NATIONAL GOVERNORS ASSOCIATION

July 10-13, 2014

The State-Federal Partnership

Opening Session

Friday, July 11, 2014

Omni National Hotel
Broadway Ballrooms E/F
250 5th Avenue South
Nashville, Tennessee
OPENING SESSION

GOVERNOR [MARY] FALLIN: Good afternoon.
Welcome, everyone. We've got a great crowd today.
Thank you so much for attending our 2014 Summer NGA meeting. We're glad to have so many participants here today, and welcome to all of our governors and our sponsors, and certainly all of our guests who have joined us here today. We're very excited to be here.

So it's my great pleasure, as the chair of this organization, to call our meeting to order.

(Gavel)

I have to do that; it makes it official.

(Laughter)

So we are officially called to order for the National Governors [Association] meeting. We have a very full agenda over the next two and a half days, and we certainly had a great evening last night with the beginning of our session, and we have a great session that will follow after this; following this session
will be our Economic Development and Commerce committee that will meet, and we'll be talking about growing small businesses and medium-sized businesses and creating jobs; and then along with that, concurrently, the Education and Workforce Committee.

We'll be discussing education and economic development on Saturday’s business agenda. It will begin with a discussion about the future of health in our Health and Human Services Committee. Followed by a special session about the chair’s initiative: *America Works—Education and Training for Tomorrow's Jobs*. And we'll also have a governors-only lunch and business session, followed by concurrent committee sessions.

[At] the Homeland Security and Public Safety Committee, we'll talk about employing our veterans, while the Natural Resources Committee will discuss modernizing our electric grid system.

On Sunday morning, we'll begin with a governors-only breakfast and a business session; and then the summer meeting will conclude with a session on the Future of Main Street, with a guest speaker.
So I look forward to seeing all of you at our business sessions as we have these very important public policy discussions.

And now may I have a motion for the adoption of the rules for the procedure of this meeting?

(Moved and seconded)

GOVERNOR FALLIN: I have a motion and a second for adoption of the rules.

All those in favor, say "aye."

(Chorus of ayes)

All those opposed, "nay"?

(No response.)

GOVERNOR FALLIN: The motion is adopted.

Thank you very much.

I'd also like to announce the appointment of our chair of our 2014-2015 nominating committee, West Virginia Governor Earl Ray Tomblin.

Is Earl Ray here this morning? There he is. Wonderful.

Thank you very much for accepting the chairmanship of our nominating committee.
Thank you for doing that.
I'd also like to begin with the introduction of delegation members. We're very proud today to be joined by so many distinguished guests for our annual meeting, especially from the international community. So as I introduce you, will you please just stand so we can recognize you and say thank you for coming.

We have with us today the Canadian Ambassador and a delegation from Canada. Will you please stand so we can recognize you? Welcome.

(Applause)
Thank you very much for coming. We also have the Ambassador of Morocco and the Ambassador of Iraq. Would you please stand.

(Applause)
We have governors and delegations from Colombia.

(Applause)
We have governors and delegations from Kenya.

(Applause)
And representatives from Japan.

(Applause)

Representatives from China.

(Applause)

And we have representatives from Mexico.

(Applause)

We welcome all of our international guests. Thank you so much for coming to America's National Governors Association meeting; we're glad to have you join us here today.

And of course we're very thrilled to be here in Nashville, and in Tennessee, for our annual meeting, and very excited with the agenda that Governor [Bill] Haslam and his wife, Crissy, the first lady, has planned for our meeting.

Governor, thank you so much for your tremendous work on behalf of all of our governors; and not only are there important discussions that we're going to have, but we've got some great entertainment. We started out last night with a wonderful songwriters' showcase in which the songwriters talked about how they composed songs, and
sang some wonderful songs to us—brought back a lot
of great memories, and it was a lot of fun.

Governor Haslam, would you like to come
forward and say a couple of words for us?

GOVERNOR HASLAM: I asked if I would just
make the remarks from here (seated). So I do want to
welcome everyone to Tennessee. Crissy and I have
been looking forward to hosting you here; and thanks
to the chair's help, I think we have a great
meeting put together, so I welcome fellow governors,
all attendees, and particularly our international
guests as well, we are honored that you would be
here.

And if you liked the entertainment last
night, hold on, we are just getting warmed up. So I
promise two other great nights of entertainment to
follow up on some great programming.

Thank you all and welcome to Tennessee,
and I hope you have a great weekend.

GOVERNOR FALLIN: Thank you, Governor
Haslam.

(Applause)
GOVERNOR FALLIN: Not only do I want to thank Governor Haslam, but I also want to thank the NGA Staff, because it takes a lot of time and effort to put these meetings together.

Thank you to the NGA Staff.

(Applause)

GOVERNOR FALLIN: At each summer meeting, we take a moment to recognize the companies that have helped us maintain a strong commitment to governors, and bipartisanship, and the work at the NGA Center for Best Practices through their participation in the NGA Corporate Fellows Program.

The NGA Corporate Fellows Program was established in 1988, and it facilitates an exchange of expertise and knowledge between our governors and America's leading companies. Corporate fellows share their unique experiences, their perspectives, their expertise with governors through the NGA Center for Best Practices itself.

Member companies and their contributions help support the NGA Center, and represent a commitment to providing governors with best policy
ideas and best practices. Today we want to recognize companies that have reached milestones in their tenure as members of NGA Corporate Fellows Program, and with their annual contributions, these companies have made a long term commitment to supporting our governors and supporting the NGA itself.

So will you please join me in recognizing the following companies? I am going to call them up to get an award. For 25 years of membership with the NGA in our Corporate Fellows program. So as I call you up, would you please come forward and we'll start with the first recognition of our 25 years: Altria, and their Client Services Division.

Altria, will you please join me?

(Applause)

(Presentation)

GOVERNOR FALLIN: Our next 25-year corporate fellow is Blue Cross Blue Shield.

(Applause)

(Presentation)

GOVERNOR FALLIN: Let's recognize IBM.

(Applause)
GOVERNOR FALLIN: Johnson & Johnson.

GOVERNOR FALLIN: And our last 25-year one is Unilever.

GOVERNOR FALLIN: All right. Now we're going to recognize our companies that have been with the NGA for 20 years of membership in our Corporate Fellows program. And I'll begin by recognizing Hallmark Cards.

GOVERNOR FALLIN: Kaiser Permanente.

GOVERNOR FALLIN: So on behalf of all the governors, will you please join me in thanking all these companies that received the 25-year and 20-year awards. Thank you very much.
(Applause)

Now we actually turn to a bittersweet moment in our program in this opening session, and that is to recognize and say “Thank you”; but to also say “Farewell” to several of our governors who will be leaving this year, departing after these fall elections; they have served out their terms in office and will now be moving on to other opportunities. We actually have eight of our colleagues, five who have joined us here today for this meeting, that we would like to say farewell to.

So I'd like to call them up. I'm going to start with a couple that were unable to join us here today. Governor [Mike] Beebe of Arkansas, we certainly wish him the very, very best. Governor [Deval] Patrick of Massachusetts, both who have served on the NGA's executive committee. And Governor [Rick] Perry of Texas also will not be with us; they're all terming out. So we wish them the very best of luck, and we appreciate their service to the National Governors Association.

Let's give them a hand.
(Applause)

Now it gets to the hard part, and that is saying farewell to those who are here right now. And I'll start out by my good friend, a lady that I've worked with for many, many years, Governor Jan Brewer of Arizona. Governor, it's hard to believe—the time has come.

Governor Brewer has been a governor since 2009. Soon after taking office, Jan took control of a state budget that was in crisis; she exhibited great leadership and a willingness to make tough decisions, and to make government more effective. Governor Brewer has served as chair of the NGA Special Committee on Homeland Security and Public Safety and was appointed by President Obama to serve on the Council of Governors.

She also serves as a member of the Health and Human Services Committee, and Economic Development and Commerce Committee, as well as the NGA Center for Best Practices board.

So Jan, on behalf of our fellow governors in the NGA, we want to thank you and John for your
many years of dedication to public service as a member of the NGA, and we wish you best of luck. Governor Brewer.

(Applause)

(Presentation)

GOVERNOR FALLIN: Next, I'd like to recognize Governor Martin O'Malley, governor of Maryland since 2007. As Governor, Martin has worked in making investments in education, innovation, infrastructure, creating jobs, expanding opportunities, to make Maryland a safer, healthier place.

Governor O'Malley was appointed as the nation's first-ever member of the Council of Governors by President Obama in 2010 and was named co-chair of the council in 2013. He has served as the co-chair of the NGA Special Committee on Homeland Security and Public Safety as well as four other committees, which we appreciate.

Governor Martin O'Malley and Katie, we're going to miss you. And Katie, very much as a member of this organization. We appreciate all your
tremendous contributions and your service, and all
that you have done for our nation. And we wish you
the very best of luck as you continue on with your
future endeavors.

Would you please come forward?

(Applause)

(Presentation)

GOVERNOR FALLIN: Our next one is Governor
Dave Heineman of Nebraska. Dave Heineman has been
Governor since 2005. The Governor has served with a
clear vision on education, economic vitality,
efficiency in government, and protecting our
families. During his tenure as Nebraska's chief
executive officer, Governor Heineman has served with
distinction on three NGA committees, two task forces,
the NGA Executive Committee, the Finance Committee,
the NGA Center for Best Practices and their Board;
and of course he is one of our fearless former NGA
chairs, from 2011 to 2012, when he focused on growing
states' economies.

Governor Heineman and his wife, Sally,
we're going to miss both of you. We appreciate your
tremendous service to the NGA, to our nation, and we wish you the very best as you continue in the future.

Would you please come up?

(Applause)

(Governor Fallin) Next I would like to recognize Governor Lincoln Chafee—there you are—who has served as Governor of Rhode Island since 2011. Governor, we're going to miss you. We appreciate you being here.

Upon taking office, Lincoln faced the state's worst financial crisis in decades, forcing him to make some very tough choices. Because of his principled leadership and investments in education and workforce and revitalization, Rhode Island is now on a path to recovery. Governor Chafee and his team have also been very strong supporters and participants in NGA, where he has consistently and dutifully served on the Education, Early Childhood Workforce Committee, on that committee as well as the Health and Human Services Committee.

Governor Chafee and his wife, Stephanie, and
their entire family, we want to extend you our very
best wishes in your future endeavors.

Would you please come forward?

(Applause)

(Presentation)

GOVERNOR FALLIN: That's all that I know
of who are leaving.

(Laughter)

To all of our governors, we appreciate
your tremendous service. We wish you the very best
of luck. Let's give all of our governors that are
departing a warm send-off. Thank you for your
service.

(Applause)

GOVERNOR FALLIN: We're going to take a
quick pause for just a few moments as we prepare for
our very special guest. No one leave the room—in
fact, I don't think you could leave the room if you
wanted to.

(Laughter)

But if you want to, stand up and just
stretch. Please stay in the room, and we're going to
prepare now for a very special guest.

(Pause; 1:28 p.m. to 1:37 p.m.)
GOVERNOR FALLIN: Well, thank you, ladies and gentlemen, for being very patient with us. One of the great benefits of being leadership at the NGA is the opportunity to be able to work with our leaders in Washington, D.C. Over the past two years, our Executive Committee has had the privilege of meeting privately with both the President and the Vice President to talk about issues, to talk about national priorities in our states, and how we can all work together.

The Vice President himself has taken the lead on several administrative initiatives that require direct outreach and coordination with our states and our governors. I know I've had several one-on-one meetings, direct conversations with the Vice President as well as other governors in the room, and it's that direct conversation, that direct access that has been very beneficial to our individual states in helping us develop a better state and federal partnership.

As senator from Delaware for 36 years, he has shown himself as a leader on some of the nation's
most important domestic and international challenges. He served as a chairman or ranking member of the Senate Judiciary Committee for 17 years, and chairman or ranking committee member on the Senate Foreign Relations Committee.

As the 47th Vice President of the United States, Joe Biden has continued his leadership on important issues facing the nation. The Vice President was tasked with implementing the American Recovery and Reinvestment Act in a time in which I know he personally called each and every governor to talk about the national economy and our state's economy.

He also continues to draw on his foreign policy expertise, advising the President on a multitude of international issues. So ladies and gentlemen, it is our great pleasure, as the National Governors Association, to welcome the Vice President of the United States, Joe Biden.

(Applause)

VICE PRESIDENT BIDEN: Thank you all. Please sit down. . Thank you very, very much. . Mary,
thank you for that gracious introduction, and as you
mentioned that I had the responsibility to implement
the Recovery Act, and I got to meet with, speak with
multiple times with all of you; "Hey, how are you
doing?" A lot of old friends.

And it reminded me of what Linc and I used
to know: It reminded me what it used to be like
serving in the United States Senate. We actually
liked one another then in those days, and we actually
got along with one another. And to deal with all of
you has been one of the pleasures, and I mean this
sincerely, of my tenure as Vice President. I saw a
lot of you back at the White House not too long ago,
and I want to thank Bill for the passport to get back
into Tennessee, I appreciate it very much. He said
"You were here last week, hopefully you're not coming
next week"—no, he didn't say that.

(Laughter)

He said I could come—I was here last week,
actually.

But folks, I probably shouldn't say this,
but then again, I'm Joe Biden.

But as O'Malley can tell you, no one ever doubts on me what I say; the problem is I sometimes say all that I mean.

But I mean this sincerely, I was thinking about this a lot the last three to four weeks: The greatest honor of my life was to be a United States Senator and serve for all those years in the United States Senate with some of the greatest, finest people I've ever known in my life. And I loved it.

And there's always been very, very tough politics, Gov, in Washington. I got there when there were still, some of the old segregationists were still there; James O. Eastland and a whole lot of other folks. But even in those days when I got there, and the politics was intense; the ideological differences were real; but it never got to where it is today. It was never personal, it was never cast in the context of, you're good or bad. There was a presumption that the other guy or woman you'd be
dealing with was acting in good faith. And Governor
[Phil] Bryant, you know, both your Mississippi senators
actually supported me when I tried to get a
nomination early on; and on civil rights we were a
thousand miles apart.

Most important, you didn't question the
other guy's motive. You really went after the
judgment; it was like hammer and tong fighting over
so many fundamental issues. But it was always about
their judgment, not their motive.

And the way things have gotten today—
and I'm not singling out any party or any group of
people—just the politics, the culture in
Washington now, it's become too personal, it's too
corrosive. I was saying to Peter earlier today that
you folks, the Democratic-Republican governors, are
the best hope we have for bringing back an atmosphere
where we can disagree without being disagreeable,
where we can have significant ideological differences
but yet at the end of the day, it's all about trying
to find a solution.

And granted, it always looks better from
the outside than the inside, but from the outside looking at you all, dealing with you for the last six years, “you” in an editorial sense, the vast majority of you respect one another. The vast majority of you— I assume all, but I don't know—the vast majority of you treat each other with respect. You're not dismissive of the other guy's or woman's ideas, and you cooperate in ways that I find badly, badly needed.

You know we are—excuse the editorial comment—we're only one country, man, and we always do best when we act like that. And it's not the American people who are divided; our politics is dividing them, the way we conduct our politics is dividing them.

And so I look to you all, we look to you. I think the answer is not just in terms of innovative things or coming out of you and not Congress; it is also, you're the ones who have the greatest respect among those of us who are elected, in your states, because you're about solving problems.

I watched Jack [Markell], my governor, who is I
think a great governor. I watch—we have real
differences in Delaware. I mean, deep differences.
But it doesn't get out of hand. It doesn't get out
of hand. I've watched Martin, I know how he operates
in Maryland, know it well.
So I guess what I'm trying to say is—
—and I'll get on with the business of the day here—
—I've enjoyed working with you and I think you've got
to lead us out. I think you've got to lead us out of
this mess we're in. Because you and I, we all know
that the vast majority of the people elected to the
House and Senate, both parties, want to figure a way
out; they know this is corrosive.
When you have a national poll showing that
the Republicans in Congress have a 78 percent
negative rating and a 14 positive but the Democrats
are—great victory—65 percent or whatever,
negative? This country can't run that way. We're
the most heterogeneous country in the world. You and
I know that in the next five years, those of us who
are Caucasian, of European descent, are going to be
an absolute minority in the United States of
America. We've got to get this right.

So my editorial comment is, we're looking to you. We're looking to you. And this will change, this will pass, but we've got to get past it a heck of a lot quicker than we have thus far.

And I think that old Anglo expression, "the proof of the pudding is in the eating"— because of your cooperation and leadership, an awful lot of things are getting done. An awful lot of things are getting done. We had 52 straight months of private sector job creation, a total of 9.7 million jobs, because working together and working with you and you with one another, you created the conditions in your state that has brought more money off the sidelines, and you have sparked economic recovery in most of your states.

Manufacturers have added 68,000 jobs in the past 52 months. Because working together, you made the needs of manufacturers a central part of your state policies: diversifying your energy resources, cutting the red tape, supporting emerging technologies. They aren't Democrat or Republican
ideas; but you've done it.

Exports have increased to record-breaking levels, a fourth straight year, reaching $2.3 trillion, with capital goods and industrial supply leading the charge; not just agriculture. It was always agriculture, it was always the net.

Then why is that happening? Because of the conditions you've provided in your states. You've made it a priority at the state level to connect businesses directly with international markets and opportunities. And many of you, many of you have invested in the infrastructure needed to get products in your states the rail lines, the ports, the link to the world.

You know, according to—I'm so tired of hearing people in both parties, but a little bit more in the other party, about how bad off America is, what terrible shape we're in. I have now traveled almost a million miles just since being Vice President. You will not find a single world leader in any country who would not trade places in a heartbeat with the President of the United States, to
be president of this great country. Not one. I challenge you to find me one. The Norwegian states, they're doing great. But they're part of the Eurozone.

There's a whole lot going on around the world. In 2013, I hear about how America is so far behind. A.T. Kearney, one of the leading firms in America, does a survey every year. And they do an international survey. And they asked the question: What is the country that is most inviting of and most desirous of welcoming foreign direct investment? Where you want to invest your money.

Ladies and gentlemen, last year the United States once again overtook China, for the first time in 11 years, as the number one choice for foreign direct investment. The 2014 survey came out, and again the United States is number one. But here's the point: Pulling away from the pack by the widest margin ever recorded in the history of this survey, ever, ever—in every region of the world, in every economic sector, foreign investors see the United States as the best place to invest their money.
Ladies and gentlemen, simply put, we're better positioned than any nation in the world to remain the leading economy for the 21st Century. Nobody else is close. Everybody talks to me about China. I know President Xi better than any elected official, just because I've spent more time with him. I traveled with him five days alone in China, and he traveled four of the five days here in the United States. I recently came back from a five-and-a-half-hour meeting with him.

I want China to do well, but China not only has a problem with energy and a shortage of it, it doesn't have water. Hear me? They don't have enough water. They have a divided population. They have to create 9 million new urban jobs every year just to stay current. They have to grow at above 10 percent per year to keep this bargain they have with an emerging middle class, which is "We'll let your economy grow as long as you let us stay in charge."

So folks, if you're ever going to be involved in the business we're all in, this is the time to be in because the opportunities are so
immense. But each one of you governors know in order to maintain this advantage, continue to grow our economy, we have to stay ahead of the curve investing in two very important areas; there's much we could talk about today. Mary, you and I talked about it, and talked about a lot.

The first is infrastructure. And the second is investing and making sure we have the highest-skilled work force in the world. They are absolute basic requirements. Basic requirements for us to be the leading economy in the 21st century. And on both scores, we're way behind. We're way behind. You're the ones leading in your states, without much help from the United States Congress.

I know I'm preaching to the choir when I talk about the importance of infrastructure. Almost every one of you in this room I have had a private conversation with about a major infrastructure project in your state, from a highway to a port to a canal, which would have a significant economic impact on your state if you had the resources to be able to deal with it.
These are the projects which would pull millions—nationwide billions—of dollars off the sidelines. Not just federal dollars; billions of dollars off the sideline, creating the virtuous cycle of more efficiency, more productivity, more jobs in your state.

I stood on the water's edge with Governor O'Malley and Governor [Nikki] Haley discussing the need for modernizing our East Coast ports to accommodate these really new, massive Panamax ships. I took several of my colleagues down to the Panama Canal to witness the construction. It looks like the Great Pyramids are being built; they are gigantic. They're going to accommodate ships that are not 90, 110 feet wide, but 160 feet wide. They're five and six stories high. They carry twice the cargo at half the cost. Yet for a significant number of ports from the Gulf, from Houston all the way up to Maine, they can't berth in these ports.

Martin can tell you. Governor Haley can tell you. The state of Georgia can tell you. The port of Savannah, it accommodates, is responsible for
278,000 jobs in that state. I forget the number in Maryland, Gov, but it's gigantic. And yet, we're diddling. You're doing all you can, you're attracting investment—the federal government is sitting on its hands because they can't get the so-called water bill through, and they finally got it through now, and we're trying to figure out how to allocate that funding.

I walk with Governor [Pat] Quinn along the Mississippi River, talking about the critical connections between rail lines, highways and inland waterways. And I sat with Governor [Andrew] Cuomo in Albany as he laid out a remarkable upgrade to New York's power grids, bridges, tunnels that are being rebuilt in the wake of Sandy. But being rebuilt to a higher standard, not being rebuilt to the status quo ante; to a higher standard. Going beyond. To fundamentally rethink and reinvent the state's infrastructure in the 21st century.

One of the primary responsibilities of the federal government regarding infrastructure is to provide the seed money for the infrastructure. All
the way along from the beginning, we've done this.

The first national road was built by the Congress in 1808. You had a governor in New York named DeWitt Clinton, built a thing called the Erie Canal, generating in those days millions of dollars off the sidelines. Connecting the East Coast eventually to the West, which at the time was Ohio.

Interstate Highway System. Folks, you know that manufacturers locate where they can access modern railroads, highways, ports, airports, canals, to get their products to market more efficiently. If you're making widgets, and you can make them at the same price in Hong Kong as United States, but you can ship them to market 25 percent faster and 40 percent cheaper, where are you going to go build your widgets?

And manufacturing is coming home in droves. Why? Because we have the cheapest energy in the world now. Because we have, we protect intellectual property, we have a court system that adjudicates disputes fairly. We have the most productive workforce in the world. That's not my
judgment; that's from outside groups—three times as productive a Chinese workers. But how long are they going to stay?

I imagine Governor [John] Kasich is—I don't know if he is here and I just don't see him—from Ohio. He can tell you, a project we built, and he ended up building, the railroads built, in East Baltimore, Ohio, connecting—it is a gigantic switching station. It makes the Chicago stockyards of the old days look like it's small, for real. It's 100 acres sitting out in the middle of farmland. But they're going to have double decker box—be able to double-stack boxes, boxcars, containers, taking all the stuff Westinghouse is making, and Carrier, and all the rest in the old manufacturing belt of the nation, and they're going to get it to the port of Baltimore at one-quarter of the cost and three times the speed. And what we're doing is we're widening tunnels so you can, these trains can go through with double decks on them. Switching yards are changing. It's going to have a profound impact.

The United States transportation system
moves today—and I know you know all this, more than 52 million tons of goods worth nearly $46 billion every single day. Almost 40 tons of freight per person per year for everyone who lives in America. And that's only going to grow.

But what about our rail system? Is it growing anywhere near in proportion? For what we need now, let alone—let alone what we're going to need.

Big debate, Gov, you know this in Alabama, is whether or not you've got to slow down rail freight because it's too dangerous to have it move at higher speeds. It ain't the rail car, Gov, it's the rail bed. But you all know, today's infrastructure is in sad repair.

The American Society of Civil Engineers says we need $3.6 trillion—with a “t”—of investments in infrastructure by the year 2020 to maintain—to maintain our needs. Yet we only invest 1 percent of our GDP in infrastructure. We rank 28th in the world among advanced nations in investment in infrastructure. Looks as though the
Congress is going to do a short-term extension of the Highway Trust Fund anyway. And by the way, you all deserve the credit; I'm not being solicitous. You deserve the credit. We talked about this, we asked your help on it, you brought both parties together. But it's a temporary fix; it will take us through next May. And we agree to the letter you collectively signed and sent to the Democrats and Republicans in the Congress saying "we need a long-term solution." You're absolutely right.

That's why we proposed—you don't have to agree with every piece of it; we proposed a long-term solution called the Grow Act. You ought to take a close look at it, I respectfully suggest. It would invest $302 billion over the next four years in our railroads, highways and transit systems. That doesn't even get to our ports; our inland canals, our airports. I know I get in trouble; I wasn't the only one that said it, the governor of the state of New York said it. It wasn't a criticism; I put you in LaGuardia Airport or in airports in some of your states and drop you in an airport in Beijing,
blindfolded, 4 o'clock in the morning and ask you where are you? When you're in Beijing, you think you're in the United States or you should be. When you're in some of your airports, your big airports, you're going to think you're in another place.

Why is that? What are we doing? What are we doing. Infrastructure used to be—and I served the United States Senate for 36 years. Used to be the only fully totally bipartisan issue there was. When did all of a sudden our memories go dim?

The plan we put forward, we're open to other suggestions relating to it, is a plan, a combination of the existing taxes, closing tax loopholes, and rewarding companies—not rewarding companies for going overseas—but there may be other combinations, is the way in which you pay for it. It wouldn't add a cent to the deficit. Our proposed investment infrastructure will create millions of middle-class jobs, and it will generate economic growth.

I don't know a single governor of any political party, no matter how far left or right you
are, who doesn't want the job that you can raise a
middle-class family on; and it saves you a lot of
problems. They've got a choice between a job that is
a minimum-wage job and a job that someone can make a
decent salary and benefits [doing], what's the best thing to
contribute to your economy, regardless of your
politics?

Well, almost every one of those
infrastructure jobs are just that, Gov. None of them
are minimum-wage jobs. And you all know better than
anyone else the incredible ripple effect of
infrastructure projects. It means jobs up and down
the supply line, in every business and every
community in every one of your states. That's how
you build the economy. That's how we built it in the
past.

But in addition, infrastructure, it's
critically important that we have the most advanced,
highly skilled work force in the world. And Madam
Chair, you and the NGA have been on the forefront of
this. You've been focusing on workforce investment,
and I believe that without your help, Congress
wouldn't have passed the Workforce Innovation Opportunity Act. Again, you guys did it. Because of your work and leadership, you've been able to re-establish a bipartisan consensus on workforce innovation, the opportunities worth investing in. Because prior to this, you know what the debate was? "All these programs are worthless. Let's cut them all out." That was the one argument going on. And the other argument was, there's nothing they have to change. Well, no.

That there's a need both for significant reform as well as significant investment. The Act that just passed increases funding levels by 17 percent, eliminates 15 programs and increases accountability to make sure the programs are getting the job done. That is, how many workers has the program placed? How much are those workers earning? Are they on the job six months later? Because if they aren't, the program's not worth it, and we should apply standards to it. But we should have a program, programs. And it provides flexibility that you asked for it, in your discussions with me and my
staff as well as the Hill, by allowing funds to be used—because you know better than anyone else—to train people already on the job so they can improve their skills and move up the career ladder.

I'm probably the most accessible Vice President in a long, long time just because I get to go home; I live 126 miles—I still ride Amtrak, and I go home on it—for real. I go through your train station more than you do, Gov.

(Laughter)

But here's the deal: What do you hear at home? You say all the jobs are getting better, more people are getting jobs? It's those people who have jobs that have been totally stagnant for the last two, four, six years. Stagnant. You figured it out, Mary. You guys talked about the need to invest in people with jobs now to increase the capacity so they can move, in addition to those who are unemployed.

But we still have a lot more to do than just passing that Act, because it's absolutely necessary that we have that skilled workforce to maintain our economic edge to the 21st century.
That's a given. By the end of this decade, more than 6 out of every 10 jobs are going to need some form of postsecondary education, whether it's a bachelor's degree, an associate's degree, or some form of certificate training for a particular job in a manufacturing facility. And right now there are more than 100,000 manufacturing jobs collectively in this nation sitting empty because they can't find the skilled workforce to meet the job.

Out in your state, Wisconsin, you've been working with this. I was up in Michigan; they're working on it. Dow Kokam opens a big new plant, needs a thousand employees; they find out nobody knows anything about photovoltaic technology. So they work with the local community college, actually bring the machinery in off the floor into the community college, bring their own managers in, into the community college, with some help from the federal government through our program, train these folks. I think up there it was like an 18-week program; don't hold me to the exact number. It's like a conveyor belt. Salaries are $58,000, if
memory serves me correctly, average salary.

By the end of the decade, the Boston Consulting Group, which has hit the nail on the head the last 10 years, estimates the number of high school manufacturing jobs needed in the United States will be an additional 875,000. But a lot of them are sitting empty right now. But beyond that, by the end of the decade, we're going to need almost 300,000—

we've done an extensive survey since the President asked me to take on this responsibility and come up with new job-training initiatives.

Three-hundred thousand more software developers are going to be needed. Know what the average salary is in today's dollars? $87,500, average salary. We need 12,000 more computer network support specialists.

Salaries—they're the folks in the companies or in your offices that keep your systems running, in-house. Average salary: $59,000 a year. We need half a million more nurses. Average salary: $65,000 a year. We need 30,000 more physician assistants, average salary: $91,000. We need 10,000 more petroleum engineers, average salary: $130,000 a
year. You don't have to tell the folks from Oklahoma and Texas and many other states about that.

By the end of this month, I'm going to deliver a report to the President, and all of you, with an extensive job-training strategy that is attempting to meet these needs. And many of these strategies flow directly from the conversations I'm having with governors.

We know the best path to employment, for example, is to create more partnerships between employers, community colleges and nonprofit organizations. For my high-tech, what you've done up there, Gov, it works. The President's Jobs Council put together the quote, "Right Skills Now" program. Governor [Brian] Sandoval of Nevada has done one hell of a job with this. You really have, Gov. You've made it work. You've taken an idea and you made it work. You brought employers like Click Bond, which makes bolts for planes, ships, trains, together with schools like Truckee Meadows Community College. Matched the curriculum, they came in, told them what they needed, right? You set it up for them, your department of
labor—whatever the department is in question—you put it together. These are real good jobs.

My buddy Maggie Hassan up in New Hampshire, Maggie had a great program; it is called "New Hampshire Works." It provides on-the-job training for companies that hire unemployed workers directly into open positions and train them while they're in those positions, because they've got a lot of high-tech stuff up there already. I went up there, watched it put in action. It's putting people back to work. There was one guy who was an engineer; guess what? He had worked as an engineer for a large company for 31 years. The guy was about 54, 55 years old. The company went belly up. There are all these high-tech firms up there. All he needed was to be recalibrated; the guy had all the skills. But he couldn't afford not to have a job and go back to school, so they have this on-the-job training program. It works.

It's not a panacea, but it makes a difference in all of you because you have to walk out of your offices, through the capitol, by the
shoeshine guy, out through the door, people see you
every day—you don't get like me, you don't get in
the car and get taken through a gate—and by the
way, one thing I never worry about anymore, I used to
be really concerned about traffic congestion. There
is none in America.

(Laughter)

I don't know what the hell happened; it
just was overnight.

But, Gov, you talked to people every single
day, ordinary people, you walk outside, you see them.
And what do they talk about? This is one person at a
time, one job at a time, one opportunity at a time.
And many more of you have successful programs, and if
I had the opportunity to go through them all—
because I'm aware of them, quite frankly—you've
been very cooperative with this outfit I've been
running to give us all your best ideas, what's
working in your state and what things aren't working
in your state. But that's why we've invested nearly
$2 billion in partnerships between businesses and
community colleges, and the result is real.
Certificates, degree programs designed by the employers who will hire students when they complete them.

That's why we invested $100 million in a competitive grant program funded by the H-1B visa program. You all know that program; the program where Silicon Valley and other high-tech firms say they can't find enough qualified employees in the United States and they get a certificate to bring folks over. It's called the H-1B program.

Well, it was a way to increase apprenticeships. By the way, they pay a fee for that as well, so that's how a lot of this gets paid for, to expand industries such as information technology.

There's a lot more we can do together. For example, I met with 20 CEOs of the 20 largest tech companies in the world. John Chambers headed up the group of CISCO, John Doerr, Kliner Perkins, CISCO, Facebook, everyone was there in the White House, a meeting I asked them to come to.

And I said, “Right now there's 500”—and you'll remember this, Gov, when you were
in the Senate. Every year we have to vote on the H-1B visas, how many. Well, there's 550,000 this year.

It's been more than 480,000 to 580,000 per year. They say they're short personnel, don't have the skills in the United States of America to do the jobs in the high-tech industry. And there's a whole thing they've got to go through to prove that, but nonetheless; 550,000 H-1B visa holders this year.

So I asked this group of 20, the 20 leading high-tech firms in the world. I asked them, "How many of those jobs could be filled by Americans with a two-year degree, a community college degree?" The answer was: 200,000 per year.

What in the heck are we doing? Two hundred thousand a year. I subsequently met with these folks, they helped me put together a program. There's a company called Code.org that is working to help train and encourage more individuals to become computer programmers. As I said, you're talking $85,000–$90,000 a year, [with a] two-year degree.

Imagine if we could train 200,000 programmers who qualify for these jobs. The average
salary is $87,000, almost 90,000 bucks a year. So
here's what this outfit, this high-tech, small firm
has done. Code.org is helping K-12 schools
teach coding. Code.org provides training and
funding. They provide the funding to help schools
create and expand computer science curriculum. Last
year, 15,000 classrooms in America began teaching
Code.org's K-8 curricula. They're also
encouraging all of you in your states—and some of
you have already done it—to allow your schools,
and talk to the local school districts, to count
coding classes as part of high school math and
science requirements. Do you realize less than 1
percent of the high schools do that now?
And here we have this gigantic need. For
example, in the past year, they successfully lobbied
Oklahoma, Illinois—or you lobbied them; I don't
know how it went—Arizona, New York, California,
Idaho, all of whom have recently added computer
science as a core subject receiving state funding.
They're making coding feel accessible
. For example, this year Code.org
encouraged Americans to code for just one hour on
their website. Thirty million Americans participated—
30 million. Heck of an initiative.

All of you know what I know: Americans
want to work, they're willing to work, they're
willing to be retrained. If they think there's any
possibility of after they're retrained being
connected to a real job to help them better
themselves and their families—and that's been the
big problem in all of our states, and federally.
I've talked to some of you about this.

Connecting the job opening—you know,
you hear these statistics; 100,000 high-tech jobs.
When I go out there, the guys’ kids who I grew up
with, the guys I grew up with, their children: "Joe,
where the hell are those 100,000 jobs? You got a
list? Tell me where they are. How do I get them?
What skill do I need?" That's what's starting to
happen because of the entrepreneurial ingenuity of
Americans and the free market, now connecting job
openings, skills required to get the jobs, and the
people who need the jobs.
Many of you have done a lot of this stuff. I met with a company called Glassdoor. Again, a high-tech, entrepreneurial company. They've expanded on the traditional model of job posting websites that many of you have in your states by collecting and sharing additional information. They have just stores and stores of information. And so now what they have, you go on their website and you are looking for a particular kind of job, all the companies that have that job pop up. There's information about the interview process as well as the culture of the day-to-day life in that company.

So for example, if you want a job as a software developer, you can go to Glassdoor, find the job openings in your area, the job salaries, and what other Glassdoor users have said about what it's like to work for or interview with that company for that job. On traditional websites you generally just find the posting of the basic salary information. Currently Glassdoor has partnered with more than 1,000 colleges and universities to give students full access to these sites.
They helped me put together an event at the White House. It was called "Data Jam" and with 24 high-tech firms, some of whom have already connected with some of your departments of labor to make clear for job seekers (1) what jobs are needed; (2) where you can get the skills; (3) how you can get help, pay for those skills; and (4) what those skills are and where you can use those skills to get a job.

I sat at a table, there were these 24 outfits. They sat at different tables set up in the White House over in the OEB. And I sat with a representative company that said "I want to show you something." And they said "I've picked, I'm not allowed to tell you his name, a warehouse worker in your home state of Delaware, works at the port of Wilmington. And he said he's out of work." And so he wanted to know where else he could get a job as a warehouser.

So they tapped a button, and every single warehouse job within three hours popped up, and then every single warehouse job on the entire East Coast popped up. They had a map showing the density of
warehouse jobs, showing there's a lot of openings in the eastern part of Pennsylvania, very few in central Pennsylvania, not as many in southern Delaware, et cetera. They also showed that 11 percent of warehouse workers, when they lose their jobs, they don't know what they're qualified for. He said, "I've been doing this for 20 years, I've been working in a warehouse." Well, it turns out the same skills that are required of warehouse workers qualify you to be a truck driver. So you push a button, you get every single solitary truck driver opening that's in the same region. Truck drivers make, on average, $4,000 a year more than warehouse workers: $45,000. They then say what the skill set is, what experience is required, what the expense is to get the training you need. They actually give the workers a map, a physical map showing them where the company is, telephone number, and a map as to how they can get the training they need for the job. They already have a career, they've now lost it, and most people you know are in their 40s and 50s
who have lost a job, what's the first thing you hear from them? They talk to you like they do me: "I don't know what to do, man, I've done this my whole life. Don't have any idea."

I used to have a friend who was a great, great basketball player. I don't want to give away my age, but I will. He went to Providence College when they had Riordan and Walker and all-Americans and all-pro—his name was Pete McLaughlin; died early of throat cancer, a good friend of mine. And Pete would say himself he wasn't the sharpest academic candle on the table, but he was a smart guy. And Pete used to have an expression. He'd say, "You've got to know how to know."

Let me say that again: You've got to know how to know. Those of you who went to law school, what's the first thing you have to learn? You have to learn how you access the information you need. It's called legal procedures. You spend a whole year learning. You've got to know how to know. And so many really hardworking, decent Americans, they don't know how to know. They don't know where to go,
and they're intimidated.

When you tell someone 51 years old who has lived a middle-class life: "You're going to go back and be retrained," it's intimidating, but it's there. So let me end where I began. Every single one of you knows, and I know, that the way America was built was on the back of the most modern infrastructure in the world. You also know as well as I do, Americans want to work. America was built on the shoulders of those people.

The world has changed. It's more complicated, it's more global. The skills required to succeed are more sophisticated. But our population is fully, thoroughly capable of acquiring the skills and thriving in this new world. Every one of you know that the American people are tough, they're determined, they want to work. The American people—have . . . this is not a political statement, it's a reality: They have never, never, never, never, never, never let America down, given half a chance. Ordinary people. Never.

We've got to give them a chance. And in
the process of giving them a chance we do everything
from lowering our deficit to increasing our
productivity to enhancing our place in the world, but
they have to know where the jobs are, what training
they need, and how to get that training. And that's
our responsibility, our responsibility to do both
these things, to break through the gridlock in
Washington, rebuild America and break through the
complications that tens of millions of Americans
still face in terms of how to advance their careers
or start their careers. I think if we do both these
things—there's much more we have to do, I
acknowledge—if we do both those things, we're
going to own the 21st century, just like we did the
20th century.
Ladies and gentlemen, the American people
are ready to work. And throughout our history, when
given a fair shot, they've never, ever, ever let the
country down.
I conclude by telling you when I was in
China after we had been downgraded because of that
ridiculous showdown back in the last Administration
between Democrats and Republicans, and our rating was
downgraded. I was due in China two days later—
actually, that's not true; four days later—for a
five-day trip. And then-President Hu, with Vice
President Xi, welcomed me in the Great Hall of the
People. There were a thousand people in there, and
more press than I've seen assembled anywhere, because
they were gleeful. We had been downgraded, and their
prospects looked a great deal better by comparison.

And President Hu was very gracious, and he
said, through contemporaneous translation: "We have
faith in you. We know you'll come back." And they
went through the whole thing about what you have to
deal with, and he listed our problems.

And I said, thanked him; I said, "Mr.
President, thank you so very much." I said, "I've
noticed, I've read that you're getting a lot of
criticism for buying billions of dollars' worth of
U.S. Treasury bills two days after we were
downgraded." I said, "If I were you"—and my
international staff nearly died—I said, "If I were
you, I wouldn't buy any more U.S. Treasury bills. We
don't need you to do that. It's true you own 2 percent of our financial instruments, that's true;
but 86 percent are owned by the American people, and we're one of the only countries in the world that has never ever, ever, ever, ever, ever defaulted on a debt. So I know it's causing you some political difficulty. So I wouldn't buy any more. It's okay."

Silence.

I then said, "And by the way, we do have a problem with our, what we refer to as our entitlement system you guys call it, but we call it social security and Medicare, Medicaid. We do have a problem. But ours is a political problem, lacking political will." But I said, "My God, Mr. President, if you need help I don't know what you're going to do with your one-child policy, creating a disaster that's occurred. By 2025, you're going to have too few people working to take care of all the people retired. My Lord, what are you going to do? But if we can help in any way, we will."

You may remember, Governor, I came back and predicted they'd change their one-child policy.
One year later, they did.

My generic point here, folks, is: We ought to take advantage of this opportunity. Take advantage of the opportunity that exists for the United States to lay down a new marker for the 21st century. We have the greatest research universities in the world; we have the most incredible system for accumulating and allocating capital in the world. We have more venture capitalists ready to go than any place in the world.

It goes on and on. So what I'm pleading with you to do is continue to teach us a lesson by getting along with one another. Continue to do the practical things you're doing to demonstrate that these two issues are not partisan issues, there used to be a national consensus on both of them. The sooner we re-establish that consensus, the faster we're going to grow and create real jobs, serious jobs, and we're going to continue to lead the world in large part because of all of you. Thank you very much.

(Applause)
VICE PRESIDENT BIDEN: I'm not hanging around for applause; I'm supposed to take questions.
I apologize.

GOVERNOR FALLIN: Mr. Vice President, we appreciate your time today at the National Governors Association; we know you have a very busy schedule, and we're very grateful for your focus on education and training for America's jobs and for our future.

I'd like to start out—and we're going to take a couple questions from our governors if you don't mind—but to ask you about the Workforce Investment Act and its passage, and we're looking forward to having that signed; but how will that legislation affect your current work on training programs in America?

VICE PRESIDENT BIDEN: I kind of spoke to that in the bulk of what I said, but the bottom line is that it will enhance it. It is sort of the foundation. It's the bare minimum we have to do because, look, this test of whether or not we should measure objectively whether the program is working should be applied to everything, in my view. Those
of you who worked with me in the Recovery Act, you know, I think the first time we did that; that's why we had less than 1.5 percent, because of you; waste, fraud or abuse in the system according to outside groups. So there should be an objective measure, whether any of these programs are worthwhile.

By example, back in the 1970s when the shipping industry began to leave the United States, my state of Delaware and the state of Pennsylvania border one another, obviously, and there is a Sun Shipbuilding Corporation, a major corporation right on the Delaware-Pennsylvania border along the Delaware River. And it went belly up, an awful lot of people, when it consolidated, lost their jobs. So we had a job-training program. We trained, I think, 14,000 cooks. Nobody needed any cooks. It was a job-training program but it was almost a make-work program.

And so as your former secretary, Governor O'Malley, now the secretary of labor says: We've got to not train and hope, we've got to train and place.
And so one of the additional things we have to do are: Make sure we're able to connect the actual business openings that are there, the business will want it, with the people who want the jobs and then figure out, if they don't have the skills, how we can get them the skills that meet the needs of those employers.

That bill doesn't do that fully; it does some of that, but—I could go on longer, but I've already gone on too long. That's why in the budget we have left over, of the $5 billion this year, $2 billion to increase the number of apprenticeship programs. Something that is being done well in South Carolina, being done well in a lot of your states. And that's why we put that competitive grant out there, of another 100 million bucks, for you all to look at and figure out, you know, encourage the best outfits in your state that are really willing, ready and able to get into the business of hiring people. And a lot of them are.

There's a lot more to say, but it's a good building block; we have to do more to set objective
standards and we have to increase significantly the
capacity for training the workforce needed for the
jobs that require new skills, just because of globalization
and modernization. But I will have that report for
you all relatively shortly.

And by the way, it will not be one of
those—those of you who know me, and some of you
do, like Governor [Jay] Nixon—there's no pride of
authorship. I'm looking that you all are going to
say, "Biden, I like that part. I don't like that
part, this is what we should do." But there should
be, this will be the most comprehensive look that's
been done at this area quite frankly ever. And we'll
see if it can do the job. I hope we'll be able to do
that.

GOVERNOR FALLIN: Mr. Vice President, we
have a question from Governor [John] Hickenlooper, our Vice
Chair of NGA.

GOVERNOR HICKENLOOPER: Mr. Vice
President, as you well know, states use workforce
programs to not only attract businesses but to help
our existing businesses grow; but for that to really
be successful, they've got to be able to work with those businesses and be responsive to them.

How good a job do you think these workforce programs are doing, and in terms of serving and listening to and responding to businesses, how can governors help that work better?

VICE PRESIDENT BIDEN: Some are doing very well, but a lot aren't because again, it's not so much they're not listening; they kind of don't know how to listen. The connecting, connecting the right parties—whether it's the nonprofits or the community colleges or the colleges with the training programs with the need, that's just basic blocking and tackling. But it's hard. It's hard to do it, particularly in larger states.

So, you know, I don't want to keep talking about my buddy in Vermont, but the high-tech nonprofit up there, connected with companies in a very precise way; they did a survey—correct me if I'm wrong, Gov—of all the jobs, all the needs of all the companies in not only Vermont, but in the area. Then they went out and they looked at the
total unemployment in their state, and then they
looked and tried to match skills, and they actually
started putting people together.

And if I'm not mistaken, you acquired more than
1,000 apprenticeships, and you're a little state like
mine, you're the only state—by the way, before you
all pick on little Delaware, five of you all are
smaller than we are.

(Laughter)

You know, in population. But all kidding aside, you
actually are able to connect.

So it gets down to, excuse the football
metaphor, but blocking and tackling. It's really
basic stuff, but it's hard. You all know it; I mean,
you do it every day. It's hard. And that's why,
what we've done is we have provided this additional
$100 million in grants, and we're looking to you, the
governors, to go out and aggressively like you do in
trying to attract business within your states,
identify those businesses that in fact have needs and
literally physically bring them in, bring them in and
get granular as to what the needs are, and then there
is $100 million available.

Now some of you are going to say "Look, if
the business needs employees, why don't they just go
train them? Why don't they just go and train them
themselves?" I remember when Dupont bought Conoco.
Dupont needed a number of people with specialties
they didn't have onsite. So they went out and
trained, I think, something like 8,000 additional
employees.

A lot of these outfits are not so sure,
are not so sure the workforce is going to
materialize, and they're not so sure the people
they're training are able to connect because of the
new technologies needed with the particular
organizational structure, like a community college.

So this is about marrying them up. And a
lot of you have done that very well already. As a
matter of fact, Governor Haley in South Carolina has
created a central office, a central office within her
community college system to market, to help build
apprenticeships. They're out selling, as I
understand her program. It is one of the most
aggressive apprenticeship programs, and working.
They went—don't hold me to the numbers—they
went from several hundred to thousands of
apprenticeship programs.

And they're the greatest guarantee. If
you look at all the data, those jobs are ones that
they not only get and they're able to raise a family
while they're learning the skill, 89 percent, if
memory serves me correctly—I'd ask staff to
correct me—89 percent result in a permanent job.
In the studies we've done, they have that job a year
later. Now, I don't know beyond a year, but it's the
surest way, and those jobs average more than $60,000 a
year in those companies where they're prepared to
have an apprentice. They're not looking for an
apprentice to train someone for a $22,000-a-year job.
And so it is the best bang for the buck, but it's
about bringing together—we can give you a lot of
detail on this program, but it's going to be you all
that are going to make it work, not us; if it works
and if it suits the needs.

You haven't smiled the whole time, ma'am.
I'm a little worried.

(Reaction) (Laughter)

He and Governor [Jan] Brewer are the only two who have smiled at me yet.

(Laughter)

Where are you? Okay. Now she just smiled. All right. I was getting worried. You're sitting here just looking at me like, "What the hell is this guy doing"—all right.

(Laughter)

Anyway. Look, it's going to look like all these programs, because you guys make them work. You make them work, and we'll give you the detail of this. And also, I think what's going to help—presumptuous of me to say this—because we're not doing it. I'm just—look, the federal government doesn't do an awful lot—doesn't do a lot of things really well, and there's few things they can do better than states.

I'm being serious. But what we can do is we can identify best practices better than any of
you, because we can grab and identify those things in all the states, in the entire country. So we can be a clearinghouse, in a way. And I think what you're going to really find remarkable is these medium-sized new entrepreneurial tech firms that are coming up because there's a market. There's a market out there to help people get employed; they can make money, they can have a . . . and it's getting down to a granular capability that you'll be able to have in your department of labor, a map. They walk in and say, "Okay, this is what the guy showed me." There are 42 warehouse jobs in north Philadelphia at the XYZ plant. Here's the phone number, here's the requirement, here's the application. And if you can't go to Philadelphia, do you want to stay in the state of Delaware? There are, you qualify based on the criteria that you have met as a warehouse operator, you qualify for truck drivers.

Now I know that Federal Express needs two people; here they are. This is what they make, this is what—here's the outfit you can go to, you can get help in this training program, et cetera. It's
going to change a lot, but it's not coming from us,
it's coming from the free-enterprise system because
there's an opportunity here. There's an opportunity.
But I think you'll be able to benefit significantly.
We're going to gather all that up and get it to you.
Some of you are already doing it.

GOVERNOR FALLIN: We have a couple more
questions.

Governor [Steve] Beshear.

GOVERNOR BESHEAR: Thank you, Mary.

Mr. Vice President, first thanks to you
and the President for emphasizing this workforce
initiative. I think all of us in this room, every
time we talk to a CEO, their top priority, while they
like tax incentives, while they like great
infrastructure, their top priority is a qualified,
skilled workforce. And we're all working very hard
to provide them with that.

In Kentucky, we have developed a program
called a Skills Initiative program; it's an
apprenticeship program modeled after the German model
of dual education, having that child getting an
education and at the same time putting those skills to work in the workplace, and earning money while they're doing it.

How can the work that you're doing come together with things like that that we're doing in our states to really build on that?

VICE PRESIDENT BIDEN: Very well. Some of the programs we're talking about, you'd be able to qualify for funding to in fact do that. I've been meeting with—you know, Germany probably has the most aggressive and successful apprenticeship program in the world, and they do it extremely well. So we've been, we've sent folks over there, we've been dealing with them here; but part of it, as you point out, Gov, is that some of it starts in your schools, and it starts even in your high schools. And you have programs where there can be apprenticeship programs within the high schools.

There's a different—remember, even those, you're only in your 40s. Back when you were in high school, almost every high school in America had a shop program, had a program where
people could figure out, whether you took it or not, whether you figure out you had any interest in working with your hands, whether you had any capacity.

And there's an awful lot of the workforce today out there that is graduating—not workforce; awful lot of folks graduating, even if they do graduate, who don't have the capacity to go on to college or four-year college, even to a community college, but would make a hell of an electrician or would make a hell of an auto mechanic, et cetera. But they never, ever know whether or not they've had any facility for that because they've never worked with their hands.

Well, the same thing works with the new technologies. If you have classes that are, for example, teaching photovoltaic technology, somebody who thinks, "How can I ever apply for that job at Dow Kokam? How can I ever do that? I don't know any of that stuff."

So what you're changing is, some of you are doing it in your high schools. You're changing
your high school curricula. You're also changing
your high school curricula so that some of the
courses that you take in high school already not only
qualify you for, but meet a requirement in your community
college system. So you fast track a lot of these
people.

There are a number of programs out of the
Department of Education, and anybody who is
interested, contact me—and you know you can
contact me directly for real—contact me directly
and I will give you an agenda of all the programs
that potentially could be useful for you in the kind
of stuff you're doing so well in Kentucky. Because
you know, we start off—there's almost the sense
that since we don't have the capability, our
population is not capable. Make any sense? But they
are capable; they just have not been exposed.
Because a lot of this is not rocket science.

You're doing some in Mississippi, Gov, the
way you're doing in some of your early education
stuff. I mean, it's just about letting people know,
giving them a sense of what they think they are
capable of. And that requires exposure.

But anyway, I will get you, Gov, and anybody else who wants it, the specific agenda of programs that could be beneficial.

GOVERNOR FALLIN: Mr. Vice President, you have one last question, from Governor Sandoval.

VICE PRESIDENT BIDEN: And by the way, I failed to admit, Gov, we're putting a program for $450 million for apprenticeship programs. So you put them together; you give us a model, and you give us any indication that the formula works, there's about a half a billion dollars there to be of assistance.

GOVERNOR HICKENLOOPER: I'll be calling.

(Laughter)

VICE PRESIDENT BIDEN: Good.

Gov, how are you? I hope I haven't a Democratic Vice President compliment that doesn't hurt your reputation.

GOVERNOR SANDOVAL: Not at all, Mr. Vice President, and I am going to pass on to the folks at our department of employment training and rehabilitation your shoutout, because I know that
that made their day, and that is a wonderful program that's made a difference in people's lives in Nevada.

My question—you touched upon it, and it's similar to Governor Beshear's—I'd like to know how we can work with you in terms of improving and aligning K-12 education and higher education so that our kids, our students, have pathways to a career opportunity, and that high school graduation isn't just the end. And that they have more opportunities as they move on.

VICE PRESIDENT BIDEN: Well, first of all, there is—and again, I'm preaching to the choir here; some of you have forgotten more about this than I know, but this first one I know a fair amount about.

A lot of it has to do with public attitude. Forget dollars and programs for a minute. Let me give you one concrete example. Rochester, New York. Rochester, New York, is the home, or used to be the home, of Kodak. And I think they had—don't hold me to the number—I think 38,000, 39,000 employees. No minimum-wage jobs; all good jobs in
varying degrees, kind of like Dupont in my home state. And they also had Bausch & Lomb, and they had a number of other what have become very high-tech operations related to sight vision and implements for being able to, like for example, the Mars Rover. The eye in the Mars Rover is made by a small outfit in Rochester.

But as you know, Kodak doesn't make any film anymore; there's no more Brownie cameras, and they're not a thing of the past but I think, I'm not mistaken, I think there's closer to 10,000 Kodak employees today. And it has hollowed out a town that was a very, very prosperous middle-class town. And so what the local college did, Monroe Community College, it went out and it surveyed every business within three counties that had anything to do with optics. And turned out, what you'd expect, when Kodak laid a lot of people off, it had a terrible impact on the economy but it had a positive impact on entrepreneurial instincts out there.

And they found out that there are more than 200 optic companies now, ranging from 10 people to 800,
900 people. So the community college itself went out and surveyed every one of—with money from the state, of the community college—surveyed every one of these companies and said “What do you need? Do you need employees?” It turned out they all needed employees, in ones and twos and twenties and thirties.

So they said, “What programs do you need?” And they actually brought them in and they actually designed programs that were from as little as 12 weeks to 2 years. They placed, I believe it's more than 6,000 people now with jobs, the average salary is over—on average, $54,000.

But here's the problem: They have a lot of jobs for apprenticeships for folks getting out of high school. So they'd go to the high schools, the community college, you connect the high school to the community college. And they'd talk about these programs, and the jobs available for people who weren't going on to four years of college, or even two years of college.

But they found a phenomenal thing:
Parents said, “I don't want my kids having any of those jobs. I don't want my kids doing that.” And these were not all former Ph.D. employees of the research department of Kodak; these were ordinary people, having nothing to do with Kodak.

Because they said, "This is something where my kid's going to end up working with his hands, and I know where that's gone in the past. There's no more machinists. My father was a machinist, and his job's long gone." Or, "My uncle did such-and-such, and I don't want my kid working in that environment. These jobs aren't for real; these aren't keeper jobs, these are just make-work jobs."

So what they're doing is they're actually going in to the high schools in the region and having parent-teacher meetings and saying, "Look, let me explain. Let me explain what's going on here, why this is a pathway." The kid may start off at $30,000 or $28,000 a year, but in this route you can get to the point where you can make 60, 70, 80 thousand bucks by having to go back, or on-the-job training, and it's begun to change the attitude.
I know it sounds silly, Gov, but the first thing is, convincing ordinary Americans that it's a good thing for the kids to do this kind of stuff. I think you'll find, those of you who have already tried it in your schools, as you change the curricula —my guess is some of you who put in computer programming, you have parents who say, "I don't want my kid to be a computer programmer. I don't want him doing that." You say, "Well, Mom, you know it's $86,000 a year. And guess what? You may end up running"—"Oh, I didn't know that. I didn't know that." Because you've got a generation among whom many lost their jobs and we found them, for whom the jobs we're talking about now don't seem like they're real. And when you start to change the curricula, they think you're dumbing down what their kid could or should be.

Am I making any sense? I don't know whether that's been your experience, but it's been mine, in the places that I've gone. That's number one. Number two, so I think you're going to have to deal with that as you move.
Secondly, there is a program, and I will get—and I hope you think he's responsive to you—I know sometimes he drives you crazy like I do, but I think one of the best guys we have on the team is Arnie Duncan—is to put together for you, I'll get you the right people from the Department of Education—they have actual programs which marry up the interests of the community college—or the high school, the community college, and the four-year colleges.

Look what some of you have already done in your states, many of you. Twenty years ago, if you went to—where my wife was a professor at Delaware Technical Community College in Delaware, you couldn't automatically, if you graduated from there, have your credits apply to the University of Delaware. Because the community college was thought to be a vehicle that was just not quite there, and it was more about like, go to auto mechanic’s school afterward in Delaware, and—you know.

But most of you, and I may be mistaken, but I think most of your states, as governors, you
now have a pathway because you have significantly upgraded your community colleges. The curricula offered there, the training, the professionalism, is very good in the vast majority of your states, and now there's a direct pathway; if you get through you get to go to the University of Arizona or you get to go to the University of Delaware, you get to go to the University of—you know, Utah State or whatever.

So it's the same kind of thing we're trying to do now with the high schools, and getting the pathway so that you also—I'm trying to order my thoughts so I don't take too much of your time; I've already trespassed on it too much. Let me put it this way.

Fifteen years from now, college is not going to be four years long. Law school is going to be two years. And medical school is going to be shorter, specialists will be more. Why? Because of cost. And there's no reason why you can't graduate from college in three years with the same capacity, based on the core study you take and how long you go
within that time frame, reducing cost.

So one of the incentives we're putting out there to all you universities is to incentivize them to come up with novel ways in which to deliver the same content in education in a shorter amount of time. And the joke in my family is, the more expensive the university, the less you go to school. You know, think about it. You think I'm joking, I'm not joking. I hope you all did not make the commitment to your children I made to mine, which was, whatever college you get into, I'll help you get there. What a mistake that was.

(Laughter)

There was a reason why when I was in the Senate, I was listed as the poorest man in the Senate. It had to do with three children going to undergraduate and graduate schools at schools that weren't as good as mine. They went to Yale; I went to Delaware. But all kidding aside, there is a whole mechanism we have, and like we did the race-to-the-top kind of deal, there's a similar in nature, same program, to try to get universities to change
curricula and modernize it, as well as deal with
cost; and there's an entire program about
recommendations—I want to make clear these are all
just recommendations—as to how the high school,
the 2020 high school should look like in order to
serve the needs of the community and the kids.

But there's a lot of stuff—I don't want
to bore you with that now, Gov, and I know you'll
look at it with a critical eye, as you should; we'll
get it to you and I'll give you a call, okay?

I've taken too much of your time. Thank
you for all the time you've given me.

(Applause)

VICE PRESIDENT BIDEN: Thank you,
everybody.

GOVERNOR FALLIN: All right, ladies and
gentlemen, let's give the Vice President a great
thank you.

(Applause)

We're going to move on to our committee
meetings. Our next meeting will be starting very
shortly; they both start at 3, so we're running a few
minutes late. But our Economic
Development and Commerce Committee; and also at the same time,
Education and Workforce Committee. And then later on	onight, at 8 p.m., we have wonderful entertainment
at the Ryman Auditorium with Vince Gill and Amy
Grant.

We'll see you soon.

(Opening Session concluded at 3:02 p.m.)
NATIONAL GOVERNORS ASSOCIATION

Special Session

America Works: Education and Training
for Tomorrow's Jobs

Stephen J. Rohleder
Accenture

Saturday, July 12, 2014

Omni National Hotel
Broadway Ballrooms E/F
250 5th Avenue South
Nashville, Tennessee
PROCEDINGS

(11 a.m.)

SPECIAL SESSION

GOVERNOR [MARY] FALLIN: Good morning, everyone.

I think we had such a great time last night that everyone's a little slow coming in this morning.

(Laughter)

But good morning. We're glad to be able to start our Saturday session off. I'm Governor Mary Fallin. I'm the Chair of the National Governors Association. We appreciate everyone joining us this morning. And Governor [Bill] Haslam, is he here yet? He is still out, probably making arrangements, but have we had a great time at this meeting?

(Applause)

I tell you, it is just an absolutely fantastic. Governor Haslam and his wife, Crissy, have done such a wonderful job in planning; not only have we had great meetings during the day, productive meetings, but we certainly have had wonderful entertainment. I don't think we've ever probably had
the opportunity to go to one place and see so many superstars as we did last night; and just talent and history and Ryman Theater; it was just so much fun. And Governor Haslam and I, as you may have seen, are having quite a little rivalry, because he's invited a lot of our Oklahoma talent to perform and then he's claiming them as his people here in Nashville; that's not sitting very well with me, but we'll work it out before we leave. But we're happy that we have so many shared things; love of music and entertainment, so we appreciate the governor. And tonight we have another very special evening in which we'll be going to The Hermitage, a wonderful historic place, [home] of one of our past presidents, and certainly we'll have another talented person from Oklahoma, Carrie Underwood, which he'll claim again as Nashville's, but that's okay. I raise them up and then he gets to have them for a while. But tonight it will be an outdoor event; so be sure and wear something very comfortable and cool, because it might be a little bit warm.

Before I begin, I'd like to just thank our
Executive Committee members who worked very hard all
during the year getting prepared for both the summer
meeting and also the winter meeting that we have
in February. Our Executive Committee, and in
particular I want to start with our Vice Chair of
the NGA, Governor John Hickenlooper.

John, thank you very much. It's been a
great pleasure to work with you. Tomorrow is your
day to take over. And it's been a lot of fun working
with John. Both John and I have been to each other's
states, we have helped each other on our various
initiatives, whether it's been on education or energy
policy, and that's what the National Governors
Association is about, is working together, trying to
find solutions that all of us can agree upon.

I also want to thank our former NGA chair
—I don't think he's here right this moment, but
Governor Jack Markell from Delaware is also here this
weekend; Governor [Terry] Branstad—is Governor Branstad in
the room yet? Some of these people have been in
committee this morning. Governor [Steve] Bullock is here
thank you very much. He's on the Executive
Committee. Governor [Gary] Herbert, we appreciate the governor, and to Governor Scott Walker, thank you very much for being on the Executive Committee also.

Governor [Mike] Beebe and Governor [Mark] Dayton, who were not able to join us, are on the Executive Committee, too; so we appreciate them. I think I got everybody. Didn't miss anybody, did I? Good. Well, thank you very much.

I thought you might find it interesting that we're very grateful that the Vice President came yesterday to talk to us about workforce training and skills, the importance to America; but we've been reading through the press clips this morning, and if you didn't know how important governors are for our nation getting us back on track, it's fun to read the Vice President's headlines. I'll share a couple with you this morning.

"Biden bemoans bitterness in D.C." We heard that yesterday, and that was a lot of fun. One says, "Biden calls upon the nation's governors to help end the era of poisonous politics." Calls upon the governors to help with that, for which we are
grateful, too. Here's another one: "Vice President Biden asks Governors help during Nashville trip"; once again calling upon the governors. Let's see, I've got one more here: "Biden calls upon Governors to lead the nation."

Do you like that, guys? I think that's pretty good. But anyway, it was wonderful having the Vice President—oh, here's another one. This is a really good one, too: "Biden to Governors: Only you can save us."

(Laughter) (Applause)

And we do have a lot of work to do as a nation, and that's what the National Governors Association is about; it’s about pulling both political parties together, working on behalf of all of our citizens and helping us build a stronger national economy.

I'm going to start by beginning to talk about my chair's initiative that I introduced last year during our summer meeting, and I had the opportunity to pick out a particular issue that I thought was important not only to all of our governors,
but certainly to America.

So I chose my initiative to be, America Works: Education and Training for Tomorrow's Jobs. America Works is about making significant improvements to our education systems and our workforce training programs, and aligning those systems with the needs of business and certainly our labor market. It's an issue that I think is critically important to all governors across our nation, certainly critical to our states and our economic success, and it's certainly important to the United States and our nation's economy.

This is an education initiative and a workforce initiative, but it's also a jobs initiative. It's a pathway to help all of our states achieve prosperity. It begins by recognizing some very simple truths; and that is that today's world is more complex, it's changing faster than ever, especially since the time when our parents were growing up, especially with technology and all the ways companies change so very rapidly and have to be able to adjust.
Those changes are making new demands on our students, our employees, our employers, industry, and certainly upon our state leaders. Individuals need more education and work skills for today's jobs. Businesses need a deeper, more diverse talent workforce; states must also make very targeted investments into workforce programs, and to make sure that we're helping to spur economic growth.

In order to be able to compete at both the state and the national levels, we have to adapt to an ever-changing economy. And as governors, we're in a key position. We're in a key position because we are responsible for the education systems in our states; we're also responsible for economic development, are responsible for creating jobs and a stronger economy in our state. So we're uniquely positioned to be able to lead this effort to be able to, as the Vice President said, lead our nation back, as the governors, to build a stronger connection between our employees and certainly between our employers and industry.

And the leadership begins with starting to
recognize some very simple truths and to understand
the challenges that we face as governors. First of
all, as a nation, we're losing ground internationally
in terms of our students' competitiveness and
our workforce. It's not necessarily because we're
getting worse, but it's because our competitors are
moving ahead quicker than the United States.

While we were once the world leader in
student achievement for 15-year-olds in our nation,
we now rank 20th in reading, 23rd in science and 30th
in math among the 34 industrialized nations in the
world. Even more disheartening is the fact that
these rankings, from the year 2012,
are all lower than they were from
2008, so we've actually lost ground versus making up
ground.

So we cannot expect to be able to lead the
world in innovation and job creation if we can't keep
up academically. Nor can we provide our citizens
access to a middle-class life or beyond, if they
desire, if they don't have access to good-paying
jobs. So when I started this initiative last year, I
shared with all of our governors some data, that fewer jobs in our economy are available to individuals that only have a high school degree. And we talked about the importance of having more than a high school degree to be able to compete.

So I'm going to ask you just to listen to this fact: Today, 35 percent of the jobs in our economy are filled by people with high school diplomas or less. You catch that? Only 35 percent of our jobs in America require a high school degree or less, and two-thirds of those jobs will pay less than $25,000 a year, and that's not going to lead someone to a good living wage.

And based upon these facts, I'm more convinced than ever that education beyond a high school degree is critical, that people either need a two-year degree, a four-year degree, or some type of workforce training certification; and that that is now the new minimum of educational attainment level for a successful, good-paying job in our nation and in our states.

But unfortunately, the U.S. is falling
behind. And as such, we're failing not only our
students but our citizens, and we're failing our
states and our nation. So here's some more
unpleasant truths, and some of our challenges that we
face: Too many students still don't finish high
school. In fact nationally, only 78 percent of our
public high school students make it to graduation,
and the percentage is much worse when you look at
minorities or lower income students.

Today, students who go to college are
underprepared, and many of them have to take
remediation courses when they begin their first year
in college. And too many employers continue to tell
us governors that they can't find the employees they
need so they can expand and grow their businesses and
are able to create those strong economies.

So as governors, we have to create
pathways to prosperity to the middle class on the
notion that a postsecondary education is no longer a
luxury for some but it's a necessity. It's a
necessity to be able to create the types of jobs,
help our employers find the highly skilled workforce
that they need so they can be successful; and frankly for the American people to be able to achieve the American dream and to be able to reach the middle class.

In today's fast-paced world, those pathways have to be more flexible; they have to be innovative, they have to be efficient, they have to be able to reflect the ever-changing needs of our nation's economy. So it's going to require us, as governors, working very closely with our employers, with our education leaders, with our industry sectors, with our workforce training programs, with the private sector itself so that we can build education systems and also develop work skills that are relevant to today's jobs. And most important, we have to also be able to meet the needs of our students, and make sure that we're putting them on the right pathway.

So the challenge is very clear, the one that we face. Too few Americans are succeeding in postsecondary education, and too few of our students are graduating from high school prepared to either
enter into a career or either enter into college itself.

So we have some goals, some goals that are important if we're going to continue to move forward. First, our states must continue to develop high academic standards, and all governors, I believe, are committed to higher academic standards to make sure that our high school students are ready, ready to either enter into college or enter into a trade school, or enter into a career—without remediation, by the way.

Secondly, we must continue down to help work on successful programs like Complete College America, in which we can have more degree completion in our workforce and certainly be able to help not only our students but even our returning adults who want to go back to school, who want to better themselves, who want to have a different type of career so they can successfully complete a degree or enter into some type of career training program that will lead them to better jobs.

So states are going to have to work very
closely together with education leaders, with the private sector, with the public policymakers, to close the skills gap. We hear a lot about the skills gaps that we have in our nation. We have to work to better align our education systems, our workforce training programs, to meet the needs of our employers in our nation.

And so, America Works and its initiative is about identifying components that will help us reach these goals and attain these different things that we need to reach. First of all, as governors we have to be able to articulate a very clear message to our people back in our states. A vision that connects education, connects the dots basically, connects results with our state's economy.

Second, there's an old saying that I always keep at heart, and it says, "If you don't know where you're going, any road will get you there." We have to gather data, we have to gather information. We have to know where we are with educational attainment levels and we have to track the progress itself, and then we have to be able to measure the
results so we can know that we're getting the results that we need to have.

Third, we have to create high-quality public-private partnerships, and that is something great that we've been doing all across the nation, and you'll see that in this report.

And fourth, we have to have more flexibility with our federal and our state fundings, our incentives that we have and other resources so we can better realign our education and workforce training programs in the nation.

So over the past year, my initiative, America Works, has brought together governors, has brought together educational leaders, employers, workforce training programs, economic development professionals, leaders, private sectors so that we can spur innovation, have collaboration, have a national conversation about how we can create a stronger, more vibrant economy, more opportunities, raise up the middle class and give our children the opportunities and the education that they need so they can be successful.
So here's the results. Over the past year, we've held more than 30 one-on-one meetings throughout the nation with state and national experts, with all the different industry sectors that I just mentioned to talk about best practices that are already underway across our nation.

We also hosted two regional summits, we had one in Connecticut; Governor [Dan] Malloy thank you very much for hosting the first summit for us, [we] had a great attendance at that meeting. One in New Mexico, and I was also proud to be able to be joined by Governor Herbert and also Governor [Lolo] Moliga. Governor Herbert, thank you so much for coming; we appreciate that. Governor Moliga also came to that meeting.

Then we released an interim report at the winter meeting that described to governors about the program itself and the benefits to individuals and to the economy of having a better educated workforce. It's pretty simple. We provided each of your states with specific data and information so that you could look at your current educational attainment levels and your individual states, look at your current
industries, your current businesses, and we could identify those areas where we mismatch, where we have skills gaps—a skills gap within our different economies.

We also heard from one of our top CEOs in our nation, certainly around the world, CEO of General Electric, Jeff Immelt, came and spoke to us during our meeting, and he articulated the need for a better educated, skilled workforce in our nation and how that would affect business and industry. And then we also had a capstone national summit in Oklahoma City where we had finished off, and we presented the various components for our comprehensive state approach to align our education and workforce training programs so that we could develop and can develop that pipeline of workers for our states’ economies. And I was very proud to be joined by Governor Branstad and also by Governor [Jay] Nixon. Governor Nixon, thank you very much for joining me in Oklahoma City; I appreciate both of you gentlemen coming to that.

And so we've had a very productive time
this past year, meeting with all of our various
officials, bringing together all of our state
leaders; and it has been a great year on America
Works: Education and Training for Tomorrow's Jobs.
And I frankly think that it's probably one of the
most important issues that our nation faces right
now, and we're very proud of the tremendous work that
the National Governors Association has done on our
behalf.
So what I wanted to show you was the book
itself, and I think each of you have a copy of this
on your desk, but it also lists all the different
components. It has some great examples of what's
being done across our nation. This is a wonderful
guideline; I think it's something that will really be
very helpful to all of us. I'm proud to be able to
present this to you.
This report also describes four policy
components, lays out the elements within each
component, that each of you can actually take and use
as a guideline, some very specific suggestions, and
ideas that you can implement back in your individual
states. It provides, as I said, examples; it
illustrates the best practices and it also offers
guiding ideas and answers a lot of questions that
policymakers have to help us be able to set
priorities in our states.

So before I conclude all this and
introduce our speaker, I want to thank all of our
foundations that have made *America Works: Education
and Training for Tomorrow's Jobs* possible, because
it's a lot of work to put this information and data
together to host the various summits.

So I want to thank in particular, if you
would just raise your hand and let us recognize you
and thank you. Lumina Foundation, thank you very
much.

GE Foundation.


Noyce Foundation.

Baird Corporation, and

Battelle.

Those are all the foundations that provided financial
support, expertise and helped us be able to put the
chair's initiative together and to help us learn some
important lessons and opportunities that we can
improve upon in our states.

And finally, just in closing this section
on America Works, we have to have gubernatorial
leadership. I can produce a report, we can have
meetings across the nation, we can outline the steps
and the components that we can all take as governors,
but it's all up to you. It's all up to the governors
across the nation to be able to take this great
information, to learn from each other. And that's
probably one of my favorite things at this meeting,
is that when the governors come together and they
talk about what's happening in each of their
individual states, we really are doing great things
as governors. And this report proves that governors
are taking the lead and creating jobs and
opportunities, they're focusing on education, they're
focusing on workforce training programs. We're
listening to our employers across our nation who are
telling us that they have job openings and skills
gaps, and we're working as governors to address those
needs.

So thank you all for your input, thank you for your work on this report and now we're looking forward to implementing it. Thank you, Governors.

(Applause)

GOVERNOR FALLIN: All right. Now we're going to move on to the next session of our program, and I'd like to introduce Steve Rohleder, who is here with us today. We're very pleased to have him. Steve is a Group Chief Executive of North America for Accenture.

He is responsible for the overseeing of Accenture's business in the United States, which is the company's largest market; and he also is in Canada. He works to ensure that the company remains well-positioned for continuous growth and important markets, which means ensuring that he has the right employees with the right skill sets to be able to fill those jobs.

Prior to assuming his current position, Steve served for five years as the Group Chief Executive at the Health and Public Service Operating
Group. Under his leadership, they delivered double digit revenue growth in the local currency in the fiscal years 2012 and 2013. Between 2004 and 2009, Rohleder served as Chief Operating Officer, leading the company's business strategy and geographic operations, ensuring company-wide operational excellence.

So to our governors I almost said lieutenant governors, gosh. Well, so many of these people used to be lieutenant governors, right? We're all governors now.

But Governors, we are very fortunate to have someone who not only experiences what we've been talking about all year long, is that building a stronger, educated workforce that actually has to work in the private sector. So we're very fortunate to have Steve with us.

Let's give a National Governors Association warm welcome to Steve Rohleder.

(Applause)

MR. ROHLEDER: Thank you, Governors Fallin and Hickenlooper, [I] appreciate it very much. I also
wanted to thank Governor Haslam. I'm from Austin, Texas, and we pride ourselves on our live music, but after last night's show, I know who is the king; there's no doubt about where country music is centered, Governor. So thank you for your southern hospitality; [I] appreciate that very much.

I'm delighted to be here today to talk with all of you about one of the most critical issues we face as a nation, and that's the battle for talent. Governor Fallin, thank you for your leadership on NGA's initiative on workforce and education, and congratulations on the progress you all have made in Oklahoma.

With your dashboard, you're providing a powerful example of how states can address the disconnect between supply and demand. And with OKJobMatch, you're helping show states how to improve the way job seekers are matched to jobs based on skills and competencies, not just on job descriptions and résumés. So it's very, very leading edge.

Governor Hickenlooper, I'd like to recognize Colorado as well for doing a great job with
a blueprint that ties together agencies, businesses, education and workforce development. That kind of approach will be crucial to attacking the workforce challenges ahead, and it's exciting to see the progress being made.

But today I want to push you a little bit further on the topic of talent and workforce development. I strongly believe this is one of the top three issues that each of you, as CEOs of your states, will be forced to address in the next three to five years. I want to talk about how Accenture has dealt with this issue and what we've learned in the process.

I want to recognize some states that are making progress and then I want to share some strategies to help build on the efforts that you already have underway to help you attack this issue. And “attack” is the right word for what states need to do. Our companies, our communities, our states and our nation are in a battle for talent, one that none of us can afford to lose.

This issue affects all of you as leaders
of your states, and even more directly in your role
as governor. I know that all of you have made
workforce and talent issues a priority, but my
message to you is this: No matter what you're doing
or how well you think you're doing, you've only just
begun. And chances are, you might not be doing
enough.

Losing the battle for talent will lead to
diminished economic prospects for our states and our
communities, and ultimately it will result in a lower
standard of living for our people. For most of our
history here in the U.S., we could take talent for
granted. We have plenty of it. But in the future it
will be a scarce resource. Strategies that have
worked in the past when talent was plentiful are not
going to work in the future. As Oklahoma and
Colorado and many states have shown, there are
individual strategies and tools that we can use in
the battle for talent, but it will take your
leadership to put all of those strategies and tools
together if we're going to win this battle for
talent.
Before we dig into the actions that you might consider taking, let's ground ourselves in why we care about this issue in the first place. We may not know for certain the full economic benefits of focusing on this battle for talent, but we can be sure what is likely to happen if we don't make it a priority.

Let me share some sobering findings from the research we've just completed to drive that home—and there's a draft copy, I believe, in your seats; and we'll get the final one to you all as soon as it's complete.

For decades, the U.S. economy has produced sustained growth in our standard of living, allowing each generation to be better off than the one before. But our analysis shows that by 2030, our standard of living, instead of rising as we've come to expect, could actually fall to the level it was 15 years ago. In other words, the standard of living for the next generation could decline to what it was for the last generation.

And unfortunately, we're headed that way
because of trends we're seeing in three areas:

population, participation and productivity. The
first trend is population: Not enough people who can
work. For the first time in our history, the working-
age population is shrinking as a share of the total
population. And the reason is simple: Baby Boomers
are retiring and not being replaced at the same pace.
By 2030, the percentage of the population that's
working age will shrink by 9 percent, roughly to the
level it was in 1970.

The second trend involves participation:
not enough working-age people who do work.
Participation among those old enough to work is
decreasing. The decline is particularly pronounced
among our youngest workers. Since 2000, the
percentage of those of working age who actually are
working has declined by almost 7 percent and now is
the lowest it's been since 1977, with the largest
drop among young people, 16 to 24 years of age.

The final trend is productivity: not
enough worker productivity. On top of the population
and participation problems, we're facing unreliable
growth in workforce productivity. And in fact, in
5 out of the last 10 years, it's been below 1 percent.

Productivity is critical because if we can
improve productivity fast enough, even a shrinking
percentage of people at work could generate enough
economic activity to sustain a growing standard of
living. So each of you as governors, as CEOs of
your states, need to recognize that workforce
development is a critical component of your business
and a key element to running your state.

The competition for talent is fierce.
Everyone sitting in this room, whether you recognize
it or not, is competing to attract, develop and
retain talent in your state. And let's be honest:
those who do this will have a competitive advantage.
Those states that are able to consistently develop
tools and pools of talent will be more successful in
attracting businesses.

Not only are states competing with states,
but collectively we're all competing in a global
talent pool. Over the past ten years, we know that
the U.S. has battled for talent in countries like India, China, Latin America. And frankly, as those countries develop middle classes, the battle is going to intensify. And there are new countries ready to step into the fray, countries in Southeast Asia and sub-Saharan Africa will emerge as major pools of educated, low-cost talent in the next 5 to 10 years.

As a country, we have to address this head on. If the U.S. can't be competitive, then global businesses are going to source talent from other parts of the world. So yes, there's competition between each of us in the room, but also ultimately this is about American competitiveness on a global scale.

At Accenture, we dealt with this talent issue firsthand. When I was COO of our company, we grew from 103,000 to 177,000 people. And I'll admit, at one point we really didn't fully recognize that talent management was a key priority of our business.

Now as CEO of North America, I can tell you our talent strategy and how we're developing has
never been more important. We now have more than
293,000 employees in 120 countries. We hire more than
65,000 people a year. We have to compete every day
to get talent we need, and it's only getting harder.
But we're not unique; no matter what size or
location, every company is in a constant battle for
talent. Businesses are constantly looking at and
evaluating talent pools.

Just to share a couple of quick examples
from our company: In 2006 we created a delivery
center for technology projects to serve clients
nationwide. We did extensive research and scouting
around the country, and we narrowed the selection to
a couple of geographic locations. As the evaluation
wound down, we looked at several key criteria. We
considered the standard of living in the area and the
labor cost, and we looked at basic things like
accessibility and how close the area was to a major
airport.

Ultimately, the deciding criterion was
education infrastructure and our assessment of the
continued pool of educated talent. Today that center
houses and employs more than 1,200 people.

In Oregon, we're working with the Confederated Tribes of Umatilla Indian Reservation to help create Cayuse Technologies, a 100-percent Native American-owned IT sourcing center that serves clients across the country.

Here again, we saw an untapped potential pool of talent, and have provided business, technical and leadership development training on an ongoing basis to its 300 full-time employees.

What's true for Accenture is true for most businesses today: We're all in a constant search for those talent pools. So if you're not spending money to develop talent pools that meet employer needs, then you might be wasting your money. The key for states will be identifying those pools of talent and matching them up with their capabilities and employer needs.

And I can tell you, as one CEO to another, that you have the opportunity to be that hinge that joins together businesses that are looking to a partner. This battle for talent is just as important
as managing your health care costs or dealing with natural resources issues, or focusing on revenue generation. And we know that states that get it right will excel. Those that recognize this is important, and those that take steps to aggressively attract, develop and deploy talent, will be our country's economic leaders. Those states that get it right will be the most competitive; they will attract both businesses and workers, and those states that don't will increasingly find themselves falling behind.

We've already seen some examples of some states doing things right and making progress. Take New York, for example. When New York was trying to land Global Foundries, a leading manufacturer of semiconductors, the state had to show that its deep talent pool could meet the company's needs.

A research organization called Burning Glass Technologies used its analytic tools with the state employment system to pinpoint a talent-rich location in Upstate New York. That's where an $8.5 billion computer chip manufacturing plant is now
under construction. Proof positive that real-time
talent information can be a competitive advantage.

Or take South Dakota. Governor [Dennis] Daugaard
pulled together a workforce cabinet of all agencies
that deal with workforce issues. You guys have just
finished convening regional summits across your
state, bringing together business, education,
government and community members. As I mentioned
earlier, Oklahoma has its dashboard and OKJobMatch;
Colorado has its Blueprint and Minnesota has
CareerOneStop.org.

In every one of your states, you've taken
important but only initial steps to compete
successfully in the battle for talent. We know the
winners will be those states that view this challenge
as a constant journey and not just a single
destination.

There's also some international examples
we can draw on. Take Germany, for example, which has
acted aggressively on its talent strategy. In 2003,
Germany faced an unemployment rate of 10.3 percent,
well before the Great Recession. At the time, the
German Federal Employment Agency was considered bloated and bureaucratic, and the German government set out to completely redesign its approach to labor markets. They wanted to move away from a legalistic administrative agency to a performance-driven organization. They wanted to focus on meeting employer demand, not just job-seeker needs. And they wanted to integrate job seekers into the economy as quickly as they could.

Their ultimate goal was to become the most effective broker possible between labor supply and demand. By bringing together a combination of policy modifications, process changes and new technology, it worked. Within 36 months, Germany lowered unemployment by 33 percent, going from 4.5 million to 3 million while doubling the number of jobs filled per year.

As a result of their reforms, in the last five years, when most of the countries in Europe experienced the fiscal volatility of the Great Recession, I think we all know Germany has had a relatively low and steady unemployment rate, and the
German economy was the engine for recovery in Europe. We need to be similarly aggressive in our talent strategies if we're going to win the battle. In fact, one governor we interviewed was very direct and said, "I'm spending hundreds of millions of dollars on workforce development, and I don't know what the hell I'm getting." That's as direct as you can be.

That's the right challenge. We need specific actions that deliver clear outcomes, and Utah has to be our North Star. So where do we start? Coming out of our research, we identified four strategies that we think governors can deploy now and win the battle for talent. Ultimately it's about four things: analytics, pipeline, pathways and focus. Let me walk you through each one.

First: analytics. This is about real-time information and insights into supply and demand of talent. You'll notice I'm not talking about jobs data; we have lots of data on jobs but little information on talent. Let me give you two examples of why this matters.
Let's start with a job, a welder. In Virginia over the last year, there were 1,102 jobs posted to hire welders, as defined by the Standard Job Classification System. And that's a pretty healthy number. But it grossly understates the demand for talent in welding. Our research partner identified that in the same year there were 1,102 welding jobs posted, there were another 3,318 postings that required welding talent. The landscape for jobs in welding looks much different when you look at talent needs rather than just job titles.

Or consider another job closer to our company, a computer programmer. Most job systems still use a single classification for computer programmer. But hardly anyone hires just a computer programmer these days; instead, they're looking for system administrators, network administrators, Java programs or dozens of other collections of skills and competencies related to computer technology.

Imagine the competitive edge you could gain if you had analytics producing real-time information on the skills and competencies that are
in demand. Another thing you could do with the up-
to-date talent information is assess the degree to
which your education system is producing the talent
that your economy really needs. And I'm not talking
about whether you're getting the quantity of
graduates you need; you already have the data to
answer that question. I'm talking about using real-
time information to assess whether or not your
education systems are producing the quality of talent
you need.

When I say quality, it doesn't always have
to mean a four-year college degree. This is about
skills and capabilities, as Governor Fallin
mentioned. Google, for example, has said publicly
that it will hire people with the skills it wants,
regardless of whether they have a degree or not.
Businesses, frankly, are increasingly skeptical about
the value of degrees being handed out in our high
schools and our colleges, and they want workers with
skills—certified skills—not people with degrees but
no competencies or capabilities.

The second idea is around pipeline. This
is about building reliable talent supply systems or
talent pipelines for your employers. Only 18 percent
of employers surveyed in our research reported that
they had a great deal of access to job candidates
with the right skills. And this is especially
important in your small and medium-sized employers.
Collectively, these companies are critical to your
state's economy and individually, however, they're at
a competitive disadvantage in the battle for talent.

You can help them come together, combine
their demand for skills and competencies and then
build supply pipelines with your education,
workforce and nonprofit organizations to fill those
talent needs.

Talent pipeline partnerships like this can
help address employer needs, especially in high-growth
sectors. We've seen how this can work with a
business and higher education forum called Cyber Up.
The forum is made up of Fortune 500 CEOs, college and
university presidents and other leaders. They saw a
demand for qualified cybersecurity professionals
grow 74 percent from 2007 to 2013. More than two
times faster than all other information technology jobs.

In response, they developed a program that enables the business and higher education communities to work together to recruit and prepare and place low-income and underrepresented minority students in cybersecurity jobs.

Last month, the forum received a million dollar grant from the U.S. Navy to support expansion of the program in the greater Washington, D.C., and Tidewater, Virginia, areas, which have a very large Navy cyber presence.

I know in the past, business has been reluctant to come together like this, but the past is over. In fact, the U.S. Chamber of Commerce Foundation is launching a nationwide initiative this fall to get businesses engaged in building these kind of talent supply systems, and they're applying lessons learned from supply-chain management to deliver better results.

The business community recognized this and has to change its approach to find talent.
Businesses are more ready than ever to partner with governments that they can count on for the talent needs that they have.

Third is about what we call pathways. In a battle for talent, every job seeker needs a personalized roadmap showing how her or his talents can be put to work. In a survey we just did, 46 percent of college graduates reported they were underemployed and working in jobs that did not require their college degree. Another 13 percent were just simply unemployed.

No graduate, and no job seeker for that matter, should find themselves lost in today's job market. We have the technology and we have information to actually provide every job seeker with personalized roadmaps showing them employment pathways that are open to them given their individual skills and competencies.

These roadmaps show job seekers what they could do with their skills based on what others have done. They provide real-time information on how to navigate the jobs marketplace and get the most out
of their skills and competencies. They also show
them how to get the skills and competencies they
might need for the next job that they want.

How does that happen? Well, again, we
work with a company that has built an inventory of
millions of résumés, that allows them to look at the
skills and competencies of an individual and tell
them what path others with those same skills and
competencies have already taken.

This really opens up the world of
possibilities for job seekers, and gets them to think
about the full range of possibilities open to them.
These same pathways also show them what skills
they'll need to acquire their next job.

Fourth and finally, states need to focus
on outcomes. Today the federal government operates
47 different workforce programs with budgets of more
than $18 billion annually. These programs drive
funding at the state level and within states,
multiple departments and agencies add their own
funding to make their own decisions and implement
programs across state, regional and local levels.
Individually, any of these programs may be great, but collectively they don't add up to a winning strategy. Now is the time to get all of these programs and funding streams focused on a small set of central outcomes. And one outcome that we should start with is raising the standard of living. The Workforce Innovation and Opportunity Act that was just passed this week gives you greater authority and flexibility to do that.

As part of the chair's initiative, NGA recommends coordinating strategic planning processes, to integrate the missions of key state agencies. It also recommends establishing incentives to increase alignment between education and the workforce. Those are great ideas. But building on those recommendations, you could also develop a single measure of return on investment for workforce and talent spending. You could use this to compare programs and also to show taxpayers the value of those programs.

You could create a unified, enterprise-wide budget for workforce and talent-related
programs. This would include workforce development, unemployment, human services and education. And then use that budget to get the greatest return you can.

You might consider creating a workforce or talent cabinet or an executive-level coordinating role, a talent czar to steer enterprise-wide policy and resource allocation.

The bottom line is that states with an integrated and unified approach to talent, focused on a single outcome of increasing the standard of living, will be better equipped to compete in the battle for talent.

Remember, ultimately it's about four tools: analytics, pipeline, pathways, and focus.

So where and when do you start? As you bring together your secretaries and commissioners involved in workforce and talent agenda, ask them a few questions: What is our state's talent strategy for the next three to five years? How will it meet the skill and competency needs of our economy and assure our future prosperity?

How will we get real-time information and
the analytic insights we need? How will we assure employers that we have pipelines to the talent they want? How will we provide job seekers with roadmaps showing the possible pathways for putting their talents to work? And how will we integrate and focus all that we do on a single set of outcomes?

Let me make one prediction, right here and now: They're going to tell you “we've got this covered, we've done a study, we've built a strategy, we've deployed programs.” Well, they may be doing a number of good things, they're probably not doing enough, and they're not getting the results that convince people that you're winning the battle for talent. And in fact in the recent survey, 72 percent of the respondents said they were very skeptical that government was acting fast enough to meet future employment and skills challenges.

Meeting those challenges is tough; we've learned it the hard way at Accenture, trust me. It's been a long, difficult journey before we found the way to get it right. During my six years as COO, I personally experienced the boom and bust of the
economy, and it became crystal clear we needed a more aggressive approach in finding and acquiring talent. We needed a talent strategy that was second to none.

Today we have a three-year plan outlining steps to become more successful in securing the talent we need. We have analytics that forecast our needs across our business and we have a recruiting organization that is constantly challenging themselves to get the best people on the planet. And we have to do that to survive.

Your state might consider that kind of tenacious, lead-from-the-top focus and commitment to talent. Start with a strategy that clearly spells out how your state will attract, develop and deploy talent in a meaningful way. Beyond the talent strategy, dig deeper into what you're spending and what you're getting in return on your workforce and talent programs.

Again, pick up the phone and ask the tough questions about where the money is going and why. Find out how your programs and budget align to that
strategy. Winning the battle for talent is every bit as important as other key issues like health care, natural resources and taxes. It's crucial to your state's prosperity.

When states make real headway on workforce issues, I believe they'll see economic expansion well beyond the average.

As CEO of your state, make those calls on Monday. Ask those challenging questions and don't accept quick, easy answers. Because when it comes to talent, there is no easy answer.

Thank you very much.

(Applause)

GOVERNOR FALLIN: Thank you, Stephen.

That was great information. I appreciate you sharing all that. As I was here thinking about all the different steps you went through, and I think it matches up with a lot of what governors are doing right now, but all governors want to know what employers need as far as talent and work skills. You have certain things that you need within your company, a different industry may have certain skill
sets they need; what's the best way for we as governors to get that specific information from you?

We talk to the energy sector, the health care sector, manufacturing sector—whatever it might be, and they may say we need welders, we need computer technicians, we need nurses, whatever. But how do we get those specific numbers, and are companies willing to share? Because I know there's a lot of private information you don't want to share; but are you willing to share that information with us?

MR. ROHLEDER: Well, first and foremost, yes. I think companies are increasingly willing to share that information, Governor. I think that they are because they don't have a choice. Trust me, if they're not, they're probably already on the path to moving their business elsewhere. I would suggest that if a company is not willing to share that information with you, they've already developed a talent strategy that's going to either move their talent to another state, or offshore.

In terms of aggregating that talent, it's
a great question, because you have very disparate industries, as you point out. I think the way to start is really from an economic standpoint to understand top-down, what are the primary industries that your state is really focused on? I know in Oklahoma our resource, our energy guys are moving into Oklahoma City and the fact is, they said, “We just need energy talent. That's what we need there. We don't need financial services, we don't need any of” — that's where they're focused.

And I suspect that most states could prioritize two or three areas where you could really focus on specific industries. I wouldn't walk by the challenge of aggregating small business and medium business talent needs. While it may be more fragmented, having something focused on aggregating their needs and giving them a chair at the table and a voice at the table can go a long way toward retaining that talent. Quite frankly, that's probably the fastest-growing segment of business in any given state.

GOVERNOR FALLIN: Governor Nixon and
Governor [Scott] Walker.

GOVERNOR NIXON: Thank you for your focus presentation. One comment, one question. The comment would be, I would hope that you and other significant leaders in business would continue to press our higher education community with the same level of focus you have here, because I think there's a joined responsibility. All of us are trying to get our colleges thinking more about directly tying to business as opposed to that theoretical way that often college campuses end up handling their duties.

So I think it's really important to hear from significant business leaders about the specificity and the requirements. And I appreciate, I know you said it, but I just ask you to keep repeating it if you would. It helps us in our contacts with ...

But quick question: Talk to us for just a second about wage rates, compensation, things of that nature. Because at one point you talked about educated, low-cost talent and what not, because I
think there's a whole lot of folks that are trying to figure out relatively simply how they make money, how they raise a family, how they make more money later and all that sort of stuff; and from our perspective often we're dealing with businesses. It's that initial cost that we deal with. But clearly, the people in a talent pipeline are folks that are trying to get more economic independence as they move through that pipeline.

Give us a sense as to what you've learned, what you've seen on things that work well not only in the wages, but where we're going; you know, we've shifted as a country into pension system and health care and all that sort of stuff. Kind of what—how much are we going to pay these folks, what kind of things do you see as trend lines in the future in order for us to continue to have a growth in our way of living?

MR. ROHLEDER: Great question. I think I can start with wage determination is tied—in a business context—is tied specifically to skills that are needed and in demand, and that are possessed
by those people.

What I mean by that is that if a pipeline of potential workers is focused on increasing what I call their human capital value, how do I as a person increase the value that I'm going to bring to my employer versus just coming in and being trained on the job. As an employer, I value that a lot more.

People talk about the manufacturing environment in the U.S. You know, whether you believe it or not, in the last 10 or 20 years, it's moved to a technology environment. And the days of manual manufacturing are done in Vietnam, and they're done in China and they're done elsewhere. The reason those jobs are coming back is because we've been able to supply the manufacturing world with high-tech, educated people who work on the factory floor. Twenty years ago that didn't exist.

So my point is, Governor, that we have to understand that there's a direct correlation between a wage that's being paid and the education and the talent level of that person. And we have to constantly push that talent level to be more relevant
to what employers really want. So if employers see high-tech manufacturing and computer systems skills, if you will, more relevant in that environment, then we have to move the talent coming out of high school, coming out of our community colleges, coming out of college in that direction so that you have that pool of talent.

Does that make sense. Then you have a fair wage for a fair skill.

GOVERNOR FALLIN: Governor Walker.

GOVERNOR WALKER: Thank you. Just to follow up on Governor Nixon's comment. The four things you outlined in this report, I think, are pretty consistent probably; each of us have variations of this, which is good; we can always be encouraged to do more, as you mentioned; we certainly do that with our Wisconsin FastForward.

But I was thinking in your presentation, particularly in your answer to Jay's last question, it really is focusing in on ways we need to do a better job of connecting the skills to people either looking for a job, or in many cases looking for a
better job, the skills that they need to match up
with the jobs that are open or will be in the next
cfew years, particularly for retirement.

So those four things are key. But on
your chart you started out with here, where—that's
one part of it, but an observation, or maybe a
suggestion is, you talk about the big drop-off in the
future. And the four things you mentioned, which we
tend to talk about a lot, are helping connect people
currently today looking for work or a better job,
with the skills they need to fit that. But that
still doesn't fully address the drop-off that will
occur in the next few years of people who just
aren't there, whether they're trained or not, is not
having enough.

And so a suggestion I would make, and
we've talked about these things in the past, but
three particular categories: military personnel.
We've got about double the unemployment rate among
military personnel coming back from Iraq and
Afghanistan and other places like that, tremendous
opportunity, far too many sitting on the sideline;
it's more than just a skills gap, it's trying to figure out to get them in.

Secondly, certainly people with disabilities. I know Jack Markell talked about it last year; we've implemented a better bottom line in our state, but there's a tremendous opportunity to take people who are currently on the sidelines because there's a disconnect between matching their unique abilities instead of their disabilities in to where the workplace is, and often I think they're overlooked in terms of workplace opportunities.

And then the third group—and some of us have done this—although, back to the 90s when NGA was real involved in welfare reform, over the years a lot of states have been granted a waiver from the work requirements for childless adults when it comes to things like food stamps. We just opted out of the waiver, for example, this past year. It's costly; it cost us about $17 million, which is why most states—I think there's 46 that still have a waiver—don't take that, but that's because you
have to pay if you don't take the waiver, you have
to pay for employability skills. But again, to me,
groups like that, people who are currently—
temporarily, hopefully—on government assistance,
need ways to transition them to the workplace. Those are
all three groups that could help move your chart up
there in terms of people who will be in the workforce
in the future.

MR. ROHLEDER: That's a great observation.
I also think—we were talking about this before the
session started, with a number of the NGA staff—I
think you have to crawl before you walk here, before
you run, obviously. And if you go back to two
industries that have gone on similar journeys, you
look at financial services and you look at retail.
Both have kind of gone through a very fragmented,
data-rich environment and now apply analytics more
aggressively to get predictive.

Getting predictive information, to your
point, Governor, on looking forward, is going to be a
10-year to 20-year journey. What we have to do first
is get the matching that you're talking about and
identify those pools and stand up first to get
the underemployed and unemployed busy, and then
become predictive with where we think businesses are
headed and what their needs are. It is going to be a
two- or three-step process. And I don't think we
should kid ourselves; this is literally a 10-year to
20-year journey. And you don't have to look any
further than industry to see how they've evolved over
time. But thank you.

GOVERNOR FALLIN: Governor Herbert.

GOVERNOR HERBERT: Thank you, and thank
you, Mr. Rohleder, for being here and talking about
an important issue.

I had the opportunity, as governor of
Utah, to meet with, on a quarterly basis with many of
the CEOs in our state. We meet with different
sectors of our economy, try to stay in touch with
what their concerns are, what we're doing right, what
we can do better; and clearly as we talk about the
talent pipeline, it's probably the number one issue
for the business entrepreneurs in Utah. We are
trying to, in fact, address that issue of education
and skill gap, areas where we're trying to improve that
and minimize that, emphasis on STEM education, the
trades, things that we really need to have better
alignment.

I look at, where it says the challenges,
in your book here, though. Let me just challenge you
on a couple of areas, if I could. The first one
says: “Job seekers cannot find the jobs they want.”
I understand there's that challenge. And “do not
look to government for help.”

My experience is that in fact many look to
government for help. We have a department of
workforce services, we help people with identifying
where they are lacking in skills, help them get back
to school, community college, vocational training.
We have a significant outreach with our veterans, and
I expect I'm no different than many other states
here; but my point is, I think there's many people
out there that look to government to help them get
back in the workforce.

Another point, it says: “Employers can't
find the skills they need.” I understand, that's
part of what we've observed. But then you go on to
say, "Do not look to government for help." Again, my
experience has been that they do look to government
for help; they're putting increased pressure on us to,
in fact, improve education, to eliminate the skills
gap, to have better alignment with what they're
looking for.

We have custom-fit programs with our
community colleges where businesses and manufacturers
say "We need to have help for specific needs." Can
you in fact put together some kind of education
experience to help us train employees who are not
prepared, even coming out of college we have to have
some custom-fit work, and looking to government for
help?

I do agree with your last point; we're very
skeptical about government acting fast enough. In
fact, many are doing their own thing because they
don't think government does act fast enough, or maybe
not as effectively enough or as efficiently enough.

But I do think that they are looking to government.

And I'm just wondering, what am I missing
here—at least in my experience—because I think people are looking to government, sometimes even too much looking to government for assistance.

MR. ROHLEDER: I think you have the segment, the population we're talking about, Governor. So the people who are looking and leaning on government for help in the underemployed and unemployed I think are going to be a different segment than the college graduate or community college graduate that is out on Monster.com every single day just looking for jobs, looking for jobs. Very few of those people are coming to government for unemployment insurance or unemployment benefits, at least in our experience so far.

Maybe that's different. But if you look at the less skilled, less educated, they absolutely are relying on government. So you have to kind of bifurcate the segments of the population that we're talking about. We probably should have been more specific in the report about that, to get specific about who is still relying and government and who isn't, to your point. So, point taken on that.
On businesses not relying on government, I would tell you the same thing. I think that there's a lot of businesses that will meet with government; but frankly, if I'm a restaurateur and I have 60 percent turnover in my bar or restaurant, and I'm not going to government to ask for help in terms of developing new skills. It's just not going to happen, right? I'm going to continue to go out and use any resource I can to replenish that talent when I need it.

So I think businesses have started dialogue; I think the larger businesses really want to source talent in the United States; I know that for a fact because we personally hire roughly 5,100 people per year off college campuses, and another 6,000 in the U.S. just from experience from the market.

We want to source our talent. The challenge that we have is just competing and finding that talent in the marketplace.

So my point is, look, if businesses are willing to have that dialogue, we have to connect
them closer. We have to connect them closer and actually tie that to actions. And this is where you guys can really step in. If a senior business person senses that there's a commitment from the top of the state to really change, and put change on the table and do some creative innovative things, trust me that partnership will form and will flower.

GOVERNOR HERBERT: Thank you.

GOVERNOR FALLIN: Well, thank you so much,

Let's give Steve Rohleder a big round of applause.

Thank you for the great information.

(Applause)

GOVERNOR FALLIN: Stephen, your information was very timely today, and great information. Thank you for giving us a guide of what you've noticed in the industry and private sector.

Now I'm very pleased to call upon Governor Earl Ray Tomblin, who is going to be talking about our next summer meeting for the NGA in 2015.

Governor.

GOVERNOR TOMBLIN: Thank you, Madam Chair. It's my pleasure to bring you up to date;
we've been working very hard, working with Governor Haslam and his team down here on how they put together this year's NGA event; and so we're in the process of getting things going and invite everyone to start making your plans to come to West Virginia. It's the first time since 1950 that we have hosted the NGA.

So we're very excited about it, and obviously the venue will be the Greenbrier Resort, or known to many as "America's Resort." So it's a place, if you've never been there, it's worth making the trip for. We promise not only a great meeting venue, but also the accommodations are outstanding; so much to do at the Greenbrier. And we would also encourage you to look at bringing your families with you, stay an extra day on either end; it would be a shame to spend all of our time in meetings, Madam Chair, and not be able to enjoy the resort.

It will be July 23rd through the 26th next year. I don't know if you've noticed, but we have our booth set up out here with information, and many of the governors have already requested to start
blocking rooms now, so especially if you are bringing
families and need special accommodations with
adjoining rooms and so forth, now would be a good
time to start planning that.

So anyhow, just put that on your list;
we'll be talking about it more at the winter meeting
as time progresses, and the time period will fall
right in between the Greenbrier Classic PGA event and
the thing happening with the Greenbrier is the
connection with the New Orleans Saints are bringing
their practice to West Virginia, which is a little
bit different twist, but they'll be coming right
after we leave there.

So anyhow, there will be several great
events going on at the same time. Just start making
your plans; we'll welcome you with open arms, and we
promise you a great visit to West Virginia. Thank
you.

(Applause)

GOVERNOR FALLIN: Thank you, Governor.

And for any of you who have not been to the
Greenbrier, it's a very special place, absolutely
gorgeous, lot of fun things to do there. So we'll be looking forward to coming to your state. Our next session will begin at 12:30 with the governors-only business session, so Governors, if you'll prepare for that; and then we'll have committee meetings this afternoon. And then tonight we get to go to The Hermitage and we get to see where President Andrew Jackson lived, and also hear a famous Oklahoman, Carrie Underwood, who now lives in Tennessee. Governor, I'm still hounding you about that today. But we'll have some great entertainment again tonight.

So thank you, Governor Haslam, it's been a wonderful, wonderful meeting. We are adjourned.

(Whereupon, at 12:12 p.m., the Special Session adjourned.)
The Future of Main Street
Hubert Joly, CEO, Best Buy

Closing Session
Sunday, July 13, 2014

Omni National Hotel
Broadway Ballrooms E/F
250 5th Avenue South
Nashville, Tennessee
PROCEEDINGS

(11:35 a.m.)

CLOSING SESSION

GOVERNOR [MARY] FALLIN: Good morning, everyone.

AUDIENCE: Good morning.

GOVERNOR FALLIN: Did everybody survive the wonderful entertainment we had last night?

Governor [Bill] Haslam, what a fantastic way to close off our last evening of our National Governors Association meeting.

Let's give Governor Haslam a round of applause.

(Applause)

GOVERNOR HASLAM: I think you should sing for us.

GOVERNOR FALLIN: Makes you want to sing, after coming to Nashville. Puts a little kick in your walk, you know? Just being here. But it's been a fantastic trip, and certainly a wonderful meeting, and we want to also thank your staff, your sponsors, your host who have helped put this wonderful meeting together, certainly along with our NGA staff.

And this is our closing session of our
2014 NGA Summer Meeting, and it's been a great pleasure to be able to serve as your chair.

One of the reasons why I chose my chair's initiative as America Works: Education and Training for Tomorrow's Jobs was to ensure that the changing business climate that we have in our nation matches the education needs and also our workforce needs at home. All governors are keenly aware how technology and innovation have forever changed and altered our national economy; how it affects our schools, our daily lives.

As governors, we must also pay attention to our large cities, our small cities, our rural cities and our employers both large and small. Our businesses on Main Street have long been the bread and the butter for our economies.

So we're very pleased this morning that our next speaker comes from a very unique perspective: leading a company that is succeeding both on Main Street and eStreet. Beginning as a company in 1966 as the Sound of Music, its name was changed to Best Buy in 1983. The company now has
more than 140,000 employees globally and more than
1,400 retail locations in the United States. Each
year, about 1 billion people shop online at
BestBuy.com, and 600 million shoppers visit Best
Buy's U.S. stores.

So it is a great pleasure that we have
with us as our guest speaker the president of Best
Buy, Hubert Joly.

I especially look forward to hearing Mr.
Joly's talk about the future of America's brick-and-
mortar stores; I think it's something that
governors focus on and talk about a lot, how
companies ranging from Best Buy to our local
stores can succeed in an ever-changing,
innovative economy.

He has a very strong reputation of being
able to turn around companies, to be able to
transform them bringing his expertise, and also
certainly as his past work in the French division of
Electronic Data Systems. In his three years there,
the company reversed its revenue slide from $1.3
billion francs to an annual revenue of $2.1 billion,
while significantly increasing its profit margin.

Prior to joining Best Buy, he was CEO of Carlson, where he led a renaissance across all the businesses, including its restaurant and hotel divisions; and before coming to Carlson, he also led a subsidiary unit and grew its sales from $8 billion to $25 billion in four years. That's quite a remarkable history.

So to our governors who are here today and all of our guests that have joined us, let's give a warm NGA welcome to Hubert Joly.

(Applause)

MR. JOLY: Thank you so much, Governor Fallin and Governors for the opportunity to speak with you this morning; so I am indeed Hubert Joly, and despite my accent, I'm from Minnesota, the great state of Minnesota, which is the place where about 25 Fortune 500 companies are headquartered, and a wonderful place to live. We also have winters, but we won't talk about that.

I am the fourth chief executive officer of this company, Best Buy, in its 50-year-close to 50-
year-history; and for me it's a great honor to have
the opportunity to speak with the governors of the
states who are united in these great United States
of America. And the topic of the “Future of Main
Street” is really an important topic that we are
going to be speaking about. It's an important topic
because, of course of the importance of the retail
industry in the economy of all of the states.

Globally speaking, retail is about a
quarter of the gross domestic product of the United
States, a quarter of the gross domestic product of
the United States. Directly, retail employs 15
million people. When you take into account the
people who are working for retail, the contractors
who build the stores or provide the stores and so
forth, it's about a quarter of the jobs in the United
States.

So from a jobs standpoint, it's enormous.
Of course from the state's standpoint, do I need to
tell you that the sales tax that we collect is about
$250 billion—$250 billion. It's about, on average,
30 percent of the revenue of each of the
states; and at Best Buy, we are happy to provide $2.6 billion for your various taxes, mainly sales tax.

The impact of retail goes beyond this, because all of us retailers are active members of the communities in which we operate. Beyond the jobs that we provide, we contribute to various charitable causes; $300 million is what Best Buy has given over the last 15 years. 140,000 hours of volunteer time by our employees per year throughout the states. We also have a recycling program; probably most of you know that the citizens of your states can come to our stores and we recycle the electronics.

In the last four years, we will have recycled 1 billion pounds of consumer electronics; therefore helping the planet. So it’s really a big impact in many, many different ways.

So it's an important topic; it's also a very timely topic. Why is it a timely topic? Because of the rise of e-commerce. E-commerce is significantly transforming the retail industry throughout the U.S. E-commerce started 10, 15 years ago; it's now about $260 billion of revenue for the
U.S. in 2013, growing very rapidly. It actually grew at about 17 percent compared to the previous year.

In our industry, consumer electronics, e-commerce is about 20 percent of the industry. So it is now very, very significant. And beyond that, it goes beyond that because of the information that's now available online. In 80 percent of the cases, when you buy something significant, let's say more than $500, in 80 percent of the cases you start your shopping journey online, by researching the product, getting information about the products, comparing the products. Now you may or may not complete the transaction online, but in 80 percent of the cases, the shopping journey starts online.

Now in contrast, mall traffic is going down. During last holiday, mall traffic in December was down 14 percent year-over-year. 14 percent. And given the importance of, again, retail in each of your states, that's very significant. Therefore, you know, the question is, is there in the future the death of Main Street? We have to ask this question.
Or more positively, what does Main Street need to do to thrive in an environment where technology is significantly transforming the shopping experience? What do we need to do to be successful in that context?

So I try to answer this question, of course, with the benefit of the experience of the transformation of Best Buy that we started two years ago when I became the CEO there. And my message this morning is going to be to say that now of course this is not the death of Main Street. Main Street can thrive, provided it transforms itself significantly and that it innovates the customer experience in really marrying physical brick-and-mortar with what we can do online through a multichannel customer experience.

So I base my remarks, of course, on the transformation of Best Buy. Governor, you highlighted a bit of our history, we're very proud of our history. Best Buy is one of these amazing American success stories, founded by Dick Shultz in 1966, and now in the U.S. it's a $35 billion company
and has been very successful.

Fifteen years ago I was the CEO of a video games company that was providing games to Best Buy, and I saw how great of a company it was; it was the best in the business; it continued to grow. And probably five, six years ago it started to go sideways. And that sometimes happens to companies that are very successful; you can become complacent. You can become complacent and that's a great danger. And at the time, there was the growth of a number of amazing competitors: Amazon started to grow significantly, Apple got into the retail business and of course we're competing with some of the foremost companies on the planet: WalMart, Costco and so forth.

And probably with this complacency, we stopped our emphasis on the customers. We got distracted, we had leadership issues—and of course all this led to a bit of a drama two years ago that was highly publicized in the media. So this is when I joined, because I love challenges; I was not suicidal.
And so in the fall of 2012, we did a diagnosis of the situation, and we saw that we had two problems: we had declining sales and declining margins. Only two problems, so that was the good news, but they were significant.

But we also took the time to identify our assets. And we had some amazing assets. We had an amazing customer base, and I know that many, many of you—most of you—are customers, and an amazing employee force—we talked about 140,000 employees passionate about customer service, passionate about what they do with our stores. Great assets. Seventy percent of the American population lives within 15 minutes of a Best Buy store. That's an amazing asset and this, combined with the relationship we have with our vendors, turned out to be a great opportunity. We're very significant for the tech community because we're the only place of scale where they can really showcase the fruit of their billions of dollars of R&D investment for customers. And
increasingly, products are complex, difficult to understand, and so they need a place where to showcase this. And of course we had our website, which was already quite significant at the time.

So we had these assets, but we did need to transform the company. This is when we launched our Renew Blue transformation efforts. And at the heart of Renew Blue is a refocus on the customers. So to illustrate what Main Street needs to do, let me take a few examples from our playbook. The first thing we did in the fall of 2012 was to decide that prices need to be competitive. You know, in a world where information is pervasive, where we sell other people's products, there was no way we could not be price-competitive. And there was enough talk about the time about showrooming. So showrooming is this phenomenon where people go to a store, they spend 30 minutes with one of our blue shirts to learn about the products and then in the end they decide to buy on the Internet. That's very frustrating for the blue shirts.

So with the traffic we have in our stores,
600 million visitors, these are people who come to us with great intentions; so they’re ours to lose. So the decision we made at the time was to match Internet prices. So our blue shirts are now empowered; you come to our stores and we will provide the price that you can find on the main website.

But of course that was not good enough because it's not just about price. So we started a strategy to focus on providing advice, service and convenience at competitive prices to customers. In particular to customers who are interested in technology products but frankly in need of a little bit of help. I don't know about you, but I need a bit of help when I'm shopping, because it keeps changing all the time.

So advice, service and convenience.

Advice, starting on the site; so we're reinventing our website on the site—you have to be able to find shopping guides, how do I choose a TV, how do I choose a tablet, how do I compare? What information can I have? With rich content videos, now you can provide a lot of advice on the site.
Advice in the stores. We have invested significantly in the training of our blue shirts, associates. We've also worked with our vendors to make the shopping experience a great shopping experience; so companies like Samsung, Microsoft, Google, Intel, Sony have invested hundreds of millions toward people to really display—it's really impressive—their newest technology and how everything works together. And we've super-trained blue shirts to be able to talk about these products.

So today if you walk into a Best Buy store, you probably don't know that you need a $4K, ultra high-definition TV. You don't know, but you walk into the store. Then you get to the Samsung or Sony vendor pad and you talk to one of our blue shirts. And after 50 minutes, I guarantee you will know that you absolutely need that TV, and the only question is which one and when; but that's the only question you're left with.

So advice, service. This technology is very complex. So in terms of help with the design of your home theater solution or your home network,
setting it up, transferring data from your old phone
to your new phone, we will really take care of you
and make sure that you walk out working from our
store with all of this technology ready to go. Also
help, when you have to use the products, help with
troubleshooting, help with repair. We have a big
service focus and we're very proud to be celebrating
the 20th birthday of the Geek Squad, which is one of
our secret weapons; and in fact, the Geek Squad will
be ringing the bell at the New York Stock Exchange
tomorrow in celebration of that birthday.

So advice, service, convenience.

Convenience of being a multichannel retailer. This
is an interesting fact: About 50 percent of the
orders on our website, the customers decide to pick
up the order in one of our stores. Now get this: We
have free shipping from our website, and the
customers decide to go to the store because of the
convenience; you can get it now. Now is really good
from a customer standpoint; you can make sure that
you like what you're seeing, you can get the help and
the advice. So that's very significant.
We've also established what we call ship from store. So we have throughout the country 12 distribution centers, but we also have 1,400 stores. And all of our stores now can ship to the customer directly or to another store. So we've unlocked about $2 billion of inventory, and when people go to the site, even though we may not have the product in one of the central distribution centers, we'll get it for them from one of the stores. Or if not in the store, we don't have the product in that particular store but we'll get it to you. That's a significant development.

Convenience with returns. You've bought the products, you get it at home, you don't like it at home, you can return it very conveniently. Hauled away—you have this big CRT TV that you don't know what to do with; we'll take care of it for you.

So advice, service and convenience is how we fight the battle. Now that means a significant transformation for every function at the company, if you think about it; I think I've highlighted some of them. Of course, merchandising, marketing, e-
commerce, the supply chain, everything is being transformed very significantly.

Let me just read that with the marketing function. Ten years ago, marketing was very focused on mass and analogs. So it was TV, the insert in the Sunday newspaper. Now with the data we have about our customers, we have the opportunity to develop some targeted, highly relevant digitized marketing communications. We developed a relevant communication with our customers. So you've bought a PS4 Play Station 4 last summer. I can talk to you about some games. You bought a Canon DSLR camera—maybe you want to talk about lenses. Or you're moving; I can talk to you about how we can help you move and get equipped in your new place.

So this is something that's really transformational; we have a customer database called Athena that has this rich information about customers who we are leveraging to be helpful to customers, so it changes the game very significantly.

Now not all of the transformation is fun and painless. We have taken out so far $860 million
of cost out of the system to be competitive; we have committed to a billion dollars. But because we're very advanced with our cost takeout, our focus now is shifting to growth. And our game is to be able to grow; it's not always easy because you have product cycles, you have deflation; the TV from this year is much cheaper than the TV from two years ago. But we're determined to grow the top line, great opportunities around new technology.

So there's a lot of talk about wearable health and fitness technology. Technology can help reduce health care cost, and we have a summit next week with an insurance company, a hospital system, a chain of fitness clubs to see how we can work together to the benefit of customers and reduce health care cost and improve people's lives.

The connected home. Everything in our homes is now connected. How can we help our customers take advantage of that? Appliances, with the housing recovery, we're focusing on doing our share, and of course we can; like 54K ultra high-definition TV. So significant growth opportunities
for us.

So hopefully this gives you a flavor of
the kind of transformation we're going through; and
frankly, we're not unique from that perspective.
There are many retailers who are going through
similar transformations, companies like Cabella's
from the Northeast, you know. Their stores are becoming
amazing destinations. You want to go to their store
to discover what you can do from a fishing, hunting
standpoint. They're also a great company from a
direct-to-consumer standpoint; this is how they grew
up. A company like Nordstrom, of course, is very
much emphasizing service, as well as a direct
relationship with a customer. Williams-Sonoma has
transformed itself; 50 percent of its business is
now direct-to-consumer. And all of these companies
combine stores and online to the benefit of their
customers.

So from that standpoint, if I generalize,
the key drivers of these transformations are a
refocus on the customer, building an amazing customer
experience; leveraging a retailer's unique assets. I
told you the Best Buy story; everyone is going to be somewhat different. Building new capabilities; we need to innovate to the benefit of our customers. And from that stipulate that this is still early days in that revolution, and I have the image from Jim Collins, the famous business author, about "the need to fire bullets before you fire cannonballs." So this is the idea that you have to try a great number of things—and in retail you can experiment; because, you know, we have 1,400 stores, so we can try things in a number of stores and then see whether this works. I call this the bicycle theory. It's very difficult to direct the bicycle that stands still; you fall. But if the bicycle is moving, if it's not moving in exactly the right direction, it's not a problem because you can always course-adjust. So there's another experimentation that needs to take place.

Now in that context, of course my comments about Main Street and the future of Main Street would be incomplete if I didn't talk about the help we need from the governors. And this is about marketplace
value. Today in 2014 in this country, retailers who
don't have a physical presence do not collect the
sales tax. Retailers who don't have a physical
presence do not collect the sales tax. And the
customers are supposed to voluntarily report it, and
of course most of them don't.

This is not about the Internet versus
brick-and-mortar, because on BestBuy.com we do
collect the sales tax. Again, it's by retailers who
don't have a physical presence, who don't contribute
to the livelihood of these communities, to the fire
department, to the schools and so forth. And so we
think it's an unfair situation; and I know that the
National Governors Association has been at the
forefront; you were the first ones to raise that
topic 10 years ago, and many of you have led the
fight individually; and one of the things I wanted to
do this morning is to thank you for your leadership
on this matter.

This is clearly an issue that needs to be
fixed. I don't know that anyone in the government
should be picking the winners in this country. We
are ready to fight when the playing field is level,
but the government shouldn't pick the winners. This
is also a states' rights issue.

The lost revenue, according to the
University of Tennessee, Governor Haslam—the
forgone revenue, the last opportunity from the
revenue standpoint for this state is about $25
billion.

Now what the states will do when they
collect that is going to be up to individual states.
Many states have said, “We will lower the taxes.” And
in fact, a famous economist, Art Laffer, from the
Laffer curve, has concluded based on a thorough study
that if we change the law, this is the opportunity
for the country to create 1.5 million jobs, 1.5
million jobs, because many states will reduce the tax
burden and this will facilitate economic growth.
It's an issue that needs to be solved because of
jobs.

The number of stores that have closed:
15,000 store closures in the past few years, 5,000
announced for this year. Operating income margin at
Best Buy is about 3 or 4 percent. When we match
Internet prices, I cannot match the sales tax; I
cannot fight with an 8 percent price as a package.
And so jobs are being lost every day; decisions
about store closures being made every day are
influenced by this situation.

So it's a situation that must be solved;
it needs to be solved urgently because of the pace at
which the business is moving online. The good news
is that it is an issue that can be solved, and I
think it's an issue that can be solved and must be
solved this year. I know Senator Alexander, Lamar
Alexander, was here earlier this week, and spoke to
you about this. And I was in Washington last week
meeting with various members of the House. It feels
like we are on the 5-yard line. I know today is
the final game of the soccer World Cup. Now the
United States, France—no, we don't like that game,
we get beaten by the Germans every time—

(Laughter)

—not good.

So let's talk about football. We are on
the 5-yard line. I think if we all work together, we can push this over the finish line this year and create a great outcome for the employees, for the economies, for the states and therefore for the country; and so I know that you're committed to this.

I think speaking to your delegation, speaking to leadership in Congress, has the opportunity to be very helpful. The governors have a huge voice on this. And so I am delighted to hear that you're working on this.

This is a fight that has got enormous bipartisan support. This is a fight that is supported by an extremely broad Main Street coalition; there's 3 million businesses, associations, organizations, trade associations: Amazon is in favor, the U.S. Chamber is in favor, mayors, economists. And so this is something that makes sense; it's a common-sense solution to an old problem.

So in conclusion, I want to again thank you for inviting me and giving me the opportunity to speak to the governors of the states, and talk about
our industry. It's an honor for me, and I'm very happy to take, time permitting, questions from any one of the governors present this morning.

So thank you very much.

(Applause)

GOVERNOR FALLIN: Governor Haslam.

GOVERNOR HASLAM: Thank you very much for coming. This is a critical issue for all of us I think.

What percentage of your existing business is done online now?

MR. JOLY: So for Best Buy, it's—depending on the quarter—it's in the high single digits, let's say about 7 or 8 percent. Market share online is lower than the physical world, and we've established a goal to get to parity from that standpoint.

GOVERNOR FALLIN: Governor Herbert.

GOVERNOR HERBERT: Thank you for being here, Mr. Joly. We're honored to have you here.

What do you see the obstacles—you say we're on the 5-yard line and we can probably push
it across the finish line this year—what do you
think the obstacles are? Because there are some out
there, and they're going to try to put up a stiff
defense on that last—a goal line stand here, I
expect. Can we get a vote on this before the August
recess? Who is going to be opposed to it? Where are
our challenges?

MR. JOLY: This is an issue, my sense is
that there's broad agreement that this issue needs to
be fixed; there's not anyone saying the current
construct makes sense. Nobody designed the current
situation, and the Quill decision of the Supreme
Court in 2002 was made before e-commerce existed, and
we talk about how important e-commerce is.

So everybody agrees it needs to be fixed.
The Senate voted last year, in May, with the
Marketplace Fairness Act. It's now in the House.
There is a congressman from Utah, Jason Chaffetz, who
has done terrific work; there were some perceived
issues in the Senate bill. He's worked each of
them to make sure that the solution is simple, is
fair, can be implemented, that it can be phased; that
the states have some influence on how it can get
done, so there's excellent work that has been done.

My understanding is, I think the Senator
has talked to you about this; there is an important
law that expires on November 1, which is the—not
taxing Internet taxes, so this coming week the House
will have the opportunity to extend the moratorium on
not taxing the Internet, send this to the Senate. My
understanding is that the Senate then wants to attach
a bill. Now, is it the original bill or what's
coming from the House; you know, it's not for me to
say. So it's a brilliant move, because it makes it
clear that this is not about taxing the Internet;
it's about not taxing the Internet, it's about
establishing fairness in the marketplace.

And so then it comes back to the House,
and then I think leaders of the House will have to
make sure it gets done either in September or in lame
duck. You know, the obstacles, instead of talking
about the escalating, it's good to talk about what we
can do. Each governor, talking to their delegation,
both on the Senate and the House side, highlighting
the urgency, highlighting—many states have
highlighted that—they could have used it, proceed
to lower the tax rate. In some states, that's very
impactful. It's not for us to discuss how the states
should use the proceeds; there's a great thing in
this country which is called democracy, and it's a
federal system, so it's for the states to decide
this.

So for the governors to clearly talk to
their delegation, talk to the—you can do this with
leadership in both houses—and press the urgency of
the matter. There's no technical obstacle today to
solving this. The reason why the Supreme Court 20
years ago decided against it is, they felt it was too
complex. We are the country that took man to the
moon, does these extraordinary things. Calculating
the local sales tax, software can do this; there are
eight available companies that provide the software.
It's not difficult; in fact, we do this every day.
And they've limited the ability to audit
because there was a concern about so many states
auditing small companies at the same time. I think
the work that has been done in the House will solve
this. There's no technical obstacle. So I'd like to
say that defining what to do is often easy; defining
how to do it sometimes is more difficult, but you
can.

What's hard usually is just doing it;
that's doing business, when we transform our company,
so that's why I take the synergy of the 5-yard
line. If we all push together and talk to everybody
who has got an influence—I'm not the decision
maker on that, we know who the decision makers are—
let's just get it done; it's going to be good for
the country.

So that's how I see it now. I'm not a
politician, and I'm just sharing with you what my
perception is. All of you have done so much, and
after 10 years you can feel, you know, that you're
tired. No, no, this is the 5-yard line. So this
is the time to push.

GOVERNOR HERBERT: Can I just say one more
thing? It's an interesting time we live in, and we
talk about, we hear talk about corporate greed, and
some of the challenges that we have in the marketplace out there.

Best Buy is a remarkable story; started in 1968, really a success story that we all can learn from. I do know that Forbes Magazine named you like the best top company in America here a few years ago. But just as impressively, they named you one of the top 10 most generous corporations in America.

Tell us a little about your philosophy at Best Buy and how it is you're giving back. I think here in the Nashville area you probably have three or four stores right here in Tennessee.

So what is your philosophy of giving back to the community as part of your corporate mission statement?

MR. JOLY: Governor, thank you so much for this question. This is something that's very dear to the heart of everybody at Best Buy. We feel that when you lead a major corporation, we have responsibilities vis-a-vis all of the stakeholders. Of course, we have a big responsibility vis-a-vis our shareholders; we completely get that and so forth.
We have a big responsibility for our customers, for employees, and we believe a big responsibility for the communities in which we operate. We are very grateful for the hospitality that each of your states provide, and we feel that we're in the boat and rowing together.

I think this comes in part from the genes or the DNA of Minnesota. When I moved to Minnesota six and a half years ago, I felt very clearly that there was this sense of common responsibility for the well-being, the common good of the community. And everybody in Minnesota gets in the boat and rows.

So how do we make this happen? So we have our charitable activities, we have a Best Buy Children’s Foundation, we're very focused on kids and technology; each year we do a big fundraiser in Minneapolis; we ask all of our vendors and partners to contribute, and we raise several millions of dollars to contribute from that standpoint.

But it also means getting involved. Many of us, you know, are involved in the local institutions. The program that is the most
remarkable, I think, at Best Buy is this recycling program. Recycling—of course the planet, we really care about this planet—and being able to recycle, in the last four years, 1 billion pounds of electronic products is a great contribution to the common good and the planet. And because of our relationships with various vendors and so forth, we then take the raw materials that are in these products and we then recycle them. So it's not just as if we get them out of your home; we do something with them.

So we feel that, and many corporations in America and around the world feel the same; this is not just about making a buck, this is about contributing to the common good through the jobs we provide and also for the impact we have on the community. So we're very passionate about this, and we thank you for question,

GOVERNOR FALLIN: Thank you.

GOVERNOR [SCOTT] WALKER: I'd say just based on your generosity, I appreciate that particularly in my neighbor of Minnesota, in particular in the Twin
Cities. Some people may not know this, but it was just announced by the NFL that the Super Bowl is going to be in the Twin Cities, and I said I particularly feel generous because it makes my commute to watch the Packers play in the Super Bowl much shorter than it normally is. So I appreciate that.

(Laughter)

MR. JOLY: And we're not at all competitive with that team. Do you have a professional football team in your state, Governor?

(Laughter)

GOVERNOR WALKER: I think the 13 world championships that we have, compared with zero, I think there are, in Minnesota—but I also, at the same time when I said that about the commute, it also was probably a little bit more of a dig and I said—you know, I'm a good Midwesterner; I think it's only right for our neighbors, because it's probably the closest a Vikings fan will ever get to the Super Bowl, so that's pretty good as well—

(Laughter)
MR. JOLY: Thank you for telling that story; this was a great case. This was the great case of the community in Minnesota, getting together to get this outcome. So the governor and the top companies in Minnesota all got together and said, "We want to get this done." And my friend, Marion Nelson, you know, who got to the Super Bowl 20 years ago, and Richard Davis, the Chairman and CEO of U.S. Bank, got all of us together and we provided the iPads for the presentation and so forth; and this was a case of a team effort to get this done.

So we like to get together and do great things; and yes, I know, we have some more to do from that. We'll keep working on this, Governor.

GOVERNOR FALLIN: All right.

Well, thank you so much. We appreciate your time today. Very exciting to hear how the transition of your company, and to integrating e-commerce with Main Street, and how that works. You gave us some great ideas to take back home.

MR. JOLY: Well, thank you so much for your interest.
GOVERNOR FALLIN: We appreciate your time.
Let's get a round of applause.

(Applause)

GOVERNOR FALLIN: Thank you very much.

Congratulations to you.

And we all like to shop at Best Buy, so.

We appreciate that.

We are coming down to our final few moments of the closing session of the National Governors Association, and may I just say it's been a great honor and great pleasure to serve as your chair this year. I really have enjoyed getting to know even better our fellow governors across our nation; and it always makes me very proud of the great work that we do together in a bipartisan way, both Democrats and Republicans talking about our best practices, public policy issues, challenges, opportunities facing our various states and certainly working with our corporate sponsors who are here today, our different organizations that also belong to the NGA. We appreciate your attendance as well because it gives us great insight, great
expertise from your various industries to have you as
members of the National Governors Association.

I also, before I leave today, have to
thank someone who has stood by my side during this
year, because as you can imagine, Governor
Hickenlooper—you're going to find this out—it
does take a little bit of extra time to be the
chair; but that is my husband, Wade
Christensen.

(Applause)

I appreciate you, Honey, thank you for
everything.

And I also want to thank our Executive
Board—we're getting ready to change over, the
Executive Board itself, and I know some of our
members have already had to leave; but our incoming
chair, Governor John Hickenlooper. Governor
Hickenlooper and I have worked very closely over the
past year on many different issues that we can find
commonality on, so thank you, Governor Hickenlooper.

Looking forward to your service.

Governor Jack Markell has already left,
Governor [Terry] Branstad, we appreciate your service on the Executive Committee. Governor [Steve] Bullock, Governor Herbert, we appreciate your service on the Executive Committee; Governor Walker, thank you so much. And then we also have Governor [Mike] Beebe and Governor [Mark] Dayton who has already left, two who are on the Executive Committee. So thank you for your service on the Executive Committee.

Once again, thank you to Governor Haslam and his team; your staff. I know that it's not only you and Crissy but your staff that have worked very, very hard to make this possible and all the Tennessee hosts and sponsors as well as all the people who are in the room today as our corporate sponsors.

I also want to thank the NGA Staff members, because it takes a tremendous amount of work to put on these conferences, and there are many of them across the nation. Not only our summer meeting, our winter meeting, but all the summits that we have on various topics from health care, transportation, to homeland security, to education, you name it. Cybersecurity. And they do work all year round in
providing great seminars for our staff.

I also want to recognize our great team with the NGA, and there are a lot of people, but I want to start out with the top executive leadership. Dan Crippen. Dan, thank you for being our Executive Director, we appreciate you.

(Applause)

GOVERNOR FALLIN: Where is he? Well, you tell him “great job.” We appreciate him.

David Quam, David Moore, Jodi Omear.

(Applause)

Thank you all. Shelly Irby and also on my project, America Works, Richard Laine, Garrett Groves and Iris Palmer did a knock-up job. Thank you very, very much.

(Applause)

Just a bang-up job on that.

(Applause)

I don't know where they are, but thank you. They did a super job putting together all of our materials and giving us something that we can all
take home with us.

And then I have to tell you that when I was nominated to be the chair, I went back to my staff and I said, "Guess what?" We got nominated to be the vice chair, which means that in a couple years we'll be the chair. I won't repeat the words of what my chief of staff said to me—

(Laughter)

—but she did say she wouldn't be with me any longer. But she is here today, and we spent 20 years together working through various positions. But my chief of staff, Denise Northrup, I want to give her a round of applause.

(Applause)

Thank you very much. Katie Altshuler, who is our policy director, worked very hard with all your staffs across the nation. Chelsea Barnett; Alex Wentz, our communications director who is taking pictures right now, actually doing a great job; Travis Brauer, who has put together all of my materials, and there are many other people, but these are the core people here today. Thank you to my
It's a great pleasure. I know, Governor Hickenlooper, you're going to have a ball. It's a lot of fun to work with our fellow governors and our corporate partners throughout the NGA.

So now I'd like to call on our chair of our nominating committee, Governor Earl Ray Tomblin, who is going to share with us our Executive Committee nominations.

GOVERNOR TOMBLIN: Well, thank you, Madam Chair, and on behalf of your nominating committee, we would like to say thank you for your for your great leadership of this organization over this past year. And we want you to know that your committee has worked very hard, very diligently over the last 72 hours to come up with the recommendations for leaders of this organization for 2015. We looked north and we looked south, east and west, we did background checks, we did—what is it, peer reviews. We did all kinds of things.

(Laughter)
So it is really my privilege and honor to officially nominate the following governors to lead the organization through 2015. I'll start with the NGA Executive Committee:

Governor Terry Branstad of Iowa;
Mark Dayton of Minnesota;
Pat McCrory of North Carolina;
Steve Bullock of Montana;
You, Madam Chair, Mary Fallin from Oklahoma;
Dan Malloy of Connecticut; and
Scott Walker of Wisconsin.

And as NGA Vice Chair:
Governor Gary Herbert of Utah.

And as NGA Chair for 2014-15, Governor John Hickenlooper of Colorado.

And Madam Chair, I move acceptance of the nominations in block.

GOVERNOR FALLIN: Thank you for your work.

All those in favor, say “aye.”

(Chorus of ayes.)

GOVERNOR FALLIN: All those opposed,
“nay.”

(No response.)

GOVERNOR FALLIN: Motion carries.
Governor Hickenlooper, congratulations as the new chair of the National Governors Association.

(Applause)

GOVERNOR FALLIN: All right, I turn it over to you.

GOVERNOR HICKENLOOPER: Well, thank you, Mary. You have been a truly outstanding leader of the National Governors Association. I'm excited to continue the work that we have started together; I'm looking forward to work with our new Vice Chair, Gary Herbert. And we have a history of working together on other organizations.

Together we are all committed to that role that we can influence and stress the importance of governors and states working within NGA. I think we each believe in governors and their role in directing the laboratories of innovation and democracy. We believe in NGA, NGA's role in helping governors do better. There's certainly never
been a greater urgency for governors to play that role. And Governor Fallin, you have done that.

I know from our work together over the last year that Governor Fallin has been remarkably dedicated to the work of NGA, to better connecting the educational systems of our states to the job markets of the future.

And on behalf of all your colleagues, and I can tell you I have never had so many people come up and just say what a great job someone has done. I'm honored to present you with this gavel commemorating your year as the chair of NGA.

(Applause) (Presentation)

GOVERNOR HICKENLOOPER: Don't hit it yet.

During the last year, Mary and I both sent out a consistent message: States are leading this nation forward; governors from across the political spectrum and from literally all parts of this country are working to improve the way government operates, putting policies in place that improve the lives of our citizens in every corner of this country.

Some of us may believe that government
should be larger, some of us believe it should be
smaller; but we all believe that government has to
work. The work that we do collectively through NGA
is so important and so valuable to that enterprise.
As we've seen this weekend, sharing our stories and
our best practices with each other really helped each
of us to do a better job managing the challenges we
face.

Each year the NGA Chair chooses an
initiative of importance to them and of importance to
other governors across the country. I think this
year we're going to broaden the focus a little bit.
I think state government today touches innumerable
aspects of people's lives and delivers an array of
services, from building and operating new highways to
broad social programs.

Governors are poised to make these
operations work in the most efficient, cost-effective
way possible. In Colorado we've been saying
"efficient, effective and elegant." Just to drive
home that part of customer service at the end.

So that's why I've chosen to focus for the
year 2014-2015 the National Governors Association chair's initiative on what we're going to call Delivering Results. As the stewards of revenues collected by states as well as those that flow from the federal government, governors oversee significant operations in both scope and scale. That expansion makes it even more important for governors to harness the human talent in the innovative management practices, new and emerging technologies and sophisticated analytics to increase performance and deliver results.

Some of my fellow governors are already taking advantage of recent innovations to address the fundamental issues of how do we deliver better results? And there are truly some cutting-edge ways to do this, including recruiting the best and the brightest to work in their administrations; employing modern management practices to keep government lean; and then last, but not least, using technology to drive results, track progress and really create innovation.

There's a large community, including
academic leaders, businesses, think tanks, and a broad array of skilled consultants who have assisted governors in this work; and this community helps governors generate success across the country. By showcasing these successes in various states and by providing an opportunity to share best practices with each other, we can work together over the next year to streamline state government and improve the lives of people across the nation.

I know we in Colorado have ideas and innovations to share, but I think like all states, we're going to gain much more than we give. During the next year, my initiative will convene several meetings of experts from state government, from universities and innovators from the public sector, including nongovernment organizations, to explore the cutting edge of innovation in state operation and in policymaking.

The knowledge gained from these meetings will lead us to a summit in 2015, which I hope many of my fellow governors will attend and be able to call attention to the promising and best functioning
practices; and frankly, to borrow and quite nakedly, to steal from each other. I'm looking directly over at Governor Haslam, to Governor Walker.

    I know each of you believes in this mission; every governor is working on it, but I think by focusing on that ability to share best practices, we can accelerate our progress. And I look forward to working with each of you on this and on all the issues over the next year.

    Again, thank you for all being here for the 106th NGA Summer Meeting, and thank you, Governor Haslam. Bill, you have been an amazing host. I think this will go down in history as one of those turning points where now people are going to be elbowing each other to make sure, all the support teams, to make sure they're at each summer meeting.

    Thank you so much for doing that. We're now adjourned.

    (Conclusion of 2014 NGA Summer Meeting at 12:22 p.m.)