxing on for far too long into a Sunday afternoon.

Administrator Fugate, let me also . . . a word of personal thanks. The teamwork you mentioned about your folks--one team, one fight--we saw it right here. As a matter of fact, we saw it in this building. As a point of reference, this building served as the joint field office for the command center for the state and federal response to Katrina.

And I guess a moment of history: Four years ago today would have found me in

this room, governor, as best I can tell, sitting about where you are, although facing in that direction on one of your tables. The nice six-foot, FEMA-issued stainless aluminum top table, along with 1000, 1500 others, that were committed to working around the clock, seven days a week, and bringing hurricane assistance to this devastated area.

I can promise you I didn't know at that time that our efforts would be celebrated by the GAOs and Best Practice and would serve to shape disaster compliance for those to come. Certainly, even more so, I had no idea that this room would be hosting governors from around the country. So it's a real powerful moment.

In the wake of Katrina, we're working under real clear guidance from that guy right over there. We had a focused governor who said, hey, get the money, get the money out, you do not have to give the money back. We were very clear on that. He has the ability to be very clear. Our efforts were greatly benefited from the

working environment, this working environment. It was a very intense work schedule.

A little bit about the environment. This room looks quite a bit different than it did four years ago. As a matter of fact, the floor, when I walked in this time and saw it, I was a little bit in shock. The floor was concrete. We were in the process of scraping up the tile that had buckled as a result of the water, and the panels at that time were not the panels you see here. Thank you, Administrator Fugate, for those panels, PA panels. But the panels at the time, you could see the watermark. You literally could look out and see the watermark.

I doubt any of you guys would have seen this, but if you looked at some early footage of Katrina, you would have seen a car floating in the Coliseum. One of their cameras stayed on for a little bit longer before the power went out. So there was devastation from the rising water.

I think, in our case, the disaster

response and recovery helped illustrate the real brilliance of our founders and their confidence in the federal system. I think ours is a recovery that was defined by cooperation.

Our local governments have been on the front lines, using their local knowledge to ensure that post-disaster activities represent and respect the actual circumstances on the ground.

I mentioned to you that FEMA and MEMA, which is our Mississippi Emergency Management Agency, and other state and federal agencies worked seven days a week, typically 12 to 16 hours a day, in this very building, to overcome those recovery barriers. As a matter of fact, we had my boss, who is in the room behind me, Mike Womack, had just a couple of things going, and one of them was that we had daily meetings. We had those meetings at 7:00. We started with a 7:00 a.m. meeting and we ended with a 7:00 p.m. meeting. And of course, as you know from attending those meetings or leading those meetings, there

was work on both sides.

There was a true spirit of teamwork that led to that. And I had to smile, as I shared with him as we walked in together, as you walk out into the concourse area, you will notice two palms there. One of those palms is sitting on very fertile ground because, as best I recall, that's where the conference table set, which was six of your tables pulled together, and at the time, some \$2 billion in public assistance was obligated as a result of those meetings that we had.

So it was a very powerful time, and it was certainly very team-work oriented. I think we also realized that the Stafford Act was not designed with a regional disaster in mind. But as Chairwoman [Rosa] DeLauro stated yesterday, in our moment of crisis, we had a leader in Haley Barbour that took the long view.

Governor Barbour realized that the country's worst natural disaster could only be compounded by a second disaster caused by the de-obligation of potentially hundreds of

millions of dollars in federal aid, something Governor Beebe, I know that your guys have to be mindful of right now as well.

That event would come just as local jurisdictions were beginning to rebuild, and they realized the impact on record-keeping that was caused by the size and the nature of the disaster.

Let me make it clear, FEMA did not want to see that disaster either. They were a key stakeholder in the creation of the system to avoid it. Now, I'm not here to suggest that first responders should be armed with flashlights and water and medical supplies and a calculator. That is not what we were about. But we did recognize the gravity of the situation and the need to provide on-the-ground accounting resources, boots on the ground, as the secretary said. That, coupled with a Web based, real time technology that was owned by the state that provided the financial structure specifically designed to meet the compliance and transparency guidelines that were

required to ensure an honest government.

So working with state and federal officials, we established and maintained the first state based, real time audit system for public assistance. Along the way, the Government Accountability Office paid special recognition to the system first in September of '08, and again in December of '08 and finally in March of this year, in testimony in Congress. In fact, the GAO specifically reported that as a result of the state's system, quote, "FEMA and the state reduced the burden on applicants meeting public assistance grant program requirements and gained immediate access to key documents that helped officials make private improvements." And you all understand, sitting around this table, when a local official said, "I need to do it; I need to do it now; why can't I do it? Why is FEMA telling me no?" FEMA was not saying no because it was being mean spirited. FEMA was saying we need more information in order to make a decision to be sure that you are in compliance with the regulation. We

helped straddle that hurdle.

My CPA firm, the Horne Group, certainly values our role in Mississippi's recovery, specifically, our role in creating the model celebrated by the GAO. But make no mistake, it was not a contractor driven solution. We were back of house to a state and federal government that rose to the occasion, as Governor Barbour said, hitched up its britches and got to work.

I didn't realize, sitting in this room, that Katrina would help wash in a new era of transparency and accountability. And in many ways, I am the Forrest Gump of CPAs. I was simply here when they took the picture. I was blessed to lead a team of very talented people.

So, 2.8 million images later, with over \$3 billion in public assistance obligated, with over 11,000 PW's, or programs, as we might call them, with less than 1 percent de-obligated, significantly less than 1 percent de-obligated, I'm proud to have been present for that picture in the Katrina book. The FBI, the OIG, state

auditors and others have found the common sense, off-the-shelf solution to be the right fit in speeding relief, while minimizing fraud, waste and abuse.

So the system, as best I can tell, in my opinion, is just one of some five ingredients that I see in the governor's successful leadership formula. Your time is valuable, and I certainly don't want to take any more of it. I will say that many of us share a common belief that our obligation is to take that which was intended for bad and use it for good. I think that's the case, and certainly what we attempted to do in Katrina.

I will say to you that each of the states around this table contributed to our recovery, and it is my hope that if there is any lesson learned that can benefit you, it's that good may come of this.

So I believe the era of transparency is here to stay, and whether it's disaster assistance or Recovery Act assistance, we must provide smart solutions to see that the taxpayers' money is used for its intended

purpose and to demonstrate an honest government.

And, finally, let me close by thanking you for honoring all those people that worked in this building some four years ago and by writing a final chapter for me in the Gump story.

GOVERNOR DOUGLAS:

Well, some very important perspectives on a topic that's critical for each of the governors, as we respond to natural disasters or those that are not natural in our states, and we do appreciate your being with us today.

And, Haley, thank you so much for facilitating this important conversation.

Let's thank our panelists for being here today.

Now I would ask the governors to move as quickly as we can to our next meeting.

[Plenary Session concluded.]

NATIONAL GOVERNORS ASSOCIATION
ANNUAL MEETING

Transcript of Plenary Session
"Energy and the Economy"

Mississippi Coast Coliseum
Biloxi, Mississippi

Monday, July 20, 2009

10:30 a.m.

Reported by Monica Schroeder, RPR, CRR, CSR
Merrill Legal Solutions
Mississippi Gulf Coast Office
www.merrillcorp.com

GOVERNOR [Joe] MANCHIN:

Welcome to the closing Plenary Session of the NGA Annual Meeting 2009.

At this session, we will hear from four experts in how energy is a critical component to maintain our economic competitiveness and how to address the volatile challenges related to energy reliability, security and sustainability.

I appreciate that each state has different natural resources, a different energy mix and a different economic base, so we all come to this issue with our own perspectives and our own mix of assets.

I'm looking forward to hearing from our speakers about how they see the future and what we, as governors, can do to ensure that our energy goals and our economic goals work hand in hand.

Our lineup today includes Karen Harbert, president and CEO of Institute for 21st Century Energy at the U.S. Chamber of Commerce; Katie McGinty, a founding partner of Paradigm Technology Partners, a company

devoted to clean energy technology development; Daniel DiMicco, chairman of Nucor, the nation's largest steel producers, and hence, a large energy user; and Ira Magaziner, chairman of the Clinton Foundation Climate Initiative.

These leaders, representing the business, investment and philanthropic communities, each brings a different and important perspective to the subject of energy and our economy. Following each of their remarks, we will open the floor to questions.

At this time, I'd like to call on our host. And I want to say, on behalf of all the governors, and our spouses and our families, to thank Governor Haley Barbour, and his lovely wife, Marsha, and their staff for what a wonderful conference they put on for the NGA, taking care of all of our needs, and wishes and desires, and made it a very pleasant stay, and we appreciate Governor Barbour for all that he's done and his staff, and I want to thank him and bring him to the podium at this time.

GOVERNOR BARBOUR:

Before I introduce the first speaker, I do want to tell you all, we've enjoyed having you here. And I want to thank, in front of all you all, the people that really worked hard to make this happen, Joe Floyd, and his staff, that helped run the conference; the NGA staff, Susan Dotchin and people did a great job there; the Beau Rivage; the Hard Rock; and then these more than 100 volunteers who turned out to be part of this. And, finally, I want to thank the people from the Mississippi Department of Public Safety who worked a lot of overtime to do this. And so we'll get that out of the way first.

Karen Harbert is the president and CEO of the Institute for 21st Century Energy of the U.S. Chamber of Commerce. She's executive vice president and managing director of that operation, and she manages the day-to-day operation of the Institute, including policy, education and communication initiatives.

She designed and implemented the

energy policy initiatives, and oversaw budget reviews for fossil and nuclear renewable energy and energy-efficient standards at the Department of Energy, I guess, and she's gracious to be with us here today to talk about the energy policy. Karen.

MS. HARBERT:

Governor Barbour, thank you for that introduction, and Governor Manchin and Governor [Jim] Douglas, thank you for your leadership of this important event.

I think my job this morning is to burden our discussion with a little bit of facts, and I will do that.

Would you like me to speak from the floor or from the podium?

GOVERNOR MANCHIN:

Wherever you are comfortable. You want to come up here?

MS. HARBERT:

That's fine.

Governors, you all know better than I do that the provision of affordable and reliable energy is so fundamental to our

economy, our economic recovery, and also to our national security. And I'll say that the choices that you make, that this administration makes, that our Congress makes in the coming years will be with us for decades to come, so we need to approach it with the appropriate level of seriousness, and it needs to be fact based.

But before we know where we're going, where are we? The Pew Center did a poll in January about what was on the minds of American citizens, and energy came up as number six, right behind the economy. And I would like to say that global warming came out as number 20 on a list of 20. And that's where the American mindset is.

When Gallup did a poll in March about climate change, an interesting new statistic came out, that there's an increasingly growing population out there that is skeptical of what they are being presented in the media as facts. Forty-one percent of the American people are now skeptical about the validity of what's being presented.

And when they were asked whether they were going to be willing to pay more to address climate change, you'll see a huge change from where we were in the '90s, when almost double the amount of people were willing to pay more, and now, we are, because of the economic times in which we find ourselves, basically split on whether we should or should not be paying more to address the challenges associated with climate change.

Well, what's happening out in the world? Between now and 2030, the demand for energy is going to go up by 50 percent. Seventy percent of that is going to be in the developing world. China has 30 million cars on the road today. They're going to have 300 million cars on the road by 2030. And we still have a billion-and-a-half people without access to electricity, but the demand for electricity around the world is going to go up by 100 percent.

Here in the United States, we know that our demand for energy is going to go up by as much as 30 percent, and we know

electricity demand is going to go up by 20 percent.

What are we doing about it? Coal, which provides 50 percent of our electricity, and many of the governors here are blessed with that natural resource in their state--we're making it very difficult for the producers of coal and for the utilities that use coal to expand their business. We are introducing additional regulatory uncertainty, and certainly, if we have climate change legislation passed ultimately through the Senate, those that are in the coal business will face new penalties.

Nuclear, which provides 20 percent of our electricity: We have 20 utilities which have put forth applications to the Nuclear Regulatory Commission to build 26 new reactors in our country. We haven't built a new one in 30 years.

However, funding to reduce the capital costs of some of these nuclear plants, or at least to underwrite them, was excluded from the stimulus, and expanding

loan guaranty authority has been eliminated from the 2010 budget.

We have de-funded governors. We no longer have the proposition of a permanent repository for our nuclear waste, and the administration announced last week that we will no longer pursue near-term reprocessing of nuclear waste.

And, yet, the utilities are still paying every year into a nuclear waste fund, and yet the government is in breach of its obligation to remove that nuclear waste.

On the transportation side, you all know that we are 96 percent dependent on oil for our transportation fleet, but we are not doing anything to access the tremendous reserves that we have here in the United States. We have placed over 85 percent of our reserves off limits for 30 years. Those moratoria have expired, and we have not put any of those new leases out for lease, and in fact, are pulling back on those leases that are already available and allowable for lease.

In addition, in the budget that is

being considered in Congress, there are \$80 billion of new taxes on oil and gas companies, so we are restricting access, and we are taxing those companies on their existing operations; and, yet, we are blessed with the new news and great news of new natural gas around our country, but we're going to make it very difficult to get to.

And that's a game changer. If we have more natural gas, we have more energy security, and it is a clean-burning fuel.

Just to show you, on a quarter-by-quarter basis--second quarter of last year versus second quarter of this year--you are seeing a reduction in the number of oil wells and gas well completions in our country. So it's happening in real time. It's not going to happen in five years or 10 years. We're talking about decisions being made today that are impacting us today.

On the other side of the ledger, let's talk about renewables. Solar and wind currently account for about 1.3 percent of

our electricity. We are investing tremendous resources in R&D, production tax credits, manufacturing credits mandating the expansion of this. It is all good, and we should be doing that, but even if we quintupled the amount of solar and wind in our electricity supply, we would still need more base load power. We can't forget we need to keep our economy humming.

On the efficiency side of things, there's great opportunity there. We could do more with less energy, and we're investing a tremendous amount of money in there and also making our passenger fleet more efficient. But like I say, just with renewals and efficiency, it's not sufficient. We need more energy supply.

But the problem is we have a new thing. If you remember nothing about what I said today, remember "BANANA." We no longer have an MB sign in my backyard. We now have a plague in our economy of BANANA; Build Absolutely Nothing Anywhere Near Anyone. And the reason is that we no longer have red tape, we have green tape. We have projects

all across our country that are bogged up with litigation, abuse of siting and permitting and environmental regulations at the state and federal level.

And this is what it looks like. Over the past two years, we've looked at 300 energy projects that have been put forward for siting and licensing, and all of these have been stalled or stopped by litigation using environmental regulations.

And it's not just in the natural gas and the conventional fuels. These are renewal projects, as well. So we're taking viable options on all forms of energy off the table.

We were talking, before this session, we're even making the building of solar panels--solar based in the Mojave Desert--not doable. So we've got a real problem.

We need more energy. We need more infrastructure. They create jobs in your communities, but we're letting them be held up.

A quick couple words on climate

change. Certainly, the EPA has a full plate, with the proposition of an endangerment finding. We know that the Waxman-Markey Bill, which just passed in the House, 219 to 212; although, just from a state standpoint, 22 delegations had a majority voting for the bill and so you could do the math of how many delegations did not have a majority that was voting for the bill. And I think that complicated the Senate debate tremendously.

We know that that debate will happen, under Senator [Barbara] Boxer, coming up in September. And the President just returned from the G8, with the G8 committed to the developed world reducing their emissions 80 percent by 2050, similar to what the Waxman-Markey Bill was, but the developing world walked away from those negotiations and did not agree to any binding commitments.

Where are we? Well, the U.S. emits about six gigatons of CO₂ a year. That sounds like a lot. It is a lot. But there's one sliver of good news in that, is

we are emitting less now than we did in 2007; in fact, 3 percent less.

Who is doing better than us? One country, and one country only, and that's France. Why is that? Because they have 80 percent of their electricity derived from nuclear power.

But, you see, the rest of our colleagues in Europe from whom we take a lot of grief about what we are or are not doing, are not doing as well as we are, and then you see the developing world, on the bottom part of that graph, that have a tremendous growth in greenhouse gas emissions.

In fact, 80 percent of the greenhouse gas emissions in the future will come from those economies and not from ours, led by China and India.

So as we look forward to Copenhagen and beyond, it is imperative that the developing world be part of the discussion and ultimately commit to binding obligations; otherwise, anything we do will not have any impact on the environment and only adversely affect our competitiveness.

Just a graphic depiction of Waxman-Markey. No. You are not supposed to be able to read it because it's very, very complicated. But it shows there that Waxman-Markey proposed 397 new regulations and over 1000 new mandates. It's complex by any stretch of the imagination. It is a bill that is 1500 pages long, and it has multiple components to it, but I think the most interesting part of it is a provision that came in about 3:00 in the morning on the day before the bill was supposed to be voted on, which is an unemployment assistance program. And it says, for any employee in the fossil fuel industry that loses his or her job because of the promulgation of this law, that you are then eligible for 156 weeks of unemployment assistance, at 70 percent of your salary. It's an upfront admission that there will be job losses for this bill.

There are big differences in analysis of this bill. The National Black Chamber of Congress says that 2.7 million people will lose their jobs because of this.

There's other analysis that say the effect will be smaller. The bottom line is: it's so complex, we don't know. We need better analysis, and we need more transparent discussion.

What we do know is if it's successful--and there will not be a test on this slide, but I put it up there to call your attention to it--if it is successful, we have to remove a gigaton of CO₂ out of our atmosphere between now and 2020. For those of you without your pocket calculators and don't know how much a gigaton of CO₂ is, it's the equivalent, instead of building coal fire power plants, replace them with 130 nuclear power plants--we haven't built one in 30 years--or 127,000 windmills. Do we have the policy and regulatory environment in place to do that? Do we have the manufacturing base to do that? Do we have the credit and capital available to do that?

If we do it, if we're successful, this is what will happen to our economy. We will have the CO₂ emissions intensity of what

Bangladesh has today. That's the red line, us in 2050, as compared to the other countries at the top. That's where they are as of 2005. If we're successful, we'll have the CO₂ emissions intensity per capita, that means per person, of North Korea.

I'm not doing this to fearmonger. We all need to be doing something. This is to put some reality on the table that the transformation we're talking about is huge, and we need to approach it very seriously with the appropriate amount of policy and regulatory and capital incentives to make this type of change feasible.

So what do we need? We need more realism. We can't pick and choose our solutions for the future. We don't have silver bullets. I like to say we have silver buckshot. We need it all. We need oil and gas, and we need to produce more of it here at home. It creates American jobs, American industries, and certainly increases our energy security. We need nuclear. We need clean coal. We need new alternative transportation fuels that don't compete with

food over the long-term.

We need renewables. We absolutely need renewables. We need a sustainable policy to insert them into our energy mix. You know we need to modernize our infrastructure. You are seeing it every day out in your states, that we have a 20th-century infrastructure trying to support a 21st-century economy. It doesn't work.

China is leap-frogging over us in their infrastructure quality. We need to get serious about overcoming that. We need to get beyond nope, out of planet earth, BANANA, you can call it whatever you like. If we don't get something built, we are never going to have that infrastructure. So we need to streamline that permitting process to get these jobs and get this economy moving.

And last, but not least, we need to invest in our innovation, in our intellectual infrastructure. At the end of the day, innovation will carry this economy, and if we don't remain competitive in that area, we won't be competitive in any others.

There are some serious clouds on the horizon. We need more options, not fewer; more American jobs, not fewer. And there's a growing gap out there in the public policymakers. Policy is going one direction, and the American public is going another. Seventy-seven percent of the American Public wants more oil and gas, and 52 percent want more nuclear; and yet, current administration policy and Congressional action is taking those options off the table.

We need a transparent discussion on costs and benefits. It's going to cost something. We all know that. But we need to bring the American public along much better than we have to date, and we need an inviting investment climate. Capital is scarce. We want to invest it here, in Boise and in Boston, not just in Beijing and Mumbai. We've got to get serious about that investment climate and making sure those investments happen here.

And, lastly, I would just like to remind you, as government leaders, that we

have to be very, very serious about the role of the private sector versus the public sector. It is on the back of the private sector that our country has become so successful, and it is on the back of the private sector that we'll drive our economic recovery.

So as we seek to define the delineations between public policy and the private sector, we need to be very careful that we don't unincentivize their activity here, because it's very important that they be participants in our recovery and through our recovery. And energy, obviously, it begins and ends with energy. If we don't have affordable energy, we won't have a successful recovery. Thank you.

GOVERNOR MANCHIN:

I want to thank Karen for a wonderful presentation and her comments. And we have time for one or two questions that any of the governors would have at this time. Governor [Bill] Ritter.

GOVERNOR RITTER:

Just on the oil shale side, I think

I have the state with the largest reserve of oil shale, so I think it's unfair to characterize the federal government as backing off.

The request for commercial leasing that permits: it's actually the private sector that said they don't know the impact of the technology that they're trying to demonstrate, they don't know the impact on groundwater, so they backed on their commercial lease.

I know the Secretary of Interior pretty well. He supports oil shale development, supports the R&D programs, but I think, at this time, it's just not fair to say that the federal government's backed off.

What we are asking them to do is what they're doing. We are asking them to make sure that their technology is proven out, that you know what the impact is on, certainly, the water quality, the technology; also, the amount of water consumed because there's a scarcity on the river base.

And secondly, the amount of energy that is consumed to do the technology that they're demonstrating, basically stick a heating element in the ground and convert shale to liquefied oil, then extract it through a conventional processor. So we've asked them to go slow because we danced this dance once in the early '80s, and we built up an entire community and an entire commerce around oil shale development, and it went away in a day when the price of oil changed.

So, for our purposes, we're not about trying to prevent oil shale development. In fact, I think I can speak for the governors in other states where there's oil shale, we've had discussions about this. We want to promote it. We want it to go forward, but we don't want it to go bust in a day, because communities can be impacted in a bad way, and we absolutely want to know the impact on wildlife, on water, on air, and until we do, we don't want them to design the rules for commercial leasing.

MS. HARBERT:

There have been significant investments in research and development. You are right about that. Those need to continue over time, and there needs to be a partnership between the federal government and the private sector in that regard.

What the private sector is saying, in order to realize that there's going to be a benefit at the end of this very significant investment that they're making, hundreds of millions of dollars in investment in R&D, that there will be the prospect for greater commercial leasing. They want that surety, so that they can actually commit to that funding stream for increased R&D.

So it's a partnership that needs to happen. There needs to be an end game and a promise that actually there will be expanded commercial leasing. They want that long-term view, and that's what I think they're looking for from Secretary [Ken] Salazar. We've had a lot of discussions with him. He'd like to see more forward

movement.

Oil shale can be a very, very significant contributor to our energy security here at home, but we need to make sure that there is a signal to the private sector that, ultimately, they will be allowed to recoup those investments that they are willing to make now. And that's important. Those are investments that are being made, and jobs that are being created, but they won't make those if they don't think, ultimately, they'll be able to bring those resources to ground and into the marketplace.

GOVERNOR MANCHIN:

Governor [Brian] Schweitzer.

GOVERNOR SCHWEITZER:

When I see a chart by a presenter--and thank you for coming in--that predicts what the world is going to look like in 2050, there's only one thing I know for sure, they're not right. And we saw a chart that showed how much CO₂ China would be producing relative to the United States in 2050. I don't think we know.

But I do know, in China, that they are leading battery technology; they're leading the solar technology; they're leading the coal gasification technology. So they are making some very significant steps.

If what we are able to do is to look at a 10-year or a 15-year progress grid and then predict where we are going to be in 2050, I'm going to predict something else. Just a few geologic structures in Montana has enough oil, at the rate that we have increased technology during the last 10 years, the price of oil would be \$2 a barrel in 2050.

So I think, for those of us who say we cannot move on climate change because China and India will not and are not, America leads, and either we will lead or we need to get out of the way. And right now, what's happening in China is they are beginning to lead in technology. So I think that we need to move forward, we need to lead the world, and we can't just say China's not moving, so we won't. That's

just me. Thank you.

MS. HARBERT:

No, I agree. Any forecast out to 2050, you should be circumspect about. The problem is, the negotiations under which we are trying to participate use that as the end game, and where do we need to be in 2050. So people are trying to see beyond where they can. We have no idea what technologies will be available in 2050. I think you are absolutely right. But we are trying to define targets based on existing knowledge and that's very tricky. If we were to be more realistic and design something that was much nearer term, we probably would be better off because we know what the tools are, what the instrumentation is that we have today.

You know, prior to the stimulus package, we were investing less in research and development here in energy than we did after the 1970s oil embargo. So we have ignored the opportunity, and we are paying that price. So we should be investing in more R&D.

But we have to be concerned about those investments just staying in the laboratories. We have to work on getting them, more quickly, out into the private sector, and to shape the market and to provide concessionary financing so we can use these technologies to reduce our greenhouse gas emissions and to keep our economy competitive.

So I think we are in agreement here, that we can do things to improve our environmental stewardship, while also improving our energy security. That includes getting access to some of Montana's resources.

GOVERNOR [Mike] BEEBE:

I wasn't going to say anything, but I can't help it. One area where we have actually put the technology in the field, where it's not R&D, and one area where it's not the government that's caused a reduction in the productivity of a natural resource, but the private sector, because of the natural forces of the private sector, is natural gas. We've had a huge--and your

slide showed a huge--reduction in natural gas. That has nothing to do with the government. It has everything to do with the fact that we've been so good at implementing R&D.

We now have shale technology. We have new shale fields, all over the country now that have opened up, and natural gas went from \$13 NCF down to as, the other day, \$3.33 an NCF. It's a product of competition, it's a product of supply and demand, and it's a product of the capitalist system.

So the slide that you had on there about the natural gas, the reduction in the natural gas wells is because this is working. It's because R&D did work, because we did apply it in the field, because we've actually commercialized it to the point that now we've got plenty of natural gas. In fact, we've got so much natural gas; we need to start using more of it. And if you want to cut down on some of that coal over there, Joe, we'll send you some natural gas.

MS. HARBERT:

And we should be able to use more of that natural gas, and as I put up there on the slide, it could be a game changer, that that's a huge opportunity to increase our energy security here at home and to be able to put policies in place, however, to actually get that into the marketplace. Thank you all very much.

GOVERNOR MANCHIN:

If anybody would like a copy of Karen's presentation, she'll be happy to supply that for you. Thank you, Karen. You can see it's a very interesting topic, something very important to all of us, state by state, and our nation.

Our next speaker is Kathleen McGinty, and Kathleen is a founding partner of Paradigm Technology Partners, LLC, a firm focused on commercialization of clean technologies, and an operating partner at Element, LLC, a private equity firm investing in early and mid-stage clean technology companies.

In July of 2008, Ms. McGinty stepped down as secretary of the Pennsylvania

Department of Environmental Protection and as chair of the Pennsylvania Energy Development Authority, where she helped bring more than \$1 billion into investment and creating some 3000 new jobs.

Previous to her service in Pennsylvania, Ms. McGinty chaired the White House Council on Environmental Quality under President Clinton, and legislative assistance and environmental advisors to then Senator Al Gore. Please welcome Kathleen McGinty.

MS. MCGINTY:

Well, thank you very much, governors, and for hanging in there, the tail end of this very good session that you've had, and Governor Barbour, for hosting us all. Thank you very, very much. It's been a fine Southern welcome that we've had.

I wanted to share, I guess especially in light of the tremendous expertise here, all of you, many of you governors, Governor Schweitzer, for example, have tremendous expertise in things energy,

and can hold forth, in great detail, as best as any of us can.

So there are just three points that I thought I would share today. Before I do, I did want to compliment Karen on her presentation and comment on a couple of the things that she had to say.

On nuclear programs, for example, one of the hats that I wear today is as a director, on the Board of Directors of a company called NRG. Now, you might have heard of NRG Energy. We've been in the news, especially since last October, when there's a matter of a little bit of an interest by Exelon in NRG, and we actually have our shareholders meeting about that very proposition tomorrow.

But we happen to be the first to file to build a new nuclear plant in the United States. And from NRG's perspective, this administration has been very thorough and forward looking on the nuclear program, moving right along with the loan guaranties, so we're very pleased in what we see.

On oil and gas, I want to echo some

of the comments made. My experience, especially when previously as secretary of DEP in Pennsylvania, we oversaw a very robust oil and gas program. Our experience is: it's all about price. When the price is high, the investment is there. And as the price of oil went up, we saw a tremendous explosion of interest in developing the oil and gas resources that we have. So that by the time I stepped down as secretary last year, we actually were permitting 8000 new wells every year. So for me, the big driver is price, and if the cost is there and the price is there, then the investments will follow.

Well, let me come to a couple of points that I would love to share with all of you today. First, as a country, we've been a little bit fickle about the energy agenda. It's on our minds, and we invest, and we pay attention in one year, and then the price comes down, and we have other things that occupy our attention. So, first, an argument that we need to stick and stay with this agenda.

Second, not only that we need to, but that we should want to, that this is about offense, not just defense, in terms of what's coming at us in the global energy economy.

And third, that if we do stick and stay, that there's a very significant upside for us--our economy and our security--in pursuing a robust energy agenda.

So coming back to the top, in terms of we need to stick and stay here. Oil: we saw the oil price spikes of last year. We have a sense, right now, crisis is over, prices come down and it certainly has from the \$140 a barrel. But while we haven't been paying attention, we have a two-times in the price of energy since its low in February.

If you look at the global picture, in terms of oil resources, what we're seeing is that as compared to the '70s, where it was very much about geo-politics, it's much more about geology. It's much more about the fundamentals that seem fickle today.

So the International Energy Agency,

for example, for the first time ever last year, went and examined each of the 800 major oil fields in the world, and their report was that those fields still producing, yes, but very much on the decline.

In fact, at the risk of predicting where trends go, their estimate was, just to keep pace with current levels of production of oil that we would need to find four times Saudi Arabia's current production annually. If you figured in where anticipated growth and demand goes, that number looks like six times.

Now, those are macro numbers. We can look at individual oil fields. One that is of particular interest and concern to the United States, Mexico's major field is the Cantarell Field. Of importance to us, because until recently, Mexico was our second leading supplier of oil, and because oil is such an important part of Mexico's budget and important in keeping a strong and sustainable neighbor to our south.

Two years ago, the country of Mexico

reported that in seven years they would be out of oil for export from that Cantarell field, and since then, the level of production has declined even more rapidly.

While all of this is happening, there is a tendency for us to think, oil prices spike, it must just be a conspiracy; it must just be price-setting; it must just be that cartel playing us again. And certainly, there's probably some piece of all of that going on.

But if you look at, again, Karen focusing on the facts, at the time that we were looking at \$140 a barrel of oil, it was just at that time that we had more oil rigs deployed across the face of the planet than ever before in history. Nobody was hiding the ball.

Are we out of oil? No. Is it a good prediction to say that we might be out of cheap oil? That's looking increasingly likely.

If that's the situation with oil, many of you have coal reserves in your state, certainly, Pennsylvania still the

fourth leading producer of coal in the United States, and there, we've had a sense that coal is endlessly abundant and endlessly cheap.

Now, that was a good bet for many, many years, until something happened in 2007, and the something was the government of China announcing that they had become a net importer of coal, building 40,000 megawatts a year of new generating capacity very substantially driving up demand, especially for high BTU, northern Appalachian coal. So that \$40 a ton you could always bet on, in terms of the price of coal, overnight became \$140 a ton, and companies are paying \$140,000 a day in the Port of Baltimore in order to reserve barge space to move that coal into increasingly lucrative and pricey markets. So coal, too . . . some very substantial upward pressure on prices.

Now, natural gas has been mentioned here too, and there we do have a substantial new opportunity, especially in the unconventional gas formations of Marcellus,

the Barnett, the Haynesville formations. These gas formations are proving much more robust than even had been anticipated and potentially developable at a cheaper cost than had been anticipated.

But here, I think a note of caution is in order. Gas can and should, especially in these new formations, be put to work in our economy, but it shouldn't be about putting all of our energy eggs in any single basket.

And, specifically, natural gas. We did that before. In the early '90s, the prediction was that we had a tremendous oversupply of gas. The price of gas up to \$2 in MCF forever and ever and ever, and so there was a rush to focus singularly on natural gas-powered electricity generation, a tremendous build-out in natural gas plants, but then as the governor said, that \$2 in MCF became high double digits, and then was \$13 in MCF, and now we have a lot of stranded gas assets.

So in terms of diversifying our energy resources and expecting that as

economic growth returns in a robust way, while we can't give the precise prediction, the better odds are that that price of energy doesn't look like a smooth slope, it looks like a hockey stick with those prices shooting back up.

So, one, we need to stay with an energy agenda. Second, it's in our interest. This is about offense, not just defense. Why is it in our interests? You know the statistics. On transportation fuels, we're exporting a whole stimulus package worth of dollars every year, \$700 billion in order to buy those transportation fuels from overseas. Those dollars are better invested in our own economy.

But what's the story with electricity? There, we potentially have the makings of a perfect storm. Three things: First, a very substantial increase in demand for electricity. As we're living in bigger houses, as all of our gadgets are ever fancier, and as all of us are always plugged in, so a huge increase in the demand for

electricity at a time when two things are true. Our fleet of power plants is, on average, old and getting older. In Pennsylvania, for example, we're the second biggest generator of electrical energy in the country. Much of our fleet is 50, 60, even 70 years old.

Third, and with that, our regional transmission operators, the guys and gals who run the transmission and distribution system are reporting a tremendous strain on the grid, declining reserve margins where, for reliability purposes, we'd like to have 30 percent reserve margin. Those numbers now are down to 10, 12, 13 percent.

Add those three things together and, again, investment in the energy space is a must for our economy, our security and for avoiding what we're seeing today, which is every year, a billion dollars plus of economic loss because of poor power quality, because of blackouts, because of brownouts and because of the loss of productive activity in the economy.

Third, and finally, if we stick with

this energy agenda, there is a tremendous upside for our economy and our security. One, the answer on the flip side of the problems I just identified, but in three ways, building out and diversifying our energy resources will be a boom to our economy.

First and foremost, I think Americans agree, and all of you believe it, we need to make things in this country again. We can make things in this country again. Steel, we can make in this country.

Of the stuff we could make, there are few things that are more vital to our security and our economy than our energy infrastructure; so let's put people to work in building that out.

Second, if we do build out that diversity of energy resources, what we see is the cost curve on those technologies coming down substantially. And so as you look at the renewable and the conventional energy resources that we could build today, you see prices leveling out like, for example, Ira will speak to carbon-captured

coal. Install costs for carbon-captured coal are on the order of about \$6,000 a kilowatt.

Well, how is wind and solar comparing to coal from that perspective? Wind today: install costs of \$1,500 to \$2,500 a kilowatt. Solar is a bit higher, at \$5,000 to \$8,000 a kilowatt, depending where you are in the country. But even that is in league with new nuclear plants that we could build, which are coming in at about \$7,000 to \$8,000 a kilowatt.

So what we see is with the investments we have made to improve these technologies already, the cost curves are coming down and the availability of energy options is increasing for us.

Last point, in terms of why it makes sense to diversify energy resources and to bring those resources on line, we have an idea that renewable energy is expensive, and no energy is free, and there is a capital cost in building any and every kind of energy, and I just shared with you some of those numbers.

The upfront cost is one piece of the equation, but what about the cost or the price realized by the customer? Here, looking at electricity markets and how they're structured is key, and, in particular, wholesale energy prices are governed by costs on the margin. Those costs, in turn, are governed almost exclusively by fuel costs.

When you bring wind, solar, and hydro resources, for example, into the generation mix, you have resources with zero fuel cost then driving into the wholesale price of power. And what effect does that have? It brings the cost of electricity down. Not just in theory, but in fact. What we are seeing, for example, in Texas, where there has been a very substantial investment in wind energy, in west Texas now, 11 percent of the time, the spot market price for electricity is zero or negative. Pretty good deal, if you can get it.

That's not an argument to say, again, all eggs should be wind or solar. It is to say, though, that these resources, all

of them have an important role to play, and if we are smart about putting dollars across the spectrum in our energy resources, yes, there's an upfront cost, but there is a payout in employment, in affordability, and in driving our economy forward.

Thank you all very much.

GOVERNOR MANCHIN:

Thank you, Katie, for a wonderful presentation. And we have time for a question or two, if any of the governors have any. Governor [Chet] Culver from Iowa.

GOVERNOR CULVER:

Thank you very much for the presentation. You talked about our opportunity to make things, and I think there's a lot of low-hanging fruit right now, and certainly in the Midwest and in other parts of the country, related to renewables.

For example, in Iowa, we have created, in the last two-and-a-half to three years, 2300 green-collar jobs, all brand new jobs. We are making towers, turbines, wind. That's all new economic development, new

investment. We have nine wind energy companies that have come to Iowa. The supply chain is following them.

But my concern is that we need the federal government to set a renewable electricity standard so that we encourage more use of alternatives. I agree; we have to have a diversified portfolio. We need it all.

But we have a window right now, certainly in the next couple of months in Washington, where we have got . . . we can have this debate about climate change and all that, but I think we need to go aggressively for something I think all of us can agree on is a minimum standard for renewable electricity.

In Iowa, we've had a codified renewable electricity standard since the early '80s. We are now producing 15 percent, in part because of that standard, 15 percent in 2009 just from wind alone. We have 2900 turbines operating in our state.

Every state could do that. I mean, they could. It might be solar; it might be

geothermal; it might be wind. But we have to . . . I've not heard any discussion about the urgency related to what I think is the easiest way in America to create a green-collar job, if we're serious about creating one more green-collar job, is to pass that renewable electricity standard that I think they're . . . and I don't know exactly what it is, but we have to certainly raise the bar; otherwise, we risk losing what we have.

And so I hear all this talk about making things, and creating these new jobs in the future, and here it is. We've got an amazing workforce ready to do it. They're talented, they're ready, they're excited, they're capable.

We have community college graduates, with an associate degree, making \$50,000 a year coming out of these programs in Iowa. They can go anywhere in the world to work. But if we don't have the parallel state and federal policies, we're going to miss this opportunity of the 21st century.

MS. MCGINTY:

Governor, I think your points are right on the mark. And I can share our own experience in Pennsylvania, a very similar story. When we stepped out and put a priority on clean energy, we have now grown a manufacturing sector that's not new economy versus old economy; it's giving a productive economic opportunity to the skill sets we've always had. We know how to build the things. But 3000 jobs is what we've realized.

And I think the importance that you are talking about, in terms of a renewable portfolio standard, you know, what we're talking about there is working with the market because, in earlier days, in the '90s, for example, the idea was, well, if you build it, they will come. Well, if that wasn't true then, investors who got burned with that kind of idea are not buying it now.

The importance of the portfolio standard is it takes that market risk away. If you build it, there will be a market. And I think, especially where we find

ourselves right now, where we have some bit of liquidity coming back in the financial sector--but certainly not enough--if there's an overhang of risk and uncertainty, those dollars will not be invested and the reverse is true. If we can provide that strong market signal, the investment will follow.

GOVERNOR MANCHIN:

Thank you, Katie. I appreciate it. Thank you Katie, so much. Let's give her a hand.

At this time, I would like to ask our host governor, Governor Haley Barbour, to come forward and introduce our next speaker.

GOVERNOR BARBOUR:

I'm glad to introduce one of my corporate citizens. Nucor Steel, God bless them, has a great facility in suburban Jackson, Mississippi, and another facility in our state. Dan DiMicco is the CEO of Nucor, which as was mentioned earlier, is the largest manufacturer of steel in the United States, as well as the largest recycler in North America.

He's got a little different view on energy policy. He is one of the country's biggest energy consumers in the private sector. Dan.

MR. DiMICCO:

Good morning. Everybody going to stick around for not only mine but Ira's, seeing as time is disappearing here. We're going to be here as long as we have an audience, okay, or at least as long as the cameras are rolling.

Two things I would like to start off with. Number one, Karen, thank you for setting a realistic tone. I appreciate it as a manufacturer in this country that employs over 22,000 hard-working men and women.

Katie, what can I say? You know, the number one message that I heard and that we've been preaching since the '90s and before, since the '70s, is we have to have an energy policy, an energy agenda that's organized, well thought out, balanced and includes everything. And the reason the '90s didn't materialize anything is because

we didn't have that.

And on natural gas, the reason we didn't have that is because of the access issues that came about as time went on. As we know today, there's beaucoup natural gas around, beaucoup times a thousand. We have to access it properly, but it's there. What a great resource to have providing great hope for our country's energy situation.

But the key has always been we have not had a national energy agenda. The leaders of this country have let every American down since that first oil crisis and energy crisis back in the '70s. Let the American people down, and the American people also have a responsibility in that because they didn't hold their leaders accountable for putting together something that was going to stick around. We wouldn't have had \$200 oil that we were having in the last year or so, wouldn't have had those issues if we had done the right things, if we had an Apollo type program for national energy strategy. And believe me, it needs to encompass everything. So I commend you

very much for making that point and driving it home.

One other point, I also sit on the Duke Energy Board of Directors. I know Jim Rogers was here speaking earlier this week. Jim and I don't always agree on everything. That's why he has me on his board so he can have some kind of virulent thinking.

One thing I can tell you about Duke is that between now and 2050 they have to replace every power plant they have today-- every power plant between now and 2050.

So how is our energy strategy, as a country, going to be put together to make sure that's done in the best possible way for America, for Americans and for our environment? That's not in my prepared remarks. That's just in reaction to what I've heard so far. A-plus for both of you.

This slide you need to focus on because no business leader can get up here and no American who is not concerned about what's going on with our economy can get up here and not talk about what's the number one priority in front of all of us for some

period of time, and that's creating jobs.

This slide, if you carefully look at it, will show you the reasons why it's so important. This slide here is showing you the number of job losses cumulatively since the peak, and what you see--and this is not counting the 500,000 more jobs that will be announced probably Friday. There have been over seven million jobs lost at that announcement, since the beginning of this recession, this economic crisis.

What you need to focus on is that this shows the plot of every recession going back to the 1970s. And as you watch this curve go from '70s, '80s, '90s, 2000 recessions, what you see is a flattening of that curve. You go 40 months out after the peak, job recoveries are becoming flatter and flatter and tougher and tougher to come by. That's one thing you should look at.

You should look at the time on the bottom, when we got to the bottom. You should look at how far down it is when we reach bottom. If you look at that and you look at today, and what we are seeing today,

which is the lower curve, unfortunately, what we have here is a crisis that's going to be with us for the rest of this . . . for the next 10 years, not just the next couple of years.

What people don't understand is how many jobs we have to create. Every month, 150,000 new entrants come into the workforce from colleges, from high schools, your children, my children, grandchildren, immigrants come to the workforce. These numbers don't include those. So you had better multiply every month times 150,000, for however long it takes us to get back up to positive jobs, and you really want to know the magnitude of the job problem that we have in this country, job creation problem. We're not talking about having to create 6 million jobs. We're not talking about having to create 7 million jobs. We're talking about having to create 13 to 14 millions jobs over the next five years just to be able to take care of what we've lost and the new entrants into the workplace. Every month that goes by, it's

150,000. And the numbers you get from the government do not include those people. And the numbers you get from the government in the unemployment rates don't include people who have given up looking for work, which is at a record high. And don't include the part-timers, which is at a record high. Nucor has 22,000 employees. We don't lay anybody off. We are incurring over a \$100 million in additional costs not to lay people off. In our 40-plus year history, we've never laid anyone off. It costs money to do that.

The reason I emphasize that is today, those people are working 50 percent of their normal hours. They're not laid off, but they're working half the time. They are that new record total number of part-time workers.

And when you start to look at the real unemployment rate today, based upon those who have given up looking for work and those who are on part-time, it's more like 15 or 16 percent. And I'm not the one that put those numbers together, although we have

our own. You can't pick up a paper, when they're talking about this, and not now start to see another paragraph that talks about that group and the real unemployment rate. That's fact. That's not fiction. It's the reality that Karen was talking about, hard reality.

We've got our priorities messed up, here. We are not focusing on the right ball. Where are you going to create 13, 14 million jobs over the next five years? There's no one solution to it. It's got to be a broad-based one. We're going to talk a little bit about that.

But the number one priority in Washington, the number one priority for businessmen, business leaders in this country has got to be jobs, jobs, jobs, jobs.

And we've got to be able to get our economy back to the point where we can do all the other things we want to do, including the things that are being debated hotly in Washington today. But we shouldn't be doing those things until we have created

the kind of economy that gives us the money to pay for it, and we're not doing that. When you think about 13, 14, 15 million jobs that need to be created, we're not looking at the right targets. We're not looking at the real severity of this problem. Don't kid yourselves. It's that serious.

This is not something that somebody made up. This is real. Look at how deep the drop-off is. It's going to go down another 400,000, 500,000. Imagine, if the trend continues, how long it's going to take for us to get back to zero cumulative job losses. You are talking way past 40 months. This is serious. It should be job priority number one for every leader in this country, everyone, including the governors in this room.

We've had a serious economic crisis created by serious structural problems in our economy. We have a financial crisis created by too much of something for nothing. Well, we had too much easy money, created by a lot of different things, not the least of which was the fact that

somebody kept buying all our debt, which kept the treasury rates down, which kept money rates down, which allowed for this fiasco of borrowing to drive consumption instead of what we all grew up with and need to go back to, and that is, you don't buy until you've saved. We need to go back to that model that my parents had to live with, which was called layaway. You want a new refrigerator? You save for it. You don't run up debt.

And the fact of the matter is that debt isn't going to be easily obtainable going forward. The rules have changed. The credit rules have changed for individuals to buy homes, to buy cars, to buy refrigerators and for businesses. If you don't think this is a big issue facing businesses, think again. Think about where all those job losses are coming from, manufacturing and construction.

And what are we doing in this country to support the regrowth of manufacturing and construction? *Nada*. Or just above *nada*. Sixty billion dollars of a

600-plus billion dollar stimulus package, who are we kidding?

You want to look at success? Look at the Chinese and what they do. I don't always agree with the Chinese and the things they do. The governor from Arkansas knows that. So does Haley. What did they do? They didn't spend \$60 billion. They spent \$600 billion on infrastructure. We've got \$2.2 million in infrastructure failing us as we speak.

The scientists and civil engineers said, over the next five years, that's what we've got to do just to compete, keep our dams from breaking, improve our power grid, get better air traffic control systems, sewer, water systems so they're not blowing up in New York, our dams aren't busting. Watch the History Channel's infrastructure program. It's downright scary, all the things that we've neglected. We've got World War II, pre-World War II, infrastructure in this country.

You want to put people back to work, create the jobs that people are prepared

for. Don't give me this retraining stuff and everything else. There's no reason why we shouldn't be investing here in America and creating a return on that investment, and the only way you are going to do that over the next five years to 10 years--what we need to create those 13 million jobs--is to build things here, rebuild our infrastructure, get our trade deficit straightened out. Free trade, yeah, it's critical, but only if you enforce the rules of it.

Guess what we don't do and haven't done since Ronald Reagan? Yes, Bush 1, yeah, the Clintons, yeah, Bush 2, we have not held our trading partners accountable for the agreements they made to have access to our markets. Whether it be our free trade agreements, whether it be WTO accession, which China agreed to with certain rules over the favored-nation trading status that we've given China and other countries to have access to our markets. We don't do it.

Free trade doesn't exist. What we

have is a global trading word that's based upon mercantilism. China is doing it like no country in the world has ever done it before. Before them, the Koreans did it. Before them, the Japanese did it.

It's okay to a point. We did it at one point, I'm sure, in our history. But when things get to an extreme and you've got to say, hey, time to play by the rules. You are no longer a developing country. China, for example, has the world's largest steel industry. This year, they'll produce 530 million tons of steel in China. In 2000, if they did 200 million tons of steel, it was a lot. In this country, we make maybe 100 million tons. They're over five times as big as us since 2000.

I don't have a problem with China growing. They've got a lot of people. God bless them. Get the damn currency to where it's fairly valued in markets so your consumers can actually consume instead of having to save because there's no safety net. Stop trying to export your way into wealth and start giving your people an

opportunity to become consumers because the United States, guess what, we're going to be absent from the fight for some time. All those consumers who ran making that big bubble that we saw in housing and everything else, they're gone.

Not only are we in a financial crisis and the great recession, but those consumers are gone because of credit issues because, what, they lost \$15 trillion in their wealth. All that talk back in the earlier part of this decade about how people were refinancing, taking the money out, spending it on things, how great that was on the economy, that was a short-term fix and a long-term disaster created by a lack of leadership. Short-term fix, long-term disaster, people living on stuff that they had no right to.

In this country, you don't have a right to own a home. You have the opportunity to own a home. This is the land of opportunity. Yes, we have rights, but when it comes to this stuff, you have the opportunity for a job.

That's what my grandfather came here for in 1906, as a six-year-old boy. He came here to live the American dream, and because of what was in place in the manufacturing society, his grandson got to move up to be CEO of a Fortune 200 company making \$7 million to \$10 million a year. By the way, I'm the sixth most deficiently paid CEO in the United States, so that's not outrageous, even though you might think so. One in Charlotte is getting \$60 million for one year. It don't work out that way. That's not the way our company is set up. We are paid for performance. If we do well, we get paid well. If we don't, I make my base salary. This year, it's \$800,000. That's probably all I'll make. That's the way it goes. That's the way it should go for everybody, including those guys on Wall Street that are handing out those billions of dollars in bonuses today.

We've got a failed trade policy. We've got to revamp it. We've got to hold people accountable. If you let the market do it, we need to do it.

Energy, what has this got to do with what I'm talking about so far? There should not be one conference on energy where you are not tying it back to the economy. Katie did a great job of it. Think about all the revenues that will be generated if we truly develop a broad-based energy plan that uses all forms of energy.

By the way, at a Duke board meeting, just to kind of put things in perspective, to go along with your Barbara Boxer or Dianne Feinstein story, and the Mojave Desert, and how 500 acres could not be used for solar because there was an environmental group that said there was something special about the Mojave Desert there. Solar power, which everybody wants, couldn't be put into place because of that.

Well, there's another story. Duke board meeting, two years ago, I'm sitting there, question after question from poor Jim Rogers on green this and green that, your coal fire plants, and what you are building. And at one point, it was obvious Jim was going to jump right in there and say,

nuclear power is the greenest form of energy. And there was this young lady, 24 years old, just graduated from college, who said, aha! You are wrong. You are absolutely wrong. The greenest form of energy is wind, wind power, windmills. And Jim, being the eloquent speaker and handler that he is, said, well, why is that? And she says because all those materials that go into building nuclear power plants, you have to generate CO₂ to produce them. Not for wind.

And I'm sitting there, manufacturer of steel, and I'm going, Jim, here, look over here, Jim. I can't speak up. I'm trying to get his attention. Every windmill is made with what? Governor? Steel or fiberglass. How much CO₂ is generated during the production of those raw materials? You want to build a foundation for a windmill? How tall are these things getting? You know how much concrete and reinforcing bar is in that footing? There's nothing green about the products that go into it, from the standpoint this lady was talking, but she

had it in her head, she had been indoctrinated and that's the problem we have.

We cannot be using phony logic to deal with real world problems. This is not talking down to windmills. I hope they build lots of them. They put a lot of steel into them. Okay? But there's a lot of problems with every form of energy we have. There's no form of energy, I don't care how green you think it is, that doesn't have a significant CO₂ imprint, footprint--none, at least none that we know about today.

We've got to have an energy policy that creates jobs, number one, and gives us energy independence, number two.

I'm going to jump through these slides. This is the U.S. manufacturing jobs since '98. You can see where they've gone. Lost 5.8 million manufacturing jobs in this country, maybe a third of it due to productivity, the rest due to a failed trade policy.

Here's how the manufacturing jobs coordinate with the trade deficit, real

quick. Well, let's talk energy. You want to have an impact on the trade deficit, you want to have an impact on our ballooning debt, whether it be budgetary fiscal debt or trade debt, \$13 trillion to the world today and growing, look at this chart here. It shows you what percentage of our trade deficit is due to energy.

There is no reason that couldn't be zero in 10 years. None. But we've got to have an energy policy that's real world and balanced. There's no way. We are the innovators, by recognition around the world, for the steel industry. We've revolutionized the way steel is made. Our carbon footprint is one-quarter what it is for conventional steel making. We recycle over 25 million tons of scrap metal every year that doesn't go into landfills and uses one-third to one-quarter the amount of energy to produce a ton of steel. We're also the nation's largest purchaser, individual customer to purchase electricity, coal fire and what have you, nuclear, hydro, natural gas, you name it.

This doesn't need to be this way. What we had in 2008 was a trade deficit of roughly \$800 billion dollars, in which \$390 billion was energy, and there's no reason why we can't take that to zero or net zero. We don't have to take it to zero. We've just got to have an energy policy that recognizes we need to drill for natural gas and, yeah, oil sometimes. We need to use nuclear. We need to use wind power. We need to use solar. We need to use hydro. We need to use everything to make that number go down by \$400 billion. You don't have a choice as to what you use. You have to use it all. And you have to use it in a well thought out, orchestrated way.

We have led the world in innovation, but I'll tell you right now it takes decades to get from conception to develop the technology, and then to implement it, you better put another decade in there.

So where's this magical technology that's going to make us carbon free overnight? It isn't there. But in time, it will be there. If we have a national energy

policy led by our leaders in Washington, by business leaders in this country, we will get to the point where we are drilling everywhere we can drill in an environmentally friendly way. If we can't, we don't drill.

But we are going to have to be realistic about that. We are going to use all our resources today to get that to zero as soon as possible. And while we're doing that, we are going to take some of the revenues being generated from that and we are going to set them aside and develop technologies for clean coal and whatever else we need to do, to make wind power more cost effective, and get nuclear power plants built and, yeah, the government is going to have to have a big role in this. They can't be an absentee partner. They've got to be a leader.

And this country got to where it is today not because the government stayed out of things, because there was a working realistic partnership over decades between government and free enterprise, between

government and business leaders who focused on the goal and made it happen, like the Apollo program. If we can go to the damn moon, we can take care of this problem.

But it won't happen overnight. So we've got to have a multistage energy policy that says, get that to zero now because we're paying interest on that every year. The trade deficit is growing. The amount of money we are borrowing is growing by trillions of dollars, no longer billions of dollars. We've got to get that down now.

Then we've got to use the money that we save from that and the revenues that come from that to build the green future, to build the carbon-free future or minimize our carbon footprint, if we truly believe that CO₂ is a major culprit in manmade global warming. That's what we have to do.

And we are not doing it. We do not have a national energy policy to deal with this type of thing, and we don't have a national manufacturing policy to get people back to work and rebuild our prominence in global manufacturing, whether it be

windmills or whether it be steel plants, or whether it be car plants or whether it be next generation battery plants.

And, oh, by the way, China--I know I've got to get going so Ira has a second here--China is building coal-fired power plants quicker than you can say jumpin' Jehoshaphat. They are building nuclear power plants quicker than you can say the same thing. And their entry into battery technology, with all due respect, governor, is a spit in the ocean compared to what they're doing building nuclear power plants and coal-fired power plants. They're going to get into this. No doubt about it. I agree with the governor. And we're not doing enough.

But don't mistake the fact that that's what they're doing, and that's why coal prices are going up, as you mentioned earlier. They are building more coal-fired power plants than you can shake a stick at and we're sitting here doing nothing. We're not doing battery. We're not doing any of it. And it needs to be a governmental

effort in hand with business and free enterprise to make it work. It's got to be a World War II kind of effort, where everybody gets into the act, and we're not doing it, and we need the leadership in this country to do it, and I pray that President Obama provides that leadership.

I'm going to be told now to get off, and I'm about halfway through my talk. Thank you.

GOVERNOR MANCHIN:

I want to thank Dan for that positive, encouraging presentation and we appreciate it very much.

And with that, I want to introduce our next speaker. Our final speaker this morning is Ira Magaziner. He serves as the chairman of the Clinton Climate Initiative and the Clinton Foundation, HIV AIDS Initiative. He is also on the Board of Alliance For a Healthier Generation and Clinton Hunter Development Initiative.

From 1993 through 1998, he served as senior advisor to President Clinton for policy development at the White House. In

this capacity, he supervised the department implementation of the administration's policy for commercialization of the Internet, and worked with First Lady Hillary Rodham Clinton on the development of the President's health reform issue.

Prior to his White House appointment, Mr. Magaziner built two successful corporate strategy consulting firms that assist major corporations in developing their business strategies.

The Clinton Climate Initiative has been working on energy-related initiatives worldwide, including a project to retrofit buildings and reduce energy use.

Please welcome Ira Magaziner.

MR. MAGAZINER:

I think I've got about two minutes and 30 seconds, so I'll do the best I can, and I realize I'm the only thing that stands between you and lunch, which is not a good place to be. The only good news from me is I'm not here to talk about healthcare.

Let me just try to be practical on a couple of matters. What we're doing with

the Clinton Climate Initiative is to try to actually implement real large-scale projects around the world that will demonstrate the business government models about how to get new technologies moving and new investment moving towards a clean energy future.

And I'll just get specific in mentioning a couple of the areas. First, we haven't talked much about energy efficiency today, and energy efficiency is really the fastest way to get to energy independence in any country.

We're partners with 40 of the largest cities in the world on projects to cut energy use and create clean energy in those cities. And there are a couple of major ways and ways you all, as governors, can also engage in this, and I know some of you are already.

One is that in retrofitting buildings for energy efficiency, you typically can get 30 to 40 percent improvement in energy use in most established building stock in this country, and you can get paybacks that are three,

four or five years on that investment.

We've been pioneering a number of different models that allow the building owners not to have to put up any money initially, but rather to finance through the energy savings and through other means to do this.

And agreeing with the issue on the jobs, when you actually retrofit a building, it's a huge job creator because if you are going to put a green roof on a building, somebody has got to be standing on the building. It's not the kind of job you can outsource to India, even if you wanted to. So it's a huge job creator.

We just recently initiated about 500 million square feet of buildings around the world we are retrofitting this year through our programs, including the Empire State Building in New York, the Merchandise Mart in Chicago, the largest shopping center in Indiana, one of the largest commercial buildings in Shanghai. And we're also doing all the public housing in New York and in Toronto, schools in 15 different cities

around the world. And then actual municipal and state buildings in places ranging from Johannesburg, to London, to Houston, to Bangkok, to Melbourne, all taking their city and state buildings for retrofit and saving significant amounts of energy. It's a good economic case, as well as one that saves energy.

Integrated waste management, a place like New York spends a \$130 a ton to ship its waste to Pennsylvania to bury it. It's crazy. You can do integrated waste management now, where we recycle, and take the biological waste and turn the compost into energy, itself.

And these integrated waste management projects, now we're doing them in developed countries. We're redoing the whole waste system in London, going to apply that to Houston, taking building waste and turning it into compost, in partnership with Wal-Mart and a lot of supermarkets and others there and the city. And then we are in places like Laos. We've got these huge mega cities growing into a million people a

year and no waste disposal systems.

Lighting, street lighting, we just announced something with Mayor [Antonio] Villaraigosa in Los Angeles, where we are replacing all the streetlights in Los Angeles with LAD streetlights. It's about a six-year payback. The project is going to save 70 percent on energy use. And all this lighting right now, when you have street lights or traffic lights, 80 to 90 percent of the energy you use goes into heat, not into lights. With LAD lights, you can change that around, and now we're in 10 cities around the world, based on Los Angeles model implementing LAD street lighting in places as diverse as Bogota, Colombia; and Melbourne, Australia.

Projects on clean fuel vehicles that have been talked about, hybrid diesel buses, garbage trucks and also infrastructure for cars, these are all things that we're implementing on projects around the world.

Water systems: you go to a place like London that leaks 35 percent of its water before it ever gets to a customer;

1500-year-old infrastructure, the same is true in many cities in the United States, the pumps for that water are the biggest energy users that most cities have. And you can use smart metering. You can install more energy efficient pumps, repair the leaks and do other things that will use much, much less energy in the water systems all around the country.

These are all practical things that mayors and governors have control over. We started in urban areas because urban areas use 75 percent of all the energy in the world; and therefore, if you are going to get energy efficient, you want to start there, but it can be done in small towns, as well as in large cities.

We're also engaged in projects on clean energy that have been talked about today. We believe that fossil fuels are going to continue to be a fundamental source of energy in the world, whether people like it or not, for many years to come. But you can develop clean coal technologies and technologies that do carbon capture and

storage. We are engaged in large scale projects now in Pennsylvania; in Victoria, Australia; and Rotterdam, to mention a few, to implement efficient carbon capture and storage.

We're also involved in some projects now with some new technology that will essentially combine CO₂ emissions with brine or seawater and create cement, so that you can actually embed the CO₂ in a building material that can be used either as a concrete aggregate or as cement, which would solve two CO₂ problems, one the creation of cement and concrete, which is CO₂ intensive, but also being able to take the fluid streams from power plants and embed the CO₂ in solids so that you don't have to transport it and bury it.

On solar, we are involved in the first large scale solar deployments in the world, 3,000- to 5,000-megawatt solar parks in two states in India, in Australia, in South Africa and hopefully in the Southwest United States.

And one thing that I will agree with

in the earlier presentation is that people think of India, they think of bureaucracy often and getting things going, but it is much easier to get a project going of this scale in India than it is in the Mojave or in the Southwest United States right now, or easier in Australia than it is here, which is something that should give us pause and something we should think about.

Let me just finish by saying these kinds of projects, yes, we do need a national energy policy. Yes, we do need to keep jobs focused. Yes, we do need to reestablish the manufacturing base in the United States. That's something I've been writing about since the early 1980s. And our economy will never flourish unless we reestablish ourselves as a manufacturer, as a producer of real things in this country and use our innovation to do that. And, yes, we should have national government policies that foster that reindustrialization of this country and using that associated with our energy policy is just a natural.

One of the things that . . . I had an interesting career in Washington, six years at the White House, where in the beginning, I was sort of off, and then the healthcare reform died, all of the people that were friends of mine in Washington all of a sudden walked to the other side of the soccer field when we were playing when they all used to come over and mob me. And then when I started the Internet work and that was a success, they were all my friends again and shamelessly. It was an interesting experience.

But with the Internet policy, which was the successful part of what I did during my White House tenure, what we were able to do was establish a policy for commercialization of the Internet, which not only helped launch the internet. It was a very market-driven policy. Helped launch the Internet globally through a set of international agreements, and also domestic policy initiatives, but created millions and millions of jobs in this country in the process because we were leaders in Internet

technology.

We need to do the same thing with energy. And we have the opportunity, both with energy and energy efficiency, to do that. And I agree with the previous speakers--that should be job number one right now. Because we can create some of those 13 million jobs you are going to need with significant infrastructure development in this country that we absolutely need.

It is shocking to me, as somebody who travels the world, that infrastructure in places, even in Africa now, where we do our AIDS work, is newer and superior to infrastructure here in the United States. We have not revived our infrastructure, and we need to do it, and we need to do it in a way that uses all of the technology that we have, and with stuff that's primarily manufactured in the United States. And we can do that, just as we did with Internet technology, we can do that. And that should be the way we integrate our economic policy and our energy policy together.

But I would say you, as governors,

and the mayors are on the front lines of this, because whatever policies are implemented globally, it's going to be you, at the local level, that can actually set the programs in motion that will make sure the infrastructure gets built, make sure that building retrofits take place, making sure that waste management facilities get updated, make sure that your water facilities get updated, and so on, and you need the government to provide the policy framework and some of the money to do that, and also to take some of the handcuffs off so that you can actually get on in doing that effectively.

Thank you very much.

GOVERNOR MANCHIN:

I want to thank you for your comments. And I think Governor Barbour has a quick question.

GOVERNOR BARBOUR:

Thank you very much. We in Mississippi are like Chet talked about for Iowa, we're going to have the first commercial scale carbon capture coal-fired

plant in Mississippi. It's in permitting right now. Our other big utility, the investor on the utility is going to try to build a second nuclear power plant. Karen, you will be glad to know the local government, city and county have both asked for it to be built there.

But I was interested to see in the paper that yesterday, the Indians apparently told Secretary Clinton that they're not about to get involved. And as Dan mentioned, they're building about five coal-fired power plants a week in China. And if I remember your presentation earlier that you didn't get to today, it's about five times more greenhouse gas emissions per ton of steel made in China than in the U.S.

So the question I've got, I happened to be at the hearing when the head of EPA said in answer to your question, if we do Waxman-Markey or something like that, and China and India refuse to participate, then in 100 years, it would be no material difference in climate compared for our doing it.

MR. MAGAZINER:

Well, let me be politically incorrect in America and give you the Indian and Chinese point of view on this. What they would say is that, right now, the United States emits about 25 tons per person per year of CO₂. India is about one ton and China is about five tons, six tons per person.

And they would also point out that the accumulated CO₂ stays in the atmosphere for 100 years, and if you look at the accumulation of that CO₂, they didn't have much to do with it, compared to us and Europe. So their argument is to say, don't come lecture to us until you fix it in your own house.

Now, having said that, I don't think the world is going to be a better place if we just sort of point fingers at each other, each of us having good arguments and bad arguments, but we've got to get on with it.

In India, they are moving ahead on solar. And we have shown them--there's not time to get into this--but the two key

things, when you are building out a new infrastructure like solar, is that solar has a very high capital cost up front to build, but once you build it, it's very cheap energy because you just have to clean mirrors, and replace mirrors when they break, but then it works okay. But 80 to 90 percent of the total cost of building large scale solar is in the upfront capital cost and the financing of that capital cost.

And the other thing that's important about solar is scale. If you build out 3000 megawatts, 5000 kilowatts, it will be 40 percent cheaper than if you build a 50 megawatt plant.

So what we've shown them in India, and we're doing this in two states, is that within a few years, we can actually make solar cheaper than coal-fired power. So they've been building out a coal-fired power plant every week-and-a-half. And they're interested in going to solar to do that.

On carbon capture and storage, they don't really have the places to store like we do in the U.S. that can be safe, so

there, we think eventually, the technology will improve out, hopefully this technology of converting CO₂ into concrete filler. Then they'll be very interested in that because they're building a lot in India, and as we can get concrete as an aggregate that comes from the CO₂, that will be a technology that I think they will adopt.

So the only thing I would urge is that first and foremost, we should tend to our own garden here, and make sure that we're doing the job here, and use the fact that others are not to give us an excuse not to do what we've got to do.

But the call I would make here, I don't think, politically and economically, that we win this argument, nor do we do the right thing in America if we try to argue that it's just on the basis of climate change. I think climate change is real. We've got to address it. But first and foremost, this has to be about jobs, and it has to be about economic recovery, and we need to marry that because it's only when people understand that we're creating jobs

here and affecting an economic transformation that we're going to win the political argument that we need to get the reinvestments we need in our infrastructure and our energy.

Thank you very much.

GOVERNOR MANCHIN:

Thank you to all the speakers and presenters. We appreciate it very much. And you were very informative and we appreciate you being here.

We'll now begin the adoption of the post policy positions alphabetically by committee. The policies were originally sent to all governors on July the 2nd. The packet in front of you reflects those policies as adopted by the standing committees and they require two-thirds vote of those present and voting.

To expedite matters, I would ask each committee chair or committee designee to move the adoption of those committee policies. At this time, I'll call on our committees. I would like for Governor [Mike] Rounds, for the Economic Development

and Commerce Committee.

GOVERNOR ROUNDS:

(Governor Rounds' microphone was turned off, and therefore his comments were inaudible.)

GOVERNOR MANCHIN:

All those who heard the motion, to second the motion of Governor Rounds.

GOVERNOR [Jan] BREWER:

I second the motion.

GOVERNOR MANCHIN:

We have a second from Governor Brewer. All those in favor, signify by saying "aye." All opposed?

The motion is passed.

GOVERNOR ROUNDS:

Mr. Chairman, EDC6, we found a correction that needed to be made, and that was identified very easily, if I can pull it up. On 63-2, under the category or the lines 1 through 4, we have overstrikes. They need not have been there. I would omit the overstrikes on lines 1 through 4 on 63-2 on 88, and with that, would revert back to what it was previously. And with that, I

would move the amendment first, and I'll ask for a separate vote on the policy, itself.

GOVERNOR MANCHIN:

You heard the amendment. Do we have a second?

GOVERNOR BARBOUR:

Second.

GOVERNOR MANCHIN:

Second. All those in favor, signify by saying "aye."

And opposed?

The amendment is accepted.

GOVERNOR ROUNDS:

I would now move the amendment.

GOVERNOR MANCHIN:

Now we move the amendment for adoption. Having heard that motion, a second to that? Second?

All those in favor signify by saying "aye"?

Opposed?

GOVERNOR SCHWEITZER:

No.

GOVERNOR MANCHIN:

Motion carries.

I believe also that Governor Rounds is going to present for Governor [Bill] Ritter the Education and Childhood Workforce Committee Report.

GOVERNOR ROUNDS:

I would, Mr. Chairman, on behalf of Governor Ritter, who was called out to a previously scheduled phone call.

During the meeting, they approved two amendments and two propositions, ECW-2, National Community Service, and ECW-8, Individuals With Disabilities and Education Act.

On behalf of the ECW Committee and on behalf of Chairman Ritter, I would move the adoption of the policy recommendations in block.

GOVERNOR MANCHIN:

You've heard the motion. Is there a second to the motion?

GOVERNOR BREWER:

I second the motion.

GOVERNOR MANCHIN:

All those in favor signify by saying "aye."

Opposed?

Motion passes.

We'll now have Governor Brewer, if she would, for the Health and Human Services Committee.

GOVERNOR BREWER:

Thank you, Mr. Chairman. On behalf of the Health and Human Services Committee, we had a very lively continuation of our discussion on healthcare reform and its implications on our states. At our business session, we approved amendments to seven existing policies, three in the form of substitutes, and the re-information of one existing policy. And I recommend that these policies be considered and blocked by the whole body.

GOVERNOR MANCHIN:

You heard the motion. Do we have a second to the motion?

GOVERNOR ROUNDS:

Second.

GOVERNOR MANCHIN:

Second to the motion by Governor Rounds. All those in favor, signify by

saying "aye."

Opposed?

Motion passes. Thank you.

Now for Governor Schweitzer for the Natural Resources Committee Report.

GOVERNOR SCHWEITZER:

Haley, I just wanted to say that I was surprised, a few years ago, when the governor of Montana didn't receive a call from the governor of Mississippi. There was a storm out there swirling around, and while I'm not a climatologist, nor an expert in disaster management, I am an expert on a few things. When they named that storm Katrina, I could have predicted a lot of things because my daughter, who is a teenager, is named Katrina. The path of that storm was going to be uncertain, but one thing we knew for sure, is she was going to arrive late. There would be a lot of destruction when she arrived and it would be expensive. The cost would be much more than anybody could have predicted, and at the end of the day, somebody else would be blamed.

So the Natural Resource Committee

met yesterday. We had an excellent discussion about various options to enhance our nation's energy, security and amendments.

During our meeting, we approved amendments to the following four policies: The Clean Air Act, The Recreation Resources, the Comprehensive National Energy and Electricity Policy and Drought. We also reaffirmed the solid waste facilities through the winter meeting, and now, we move to approve them in block.

GOVERNOR MANCHIN:

You have a motion. Do we have a second to the motion?

GOVERNOR BARBOUR:

Second.

GOVERNOR MANCHIN:

We have a second. All those in favor, signify by saying "aye."

Opposed?

Motion passes.

At this time, we have Governor [Jim] Douglas for the Executive Committee report.

GOVERNOR SCHWEITZER:

Mr. Chairman, the committee also discussed the National Infrastructure Bank policy that has been proposed by our colleague, Governor [Ed] Rendell. While the policy was not officially referred to our committee for action, the committee members are supportive of its passage.

GOVERNOR MANCHIN:

Governor [Martin] O'Malley will address that.

Governor Douglas.

GOVERNOR DOUGLAS:

Mr. Chairman, thank you. The Executive Committee, unfortunately, was unable to have a formal meeting, but I am advised that there is no objection by the members of the committee to the passage of the recommendations that I'll offer with respect to our policies. They've all been amended by our staff. Because there wasn't a meeting, it will take two votes, first to suspend the rules to consider them, and I'll offer that motion now.

GOVERNOR MANCHIN:

You heard the motion to suspend the

rules.

So moved.

Any discussion? All those in favor, signify by saying "aye."

Opposed?

The motion passes.

GOVERNOR DOUGLAS:

I would like to move the adoption of the policies on block. There are a couple of reaffirmations of the policies with respect to state mitigations, tax modernization and Medicaid reform, an adoption of an interim policy that we approved earlier this spring on healthcare reform, and two new policies on homeland security and public safety communications. I move their adoption.

GOVERNOR MANCHIN:

You heard the motion. Is there a second to the motion?

GOVERNOR BREWER:

Second the motion.

GOVERNOR MANCHIN:

Second to the motion. Discussion?

All those in favor, signify by

saying "aye."

Opposed?

Motion carries.

Now I'd like to call on Governor O'Malley concerning the Nation's Infrastructure Bank proposal.

GOVERNOR O'MALLEY:

Thank you, Mr. Chairman. I would like to move the adoption of the National Infrastructure Bank policy, which was proposed by Governor Rendell. Anybody want to give me a second?

GOVERNOR SCHWEITZER:

Second.

GOVERNOR MANCHIN:

We have a second to the motion. All those in favor, signify by saying "aye."

GOVERNOR O'MALLEY:

We haven't moved it. They gave me a few more things to say.

Before we adopt this, I also want to offer what I believe is a friendly amendment at the end of the first paragraph, under 15.2. I would propose to add the following: "To the extent federal funds are used to

capitalize and sustain the National Infrastructure Bank, those funds should be over and above those required to provide adequate growth for the preexisting federal infrastructure programs."

GOVERNOR ROUNDS:

I would second the amendment.

GOVERNOR O'MALLEY:

I would now move adoption of that amendment.

GOVERNOR ROUNDS:

Second.

GOVERNOR MANCHIN:

We have a second. Do we have discussion? All those in favor, signify by saying "aye."

Opposed?

Motion carries.

GOVERNOR O'MALLEY:

Mr. Chairman, I would now like to move for a vote on the policy.

GOVERNOR MANCHIN:

We now have a motion for a vote on the policy. Do we have a second for that motion?

GOVERNOR BARBOUR:

I'll second, but I would like to ask a question.

GOVERNOR MANCHIN:

We have second and discussion.

Governor Barbour.

GOVERNOR BARBOUR:

Governor, it is specific in here that non-metropolitan areas would be treated equitably and that this wouldn't just all go into congestion and big cities; is that correct?

GOVERNOR O'MALLEY:

That's correct.

GOVERNOR MANCHIN:

Further discussion? All those in favor, signify by saying "aye."

Opposed?

Motion carries.

Thank you. Also, I want to make note that because the policy was raised at the weekend's meeting, it requires a three-fourths vote to suspend the rules and a three-fourths vote for passage. So we are going to have that.

And with that, let me just say that on behalf of all the governors, I think this weekend has proven our willingness to work with this administration, President Obama's administration, with the Senate and Congress for some of the critical issues that face all of us. And we're going to continue in that bipartisan spirit from the NGA in moving these topics forward and produce some good policy to help move this country forward.

I want to thank again Governor Barbour and Marsha Barbour for their wonderful southern hospitality, all the staff. One thing Haley has told us, any time we come close to Mississippi is if we don't have a good time, it's our fault, not his, and he made that vow again and he proved it to be true. So to your staff, your volunteers, Governor Haley Barbour, I want to thank you from the bottom of my heart, and on behalf of the NGA, you've done a wonderful job.

At this time, I want to call on Governor Rounds for his report on the

Nominating Committee.

GOVERNOR ROUNDS:

On behalf of the Nominating Committee, it is my privilege to nominate the following Governors to serve on the NGA's Executive Committee:

Governor Ed Rendell of Pennsylvania, Governor Chris Gregoire of Washington, Governor Deval Patrick of Massachusetts, Governor Phil Bredesen of Tennessee, Governor John Hoeven of North Dakota, Governor Sonny Perdue of Georgia, Governor Dave Heineman of Nebraska, and as the new vice chair, Governor Joe Manchin of West Virginia, and as chair, Governor Jim Douglas of Vermont.

I wish to congratulate the nominees and move for the adoption of the committee's recommendations in block.

GOVERNOR MANCHIN:

Thank you, Governor Rounds. You've heard the nomination. Do we have a second?

GOVERNOR CULVER:

Second.

GOVERNOR MANCHIN:

We have a second. Any discussion on nominations? If not, all those in favor signify by saying "aye."

Opposed?

Congratulations to all the nominees. It was a close election, I've been told. So let me be the first to congratulate Governor Douglas as we turn the gavel over to him to lead us in this next year; looking forward to working with him.

Governor Douglas of Vermont.

GOVERNOR DOUGLAS:

First of all, Governor Manchin, congratulations to you on becoming the new vice chair of the association. I look forward to working with you, Joe, during the coming year.

It's a challenging and exciting time for all of our states and our nation, but this is such an important forum, as Governor Rendell said at the opening of our annual meeting, for governors of both parties to come together in this bipartisan forum at the NGA and pursue the important issues that we confronted. So thank you, and I look

forward to working with everyone on the Executive Committee, as well.

Haley, it's all been said, but I want to say it, too. Thanks for a great annual meeting. You and Marsha really outdid yourselves, and the South Mississippi hospitality here has been outstanding, and we appreciate not only that, but your tremendous leadership as governor of this great state. So thank you so much again.

Well, this is a time when we have talked about a lot of issues over the last few days, and very difficult times for us, as was discussed in our closing plenary session, as well. We're facing the biggest financial crisis since the great depression. Our revenues are declining.

But we can't afford to ignore one of the biggest challenges to our fiscal well-being, and that's the ever increasing cost of healthcare. Healthcare spending continues to rise substantially, and in this economy, fewer people have health insurance. Now is the time to address the challenges that we face in our healthcare system.

That's why I've decided to focus, during the coming year, an initiative on transforming our healthcare system to one that provides more coordinated and efficient care, that will reduce costs and improve access to that care.

The time is right for us, as governors, to define our state's role in health reform. We'll continue to show leadership and ovation in improving the healthcare that is delivered. Together, with our new vice chair, I'll work with each and every one of you and with our federal government to ensure that any health reforms address the needs of the states.

The initiative that I'm proposing today offers the opportunity for all of us to play a role in the federal discussion, as well as to help each other decipher what new healthcare reform legislation will mean for our states and advance our own interests to improve the healthcare delivery system.

We'll, together, shape a prescription for health reform that ensures that the nation's health system is

affordable, accessible and accountable to the American people.

The need for health reform is critical, regardless of who pays, the government or the private sector. We are all going to pay more unless we can get a handle on spiraling healthcare costs. We can't sustain our current level of spending. We must control costs and provide value in our system, but it will take a range of efforts to be successful. Reducing the number of people without health insurance is a key priority. During this economic crisis, the number of uninsured continues to rise, the cost of care for families without insurance is too great and there are too few choices for getting insurance that they can afford. We must work to get more Americans insured.

But coverage isn't enough. Even with insurance, we're not guaranteed high-quality care. Our nation spends almost \$7,500 per person for health services, more than double the national average in other industrialized nations. But our outcomes

are no better. The current system encourages inefficiencies, promotes duplication and waste, and too often does not deliver quality care.

But we have the ability to change. Through innovation and reform, we can begin to address these challenges. Vermont has successfully implemented comprehensive reforms that drive high-quality coordinated care and expand coverage to the uninsured. Our innovative blueprint for health provides providers with care teams to coordinate their health services.

We are changing the way we pay for care to encourage primary care and prevention, and we're bundling payments across hospitals and doctors to promote coordination. We are working to get our health information systems connected and to get our doctors using electronic health records.

Through all of these efforts, we've begun to change our health system to provide Vermonters with affordable coverage, while improving the care that they receive.

Many of my colleagues have initiated important health reforms, as well. We heard earlier in this meeting about Governor Manchin and Governor Barbour's efforts at addressing obesity, an important objective in order to control the spiraling costs of managing chronic disease.

Over the coming year, I hope to work with all of the governors in efforts like these. As the leaders of our states, we need to come together to deliver on the promise of comprehensive reform. My initiative offers an opportunity to fulfill our goals as leaders in addressing the key cost drivers, improving the quality of our system and providing more insurance coverage.

If national health reform passes, we'll likely face challenges in implementing those reforms, reforms in insurance, insurance exchanges, public program expansions. Cost containment will be critical to the sustainability of covering more Americans.

Even without action at the national

level, states are reforming their own healthcare systems and pursuing innovations that could benefit all states. Sharing the best and brightest ideas with each other is one of the things that we do best, and that will be a critical part of this year's initiative.

We must reduce costs by improving the quality and efficiency of care through coordination, through primary care and prevention, through health information technology and payment reform. The leadership of the governors and experience in developing and implementing these reforms will be crucial. My initiative will provide you with key information on the major issues and delivery systems and help build your capacity for critical reforms. As states implement health reforms, the initiative will offer experience and expertise in creating a more efficient and effective healthcare system.

Together, we can achieve comprehensive health reform. We can ensure that our system delivers high-quality care,

reduces cost and increases access to health insurance.

Among the materials you have today is the description of my initiative in this brochure, and I look forward to working with all of you on a prescription for health reform that creates an American system that's affordable, and accessible and accountable for all. Governors are the leaders. We can do it. Together, we can make improvements for the people of our great nation. Thank you all very much.

Is there any other business to come before the annual meeting?

GOVERNOR BARBOUR:

I move we adjourn.

GOVERNOR DOUGLAS:

Governor Barbour moves we adjourn. Is there a second? Second and all in favor of adjournment say "aye."

Opposed, "no"?

The ayes have it and the 131st meeting of the NGA is adjourned. See you all next time.

[Plenary Session concluded.]