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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

1 P R O C E E D I N G S

2 (1 p.m.)

3 OPENING SESSION

4 GOVERNOR [MARY]FALLIN: Good afternoon.

5 Welcome, everyone. We've got a great crowd today.

6 Thank you so much for attending our 2014 Summer NGA

7 meeting. We're glad to have so many participants

8 here today, and welcome to all of our governors and

9 our sponsors, and certainly all of our guests who

10 have joined us here today. We're very excited to be

11 here.

12 So it's my great pleasure, as the chair

13 of this organization, to call our meeting to order.

14 (Gavel)

15 I have to do that; it makes it official.

16 (Laughter)

17 So we are officially called to order for

18 the National Governors [Association] meeting. We have a very full

19 agenda over the next two and a half days, and we

20 certainly had a great evening last night with the

21 beginning of our session, and we have a great session

22 that will follow after this; following this session

1 will be our Economic Development and Commerce
2 committee that will meet, and we'll be talking about
3 growing small businesses and medium-sized businesses
4 and creating jobs; and then along with that,
5 concurrently, the Education and Workforce Committee.

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

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

19 On Sunday morning, we'll begin with a
20 governors-only breakfast and a business session; and
21 then the summer meeting will conclude with a session
22 on the Future of Main Street, with a guest speaker.

1 So I look forward to seeing all of you at
2 our business sessions as we have these very important
3 public policy discussions.

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

7 ***(Moved and seconded)***

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

10 All those in favor, say "aye."

11 ***(Chorus of ayes)***

12 All those opposed, "nay"?

13 ***(No response.)***

14 GOVERNOR FALLIN: The motion is adopted.
15 Thank you very much.

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

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

21 Thank you very much for accepting the
22 chairmanship of our nominating committee.

1 Thank you for doing that.

2 I'd also like to begin with the
3 introduction of delegation members. We're very proud
4 today to be joined by so many distinguished guests
5 for our annual meeting, especially from the
6 international community. So as I introduce you, will
7 you please just stand so we can recognize you and say
8 thank you for coming.

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

12 **(Applause)**

13 Thank you very much for coming. We also
14 have the Ambassador of Morocco and the Ambassador of
15 Iraq. Would you please stand.

16 **(Applause)**

17 We have governors and delegations from
18 Colombia.

19 **(Applause)**

20 We have governors and delegations from
21 Kenya.

22 **(Applause)**

1 And representatives from Japan.

2 **(Applause)**

3 Representatives from China.

4 **(Applause)**

5 And we have representatives from Mexico.

6 **(Applause)**

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

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

16 Governor, thank you so much for your
17 tremendous work on behalf of all of our governors;
18 and not only are there important discussions that
19 we're going to have, but we've got some great
20 entertainment. We started out last night with a
21 wonderful songwriters' showcase in which the
22 songwriters talked about how they composed songs, and

1 sang some wonderful songs to us—brought back a lot
2 of great memories, and it was a lot of fun.

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

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

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

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

20 GOVERNOR FALLIN: Thank you, Governor
21 Haslam.

22 **(Applause)**

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

5 Thank you to the NGA Staff.

6 (Applause)

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

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

20 Member companies and their contributions
21 help support the NGA Center, and represent a
22 commitment to providing governors with best policy

1 ideas and best practices. Today we want to recognize
2 companies that have reached milestones in their
3 tenure as members of NGA Corporate Fellows Program,
4 and with their annual contributions, these companies
5 have made a long term commitment to supporting our
6 governors and supporting the NGA itself.

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

14 Altria, will you please join me?

15 **(Applause)**

16 **(Presentation)**

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

19 **(Applause)**

20 **(Presentation)**

21 GOVERNOR FALLIN: Let's recognize IBM.

22 **(Applause)**

1 **(Presentation)**

2 GOVERNOR FALLIN: Johnson & Johnson.

3 **(Applause)**

4 **(Presentation)**

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

7 **(Applause)**

8 **(Presentation)**

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

14 **(Applause)**

15 **(Presentation)**

16 GOVERNOR FALLIN: Kaiser Permanente.

17 **(Applause)**

18 **(Presentation)**

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

1 **(Applause)**

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

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

22 Let's give them a hand.

1 **(Applause)**

2 Now it gets to the hard part, and that is
3 saying farewell to those who are here right now.

4 And I'll start out by my good friend, a lady that
5 I've worked with for many, many years, Governor Jan
6 Brewer of Arizona. Governor, it's hard to believe—
7 the time has come.

8 Governor Brewer has been a governor since
9 2009. Soon after taking office, Jan took control of
10 a state budget that was in crisis; she exhibited
11 great leadership and a willingness to make tough
12 decisions, and to make government more effective.
13 Governor Brewer has served as chair of the NGA
14 Special Committee on Homeland Security and Public
15 Safety and was appointed by President Obama to serve
16 on the Council of Governors.

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

21 So Jan, on behalf of our fellow governors
22 in the NGA, we want to thank you and John for your

1 many years of dedication to public service as a
2 member of the NGA, and we wish you best of luck.

3 Governor Brewer.

4 **(Applause)**

5 **(Presentation)**

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

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

20 Governor Martin O'Malley and Katie, we're
21 going to miss you. And Katie, very much as a member
22 of this organization. We appreciate all your

1 tremendous contributions and your service, and all
2 that you have done for our nation. And we wish you
3 the very best of luck as you continue on with your
4 future endeavors.

5 Would you please come forward?

6 **(Applause)**

7 **(Presentation)**

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

21 Governor Heineman and his wife, Sally,
22 we're going to miss both of you. We appreciate your

1 tremendous service to the NGA, to our nation, and we
2 wish you the very best as you continue in the future.

3 Would you please come up?

4 **(Applause)**

5 **(Presentation)**

6 GOVERNOR FALLIN: Next I would like to
7 recognize Governor Lincoln Chafee—there you are—
8 who has served as Governor of Rhode Island since
9 2011. Governor, we're going to miss you. We
10 appreciate you being here.

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

22 Governor Chafee and his wife, Stephanie, and

1 their entire family, we want to extend you our very
2 best wishes in your future endeavors.

3 Would you please come forward?

4 **(Applause)**

5 **(Presentation)**

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

8 **(Laughter)**

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

14 **(Applause)**

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

20 **(Laughter)**

21 But if you want to, stand up and just
22 stretch. Please stay in the room, and we're going to

1 prepare now for a very special guest.

2 ***(Pause; 1:28 p.m. to 1:37 p.m.)***

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1 GOVERNOR FALLIN: Well, thank you, ladies
2 and gentlemen, for being very patient with us. One
3 of the great benefits of being leadership at the NGA
4 is the opportunity to be able to work with our
5 leaders in Washington, D.C. Over the past two years,
6 our Executive Committee has had the privilege of
7 meeting privately with both the President and the
8 Vice President to talk about issues, to talk about
9 national priorities in our states, and how we can all
10 work together.

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

21 As senator from Delaware for 36 years, he
22 has shown himself as a leader on some of the nation's

1 most important domestic and international challenges.
2 He served as a chairman or ranking member of the
3 Senate Judiciary Committee for 17 years, and chairman
4 or ranking committee member on the Senate Foreign
5 Relations Committee.

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

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

20 **(Applause)**

21 VICE PRESIDENT BIDEN: Thank you all.
22 Please sit down. . Thank you very, very much. . Mary,

1 thank you for that gracious introduction, and as you
2 mentioned that I had the responsibility to implement
3 the Recovery Act, and I got to meet with, speak with
4 multiple times with all of you; "Hey, how are you
5 doing?" A lot of old friends.

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

18 **(Laughter)**

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

21 But folks, I probably shouldn't say this,
22 but—

1 **(Laughter)**

2 —but then again, I'm Joe Biden.

3 **(Laughter)**

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

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

13 And there's always been very, very tough
14 politics, Gov, in Washington. I got there when there
15 were still, some of the old segregationists were
16 still there; James O. Eastland and a whole lot of
17 other folks. But even in those days when I got
18 there, and the politics was intense; the ideological
19 differences were real; but it never got to where it
20 is today. It was never personal, it was never cast
21 in the context of, you're good or bad. There was a
22 presumption that the other guy or woman you'd be

1 dealing with was acting in good faith. And Governor
2 [Phil] Bryant, you know, both your Mississippi senators
3 actually supported me when I tried to get a
4 nomination early on; and on civil rights we were a
5 thousand miles apart.

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

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

22 And granted, it always looks better from

1 the outside than the inside, but from the outside
2 looking at you all, dealing with you for the last six
3 years, "you" in an editorial sense, the vast majority
4 of you respect one another. The vast majority of you
5 -I assume all, but I don't know-the vast
6 majority of you treat each other with respect.
7 You're not dismissive of the other guy's or woman's
8 ideas, and you cooperate in ways that I find badly,
9 badly needed.

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

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

22 I watched Jack [Markell], my governor, who is I

1 think a great governor. I watch—we have real
2 differences in Delaware. I mean, deep differences.
3 But it doesn't get out of hand. It doesn't get out
4 of hand. I've watched Martin, I know how he operates
5 in Maryland, know it well.

6 So I guess what I'm trying to say is—
7 —and I'll get on with the business of the day here—
8 —I've enjoyed working with you and I think you've got
9 to lead us out. I think you've got to lead us out of
10 this mess we're in. Because you and I, we all know
11 that the vast majority of the people elected to the
12 House and Senate, both parties, want to figure a way
13 out; they know this is corrosive.

14 When you have a national poll showing that
15 the Republicans in Congress have a 78 percent
16 negative rating and a 14 positive but the Democrats
17 are—great victory—65 percent or whatever,
18 negative? This country can't run that way. We're
19 the most heterogeneous country in the world. You and
20 I know that in the next five years, those of us who
21 are Caucasian, of European descent, are going to be
22 an absolute minority in the United States of

1 America. We've got to get this right.

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

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

17 Manufacturers have added 68,000 jobs in
18 the past 52 months. Because working together, you
19 made the needs of manufacturers a central part of
20 your state policies: diversifying your energy
21 resources, cutting the red tape, supporting emerging
22 technologies. They aren't Democrat or Republican

1 ideas; but you've done it.

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

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

15 You know, according to—I'm so tired of
16 hearing people in both parties, but a little bit more
17 in the other party, about how bad off America is,
18 what terrible shape we're in. I have now traveled
19 almost a million miles just since being Vice
20 President. You will not find a single world leader
21 in any country who would not trade places in a
22 heartbeat with the President of the United States, to

1 be president of this great country. Not one. I
2 challenge you to find me one. The Norwegian states,
3 they're doing great. But they're part of the
4 Eurozone.

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

13 Ladies and gentlemen, last year the United
14 States once again overtook China, for the first time
15 in 11 years, as the number one choice for foreign
16 direct investment. The 2014 survey came out, and
17 again the United States is number one. But here's
18 the point: Pulling away from the pack by the widest
19 margin ever recorded in the history of this survey,
20 ever, ever—in every region of the world, in every
21 economic sector, foreign investors see the United
22 States as the best place to invest their money.

1 Ladies and gentlemen, simply put, we're
2 better positioned than any nation in the world to
3 remain the leading economy for the 21st Century.
4 Nobody else is close. Everybody talks to me about
5 China. I know President Xi better than any elected
6 official, just because I've spent more time with him.
7 I traveled with him five days alone in China, and he
8 traveled four of the five days here in the United
9 States. I recently came back from a five-and-a-half-hour
10 meeting with him.

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

20 So folks, if you're ever going to be
21 involved in the business we're all in, this is the
22 time to be in because the opportunities are so

1 immense. But each one of you governors know in order
2 to maintain this advantage, continue to grow our
3 economy, we have to stay ahead of the curve investing
4 in two very important areas; there's much we could
5 talk about today. Mary, you and I talked about it,
6 and talked about a lot.

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

15 I know I'm preaching to the choir when I
16 talk about the importance of infrastructure. Almost
17 every one of you in this room I have had a private
18 conversation with about a major infrastructure
19 project in your state, from a highway to a port to a
20 canal, which would have a significant economic impact
21 on your state if you had the resources to be able to
22 deal with it.

1 These are the projects which would pull
2 millions—nationwide billions—of dollars off the
3 sidelines. Not just federal dollars; billions of
4 dollars off the sideline, creating the virtuous cycle
5 of more efficiency, more productivity, more jobs in
6 your state.

7 I stood on the water's edge with Governor
8 O'Malley and Governor [Nikki] Haley discussing the need for
9 modernizing our East Coast ports to accommodate these
10 really new, massive Panamax ships. I took several of
11 my colleagues down to the Panama Canal to witness the
12 construction. It looks like the Great Pyramids are
13 being built; they are gigantic. They're going to
14 accommodate ships that are not 90, 110 feet wide, but
15 160 feet wide. They're five and six stories high.
16 They carry twice the cargo at half the cost. Yet for
17 a significant number of ports from the Gulf, from
18 Houston all the way up to Maine, they can't berth in
19 these ports.

20 Martin can tell you. Governor Haley can
21 tell you. The state of Georgia can tell you. The
22 port of Savannah, it accommodates, is responsible for

1 278,000 jobs in that state. I forget the number in
2 Maryland, Gov, but it's gigantic. And yet, we're
3 diddling. You're doing all you can, you're
4 attracting investment—the federal government is
5 sitting on its hands because they can't get the so-
6 called water bill through, and they finally got it
7 through now, and we're trying to figure out how to
8 allocate that funding.

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

20 One of the primary responsibilities of the
21 federal government regarding infrastructure is to
22 provide the seed money for the infrastructure. All

1 the way along from the beginning, we've done this.
2 The first national road was built by the Congress in
3 1808. You had a governor in New York named DeWitt
4 Clinton, built a thing called the Erie Canal,
5 generating in those days millions of dollars off the
6 sidelines. Connecting the East Coast eventually to
7 the West, which at the time was Ohio.

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

17 And manufacturing is coming home in
18 droves. Why? Because we have the cheapest energy in
19 the world now. Because we have, we protect
20 intellectual property, we have a court system that
21 adjudicates disputes fairly. We have the most
22 productive workforce in the world. That's not my

1 judgment; that's from outside groups—three times
2 as productive a Chinese workers. But how long are
3 they going to stay?

4 I imagine Governor [John] Kasich is—I don't
5 know if he is here and I just don't see him—from
6 Ohio. He can tell you, a project we built, and he
7 ended up building, the railroads built, in East
8 Baltimore, Ohio, connecting—it is a gigantic
9 switching station. It makes the Chicago stockyards
10 of the old days look like it's small, for real. It's
11 100 acres sitting out in the middle of farmland. But
12 they're going to have double decker box—be able to
13 double-stack boxes, boxcars, containers, taking all
14 the stuff Westinghouse is making, and Carrier, and
15 all the rest in the old manufacturing belt of the
16 nation, and they're going to get it to the port of
17 Baltimore at one-quarter of the cost and three times
18 the speed. And what we're doing is we're widening
19 tunnels so you can, these trains can go through with
20 double decks on them. Switching yards are changing.
21 It's going to have a profound impact.

22 The United States transportation system

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

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

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

16 The American Society of Civil Engineers
17 says we need \$3.6 trillion—with a “t”—of
18 investments in infrastructure by the year 2020 to
19 maintain—to maintain our needs. Yet we only
20 invest 1 percent of our GDP in infrastructure. We
21 rank 28th in the world among advanced nations in
22 investment in infrastructure. Looks as though the

1 Congress is going to do a short-term extension of the
2 Highway Trust Fund anyway. And by the way, you all
3 deserve the credit; I'm not being solicitous. You
4 deserve the credit. We talked about this, we asked
5 your help on it, you brought both parties together.
6 But it's a temporary fix; it will take us through
7 next May. And we agree to the letter you
8 collectively signed and sent to the Democrats and
9 Republicans in the Congress saying "we need a long-term
10 solution." You're absolutely right.

11 That's why we proposed—you don't have
12 to agree with every piece of it; we proposed a long-term
13 solution called the Grow Act. You ought to take
14 a close look at it, I respectfully suggest. It would
15 invest \$302 billion over the next four years in our
16 railroads, highways and transit systems. That
17 doesn't even get to our ports; our inland canals, our
18 airports. I know I get in trouble; I wasn't the only
19 one that said it, the governor of the state of New
20 York said it. It wasn't a criticism; I put you in
21 LaGuardia Airport or in airports in some of your
22 states and drop you in an airport in Beijing,

1 blindfolded, 4 o'clock in the morning and ask you
2 where are you? When you're in Beijing, you think
3 you're in the United States or you should be. When
4 you're in some of your airports, your big airports,
5 you're going to think you're in another place.

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

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

21 I don't know a single governor of any
22 political party, no matter how far left or right you

1 are, who doesn't want the job that you can raise a
2 middle-class family on; and it saves you a lot of
3 problems. They've got a choice between a job that is
4 a minimum-wage job and a job that someone can make a
5 decent salary and benefits [doing], what's the best thing to
6 contribute to your economy, regardless of your
7 politics?

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

17 But in addition, infrastructure, it's
18 critically important that we have the most advanced,
19 highly skilled work force in the world. And Madam
20 Chair, you and the NGA have been on the forefront of
21 this. You've been focusing on workforce investment,
22 and I believe that without your help, Congress

1 wouldn't have passed the Workforce Innovation
2 Opportunity Act. Again, you guys did it. Because of
3 your work and leadership, you've been able to
4 re-establish a bipartisan consensus on workforce
5 innovation, the opportunities worth investing in.

6 Because prior to this, you know what the
7 debate was? "All these programs are worthless.
8 Let's cut them all out." That was the one argument
9 going on. And the other argument was, there's
10 nothing they have to change. Well, no.

11 That there's a need both for significant
12 reform as well as significant investment. The Act
13 that just passed increases funding levels by 17
14 percent, eliminates 15 programs and increases
15 accountability to make sure the programs are getting
16 the job done. That is, how many workers has the
17 program placed? How much are those workers earning?
18 Are they on the job six months later? Because if
19 they aren't, the program's not worth it, and we
20 should apply standards to it. But we should have a
21 program, programs. And it provides flexibility that
22 you asked for it, in your discussions with me and my

1 staff as well as the Hill, by allowing funds to be
2 used—because you know better than anyone else—
3 to train people already on the job so they can
4 improve their skills and move up the career ladder.

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

10 **(Laughter)**

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

19 But we still have a lot more to do than
20 just passing that Act, because it's absolutely
21 necessary that we have that skilled workforce to
22 maintain our economic edge to the 21st century.

1 That's a given. By the end of this decade, more than
2 6 out of every 10 jobs are going to need some form
3 of postsecondary education, whether it's a bachelor's
4 degree, an associate's degree, or some form of
5 certificate training for a particular job in a
6 manufacturing facility. And right now there are more than
7 100,000 manufacturing jobs collectively in this
8 nation sitting empty because they can't find the
9 skilled workforce to meet the job.

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

1 memory serves me correctly, average salary.

2 By the end of the decade, the Boston
3 Consulting Group, which has hit the nail on the head
4 the last 10 years, estimates the number of high
5 school manufacturing jobs needed in the United States
6 will be an additional 875,000. But a lot of them are
7 sitting empty right now. But beyond that, by the end
8 of the decade, we're going to need almost 300,000—
9 we've done an extensive survey since the President
10 asked me to take on this responsibility and come up
11 with new job-training initiatives.

12 Three-hundred thousand more software developers are going
13 to be needed. Know what the average salary is in
14 today's dollars? \$87,500, average salary. We need
15 12,000 more computer network support specialists.
16 Salaries—they're the folks in the companies or in
17 your offices that keep your systems running, in-
18 house. Average salary: \$59,000 a year. We need
19 half a million more nurses. Average salary: \$65,000
20 a year. We need 30,000 more physician assistants,
21 average salary: \$91,000. We need 10,000 more
22 petroleum engineers, average salary: \$130,000 a

1 year. You don't have to tell the folks from Oklahoma
2 and Texas and many other states about that.

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

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

1 labor—whatever the department is in question—
2 you put it together. These are real good jobs.

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

20 It's not a panacea, but it makes a
21 difference in all of you because you have to walk out
22 of your offices, through the capitol, by the

1 shoeshine guy, out through the door, people see you
2 every day—you don't get like me, you don't get in
3 the car and get taken through a gate—and by the
4 way, one thing I never worry about anymore, I used to
5 be really concerned about traffic congestion. There
6 is none in America.

7 **(Laughter)**

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

10 But, Gov, you talked to people every single
11 day, ordinary people, you walk outside, you see them.
12 And what do they talk about? This is one person at a
13 time, one job at a time, one opportunity at a time.
14 And many more of you have successful programs, and if
15 I had the opportunity to go through them all—
16 because I'm aware of them, quite frankly—you've
17 been very cooperative with this outfit I've been
18 running to give us all your best ideas, what's
19 working in your state and what things aren't working
20 in your state. But that's why we've invested nearly
21 \$2 billion in partnerships between businesses and
22 community colleges, and the result is real.

1 Certificates, degree programs designed by the
2 employers who will hire students when they complete
3 them.

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

11 Well, it was a way to increase
12 apprenticeships. By the way, they pay a fee for that
13 as well, so that's how a lot of this gets paid for,
14 to expand industries such as information technology.
15 There's a lot more we can do together. For example,
16 I met with 20 CEOs of the 20 largest tech companies
17 in the world. John Chambers headed up the group of
18 CISCO, John Doerr, Kliner Perkins, CISCO, Facebook,
19 everyone was there in the White House, a meeting I
20 asked them to come to.

21 And I said, "Right now there's
22 500"—and you'll remember this, Gov, when you were

1 in the Senate. Every year we have to vote on the H-1B
2 visas, how many. Well, there's 550,000 this year.
3 It's been more than 480,000 to 580,000 per year. They say
4 they're short personnel, don't have the skills in the
5 United States of America to do the jobs in the high-
6 tech industry. And there's a whole thing they've got
7 to go through to prove that, but nonetheless;
8 550,000 H-1B visa holders this year.

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

14 What in the heck are we doing? Two hundred thousand a
15 year. I subsequently met with these folks, they
16 helped me put together a program. There's a company
17 called Code.org that is working to help train and
18 encourage more individuals to become computer
19 programmers. As I said, you're talking \$85,000-
20 \$90,000 a year, [with a] two-year degree.

21 Imagine if we could train 200,000
22 programmers who qualify for these jobs. The average

1 salary is \$87,000, almost 90,000 bucks a year. So
2 here's what this outfit, this high-tech, small firm
3 has done. Code.org is helping K-12 schools
4 teach coding. Code.org provides training and
5 funding. They provide the funding to help schools
6 create and expand computer science curriculum. Last
7 year, 15,000 classrooms in America began teaching
8 Code.org's K-8 curricula. They're also
9 encouraging all of you in your states—and some of
10 you have already done it—to allow your schools,
11 and talk to the local school districts, to count
12 coding classes as part of high school math and
13 science requirements. Do you realize less than 1
14 percent of the high schools do that now?

15 And here we have this gigantic need. For
16 example, in the past year, they successfully lobbied
17 Oklahoma, Illinois—or you lobbied them; I don't
18 know how it went—Arizona, New York, California,
19 Idaho, all of whom have recently added computer
20 science as a core subject receiving state funding.
21 They're making coding feel accessible
22 . For example, this year Code.org

1 encouraged Americans to code for just one hour on
2 their website. Thirty million Americans participated—
3 30 million. Heck of an initiative.

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

12 Connecting the job opening—you know,
13 you hear these statistics; 100,000 high-tech jobs.
14 When I go out there, the guys' kids who I grew up
15 with, the guys I grew up with, their children: "Joe,
16 where the hell are those 100,000 jobs? You got a
17 list? Tell me where they are. How do I get them?
18 What skill do I need?" That's what's starting to
19 happen because of the entrepreneurial ingenuity of
20 Americans and the free market, now connecting job
21 openings, skills required to get the jobs, and the
22 people who need the jobs.

1 Many of you have done a lot of this stuff.
2 I met with a company called Glassdoor. Again, a high-
3 tech, entrepreneurial company. They've expanded on
4 the traditional model of job posting websites that
5 many of you have in your states by collecting and
6 sharing additional information. They have just stores
7 and stores of information. And so now what they
8 have, you go on their website and you are looking for
9 a particular kind of job, all the companies that have
10 that job pop up. There's information about the
11 interview process as well as the culture of the day-
12 to-day life in that company.

13 So for example, if you want a job as a
14 software developer, you can go to Glassdoor, find the
15 job openings in your area, the job salaries, and what
16 other Glassdoor users have said about what it's like
17 to work for or interview with that company for that
18 job. On traditional websites you generally just find
19 the posting of the basic salary information.
20 Currently Glassdoor has partnered with more than
21 1,000 colleges and universities to give students full
22 access to these sites.

1 They helped me put together an event at
2 the White House. It was called "Data Jam" and with
3 24 high-tech firms, some of whom have already
4 connected with some of your departments of labor to
5 make clear for job seekers (1) what jobs are needed;
6 (2) where you can get the skills; (3) how you can
7 get help, pay for those skills; and (4) what those skills
8 are and where you can use those skills to get a job.

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

19 So they tapped a button, and every single
20 warehouse job within three hours popped up, and then
21 every single warehouse job on the entire East Coast
22 popped up. They had a map showing the density of

1 warehouse jobs, showing there's a lot of openings in
2 the eastern part of Pennsylvania, very
3 few in central Pennsylvania, not as many in southern
4 Delaware, et cetera.

5 They also showed that 11 percent of
6 warehouse workers, when they lose their jobs, they
7 don't know what they're qualified for. He said, "I've
8 been doing this for 20 years, I've been working in a
9 warehouse." Well, it turns out the same skills that
10 are required of warehouse workers qualify you to be a
11 truck driver. So you push a button, you get every
12 single solitary truck driver opening that's in the
13 same region. Truck drivers make, on average, \$4,000
14 a year more than warehouse workers: \$45,000.

15 They then say what the skill set is, what
16 experience is required, what the expense is to get
17 the training you need. They actually give the
18 workers a map, a physical map showing them where the
19 company is, telephone number, and a map as to how
20 they can get the training they need for the job.
21 They already have a career, they've now lost it, and
22 most people you know are in their 40s and 50s

1 who have lost a job, what's the first thing you hear
2 from them? They talk to you like they do me: "I
3 don't know what to do, man, I've done this my whole
4 life. Don't have any idea."

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

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

1 and they're intimidated.

2 When you tell someone 51 years old who has
3 lived a middle-class life: "You're going to go back
4 and be retrained," it's intimidating, but it's there.

5 So let me end where I began. Every single
6 one of you knows, and I know, that the way America
7 was built was on the back of the most modern
8 infrastructure in the world. You also know as well
9 as I do, Americans want to work. America was built
10 on the shoulders of those people.

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

22 We've got to give them a chance. And in

1 the process of giving them a chance we do everything
2 from lowering our deficit to increasing our
3 productivity to enhancing our place in the world, but
4 they have to know where the jobs are, what training
5 they need, and how to get that training. And that's
6 our responsibility, our responsibility to do both
7 these things, to break through the gridlock in
8 Washington, rebuild America and break through the
9 complications that tens of millions of Americans
10 still face in terms of how to advance their careers
11 or start their careers. I think if we do both these
12 things—there's much more we have to do, I
13 acknowledge—if we do both those things, we're
14 going to own the 21st century, just like we did the
15 20th century.

16 Ladies and gentlemen, the American people
17 are ready to work. And throughout our history, when
18 given a fair shot, they've never, ever, ever let the
19 country down.

20 I conclude by telling you when I was in
21 China after we had been downgraded because of that
22 ridiculous showdown back in the last Administration

1 between Democrats and Republicans, and our rating was
2 downgraded. I was due in China two days later—
3 actually, that's not true; four days later—for a
4 five-day trip. And then-President Hu, with Vice
5 President Xi, welcomed me in the Great Hall of the
6 People. There were a thousand people in there, and
7 more press than I've seen assembled anywhere, because
8 they were gleeful. We had been downgraded, and their
9 prospects looked a great deal better by comparison.

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

15 And I said, thanked him; I said, "Mr.
16 President, thank you so very much." I said, "I've
17 noticed, I've read that you're getting a lot of
18 criticism for buying billions of dollars' worth of
19 U.S. Treasury bills two days after we were
20 downgraded." I said, "If I were you"—and my
21 international staff nearly died—I said, "If I were
22 you, I wouldn't buy any more U.S. Treasury bills. We

1 don't need you to do that. It's true you own 2
2 percent of our financial instruments, that's true;
3 but 86 percent are owned by the American people, and
4 we're one of the only countries in the world that has
5 never ever, ever, ever, ever, ever defaulted on a
6 debt. So I know it's causing you some political
7 difficulty. So I wouldn't buy any more. It's okay."

8 Silence.

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

21 You may remember, Governor, I came back
22 and predicted they'd change their one-child policy.

1 One year later, they did.

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

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

22 **(Applause)**

1 VICE PRESIDENT BIDEN: I'm not hanging
2 around for applause; I'm supposed to take questions.
3 I apologize.

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

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

16 VICE PRESIDENT BIDEN: I kind of spoke to
17 that in the bulk of what I said, but the bottom line
18 is that it will enhance it. It is sort of the
19 foundation. It's the bare minimum we have to do
20 because, look, this test of whether or not we should
21 measure objectively whether the program is working
22 should be applied to everything, in my view. Those

1 of you who worked with me in the Recovery Act, you
2 know, I think the first time we did that; that's why
3 we had less than 1.5 percent, because of
4 you; waste, fraud or abuse in the system according to
5 outside groups. So there should be an objective
6 measure, whether any of these programs are
7 worthwhile.

8 By example, back in the 1970s when the
9 shipping industry began to leave the United States,
10 my state of Delaware and the state of Pennsylvania
11 border one another, obviously, and there is a Sun
12 Shipbuilding Corporation, a major corporation right
13 on the Delaware-Pennsylvania border along the
14 Delaware River. And it went belly up, an awful lot
15 of people, when it consolidated, lost their jobs.

16 So we had a job-training program. We
17 trained, I think, 14,000 cooks. Nobody needed any
18 cooks. It was a job-training program but it was
19 almost a make-work program.

20 And so as your former secretary, Governor
21 O'Malley, now the secretary of labor says: We've got
22 to not train and hope, we've got to train and place.

1 And so one of the additional things we have to do
2 are: Make sure we're able to connect the actual
3 business openings that are there, the business will
4 want it, with the people who want the jobs and then
5 figure out, if they don't have the skills, how we can
6 get them the skills that meet the needs of those
7 employers.

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

21 There's a lot more to say, but it's a good
22 building block; we have to do more to set objective

1 standards and we have to increase significantly the
2 capacity for training the workforce needed for the
3 jobs that require new skills, just because of globalization
4 and modernization. But I will have that report for
5 you all relatively shortly.

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

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

19 GOVERNOR HICKENLOOPER: Mr. Vice
20 President, as you well know, states use workforce
21 programs to not only attract businesses but to help
22 our existing businesses grow; but for that to really

1 be successful, they've got to be able to work with
2 those businesses and be responsive to them.

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

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

16 So, you know, I don't want to keep talking
17 about my buddy in Vermont, but the high-tech
18 nonprofit up there, connected with companies in a
19 very precise way; they did a survey—correct me if
20 I'm wrong, Gov—of all the jobs, all the needs of
21 all the companies in not only Vermont, but in the
22 area. Then they went out and they looked at the

1 total unemployment in their state, and then they
2 looked and tried to match skills, and they actually
3 started putting people together.

4 And if I'm not mistaken, you acquired more than
5 1,000 apprenticeships, and you're a little state like
6 mine, you're the only state—by the way, before you
7 all pick on little Delaware, five of you all are
8 smaller than we are.

9 **(Laughter)**

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

12 So it gets down to, excuse the football
13 metaphor, but blocking and tackling. It's really
14 basic stuff, but it's hard. You all know it; I mean,
15 you do it every day. It's hard. And that's why,
16 what we've done is we have provided this additional
17 \$100 million in grants, and we're looking to you, the
18 governors, to go out and aggressively like you do in
19 trying to attract business within your states,
20 identify those businesses that in fact have needs and
21 literally physically bring them in, bring them in and
22 get granular as to what the needs are, and then there

1 is \$100 million available.

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

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

16 So this is about marrying them up. And a
17 lot of you have done that very well already. As a
18 matter of fact, Governor Haley in South Carolina has
19 created a central office, a central office within her
20 community college system to market, to help build
21 apprenticeships. They're out selling, as I
22 understand her program. It is one of the most

1 aggressive apprenticeship programs, and working.
2 They went—don't hold me to the numbers—they
3 went from several hundred to thousands of
4 apprenticeship programs.

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

22 You haven't smiled the whole time, ma'am.

1 I'm a little worried.

2 **(Reaction) (Laughter)**

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

5 **(Laughter)**

6 Where are you? Okay. Now she just
7 smiled. All right.

8 I was getting worried. You're sitting
9 here just looking at me like, "What the hell is this
10 guy doing"—all right.

11 **(Laughter)**

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

21 I'm being serious. But what we can do is
22 we can identify best practices better than any of

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

19 Now I know that Federal Express needs two
20 people; here they are. This is what they make, this
21 is what—here's the outfit you can go to, you can
22 get help in this training program, et cetera. It's

1 going to change a lot, but it's not coming from us,
2 it's coming from the free-enterprise system because
3 there's an opportunity here. There's an opportunity.
4 But I think you'll be able to benefit significantly.
5 We're going to gather all that up and get it to you.
6 Some of you are already doing it.

7 GOVERNOR FALLIN: We have a couple more
8 questions.

9 Governor [Steve] Beshear.

10 GOVERNOR BESHEAR: Thank you, Mary.

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

19 In Kentucky, we have developed a program
20 called a Skills Initiative program; it's an
21 apprenticeship program modeled after the German model
22 of dual education, having that child getting an

1 education and at the same time putting those skills
2 to work in the workplace, and earning money while
3 they're doing it.

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

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

19 There's a different—remember, even
20 those, you're only in your 40s. Back when you
21 were in high school, almost every high school in
22 America had a shop program, had a program where

1 people could figure out, whether you took it or not,
2 whether you figure out you had any interest in
3 working with your hands, whether you had any
4 capacity.

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

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

21 So what you're changing is, some of you
22 are doing it in your high schools. You're changing

1 your high school curricula. You're also changing
2 your high school curricula so that some of the
3 courses that you take in high school already not only
4 qualify you for, but meet a requirement in your community
5 college system. So you fast track a lot of these
6 people.

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

19 You're doing some in Mississippi, Gov, the
20 way you're doing in some of your early education
21 stuff. I mean, it's just about letting people know,
22 giving them a sense of what they think they are

1 capable of. And that requires exposure.

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

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

7 VICE PRESIDENT BIDEN: And by the way, I
8 failed to admit, Gov, we're putting a program for
9 \$450 million for apprenticeship programs. So you put
10 them together; you give us a model, and you give us
11 any indication that the formula works, there's about
12 a half a billion dollars there to be of assistance.

13 GOVERNOR HICKENLOOPER: I'll be calling.

14 **(Laughter)**

15 VICE PRESIDENT BIDEN: Good.

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

19 GOVERNOR SANDOVAL: Not at all, Mr. Vice
20 President, and I am going to pass on to the folks at
21 our department of employment training and
22 rehabilitation your shoutout, because I know that

1 that made their day, and that is a wonderful program
2 that's made a difference in people's lives in Nevada.

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

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

16 A lot of it has to do with public
17 attitude. Forget dollars and programs for a minute.
18 Let me give you one concrete example. Rochester, New
19 York. Rochester, New York, is the home, or used to be
20 the home, of Kodak. And I think they had—don't
21 hold me to the number—I think 38,000, 39,000
22 employees. No minimum-wage jobs; all good jobs in

1 varying degrees, kind of like Dupont in my home
2 state. And they also had Bausch & Lomb, and they had
3 a number of other what have become very high-tech
4 operations related to sight vision and implements for
5 being able to, like for example, the Mars Rover. The
6 eye in the Mars Rover is made by a small outfit in
7 Rochester.

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

21 And they found out that there are more than 200
22 optic companies now, ranging from 10 people to 800,

1 900 people. So the community college itself went out
2 and surveyed every one of—with money from the
3 state, of the community college—surveyed every one
4 of these companies and said "What do you need? Do
5 you need employees?" It turned out they all needed
6 employees, in ones and twos and twenties and
7 thirties.

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

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

22 But they found a phenomenal thing:

1 Parents said, "I don't want my kids having any of
2 those jobs. I don't want my kids doing that." And
3 these were not all former Ph.D. employees of the
4 research department of Kodak; these were ordinary
5 people, having nothing to do with Kodak.

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

14 So what they're doing is they're actually
15 going in to the high schools in the region and having
16 parent-teacher meetings and saying, "Look, let me
17 explain. Let me explain what's going on here, why
18 this is a pathway." The kid may start off at \$30,000
19 or \$28,000 a year, but in this route you can get to
20 the point where you can make 60, 70, 80
21 thousand bucks by having to go back, or on-the-job
22 training, and it's begun to change the attitude.

1 I know it sounds silly, Gov, but the first
2 thing is, convincing ordinary Americans that it's a
3 good thing for the kids to do this kind of stuff. I
4 think you'll find, those of you who have already
5 tried it in your schools, as you change the curricula
6 —my guess is some of you who put in computer
7 programming, you have parents who say, "I don't want
8 my kid to be a computer programmer. I don't want him
9 doing that." You say, "Well, Mom, you know it's
10 \$86,000 a year. And guess what? You may end up
11 running"—"Oh, I didn't know that. I didn't know
12 that." Because you've got a generation among whom
13 many lost their jobs and we found them, for whom the jobs
14 we're talking about now don't seem like they're real.
15 And when you start to change the curricula, they
16 think you're dumbing down what their kid could or
17 should be.

18 Am I making any sense? I don't know
19 whether that's been your experience, but it's been
20 mine, in the places that I've gone. That's number
21 one. Number two, so I think you're going to have to
22 deal with that as you move.

1 Secondly, there is a program, and I will
2 get—and I hope you think he's responsive to you—
3 I know sometimes he drives you crazy like I do, but
4 I think one of the best guys we have on the team is
5 Arnie Duncan—is to put together for you, I'll get
6 you the right people from the Department of Education
7 —they have actual programs which marry up the
8 interests of the community college—or the high
9 school, the community college, and the four-year
10 colleges.

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

21 But most of you, and I may be mistaken,
22 but I think most of your states, as governors, you

1 now have a pathway because you have significantly
2 upgraded your community colleges. The curricula
3 offered there, the training, the professionalism, is
4 very good in the vast majority of your states, and
5 now there's a direct pathway; if you get through you
6 get to go to the University of Arizona or you get to
7 go to the University of Delaware, you get to go to
8 the University of—you know, Utah State or
9 whatever.

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

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

1 within that time frame, reducing cost.

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

13 **(Laughter)**

14 There was a reason why when I was in the
15 Senate, I was listed as the poorest man in the
16 Senate. It had to do with three children going to
17 undergraduate and graduate schools at schools that
18 weren't as good as mine. They went to Yale; I went
19 to Delaware. But all kidding aside, there is a whole
20 mechanism we have, and like we did the race-to-the-top
21 kind of deal, there's a similar in nature, same
22 program, to try to get universities to change

1 curricula and modernize it, as well as deal with
2 cost; and there's an entire program about
3 recommendations—I want to make clear these are all
4 just recommendations—as to how the high school,
5 the 2020 high school should look like in order to
6 serve the needs of the community and the kids.

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

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

13 **(Applause)**

14 VICE PRESIDENT BIDEN: Thank you,
15 everybody.

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

19 **(Applause)**

20 We're going to move on to our committee
21 meetings. Our next meeting will be starting very
22 shortly; they both start at 3, so we're running a few

1 minutes late. But our Economic
2 Development and Commerce Committee; and also at the same time,
3 Education and Workforce Committee. And then later on
4 tonight, at 8 p.m., we have wonderful entertainment
5 at the Ryman Auditorium with Vince Gill and Amy
6 Grant.

7 We'll see you soon.

8 ***(Opening Session concluded at 3:02 p.m.)***

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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

1 P R O C E E D I N G S

2 (11 a.m.)

3 SPECIAL SESSION

4 GOVERNOR [MARY] FALLIN: Good morning, everyone.

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

8 **(Laughter)**

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

16 **(Applause)**

17 I tell you, it is just an absolutely
18 fantastic. Governor Haslam and his wife, Crissy,
19 have done such a wonderful job in planning; not only
20 have we had great meetings during the day, productive
21 meetings, but we certainly have had wonderful
22 entertainment. I don't think we've ever probably had

1 the opportunity to go to one place and see so many
2 superstars as we did last night; and just talent and
3 history and Ryman Theater; it was just so much fun.
4 And Governor Haslam and I, as you may have seen, are
5 having quite a little rivalry, because he's invited a
6 lot of our Oklahoma talent to perform and then he's
7 claiming them as his people here in Nashville;
8 that's not sitting very well with me, but we'll work
9 it out before we leave. But we're happy that we have
10 so many shared things; love of music and
11 entertainment, so we appreciate the governor.

12 And tonight we have another very special
13 evening in which we'll be going to The Hermitage, a
14 wonderful historic place, [home] of one of our past
15 presidents, and certainly we'll have another
16 talented person from Oklahoma, Carrie Underwood, which he'll claim
17 again as Nashville's, but that's okay. I raise them
18 up and then he gets to have them for a while. But
19 tonight it will be an outdoor event; so be sure and
20 wear something very comfortable and cool, because it
21 might be a little bit warm.

22 Before I begin, I'd like to just thank our

1 Executive Committee members who worked very hard all
2 during the year getting prepared for both the summer
3 meeting and also the winter meeting that we have
4 in February. Our Executive Committee, and in
5 particular I want to start with our Vice Chair of
6 the NGA, Governor John Hickenlooper.

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

16 I also want to thank our former NGA chair
17 -I don't think he's here right this moment, but
18 Governor Jack Markell from Delaware is also here this
19 weekend; Governor [Terry] Branstad-is Governor Branstad in
20 the room yet? Some of these people have been in
21 committee this morning. Governor [Steve] Bullock is here
22 thank you very much. He's on the Executive

1 Committee. Governor [Gary] Herbert, we appreciate the
2 governor, and to Governor Scott Walker, thank you
3 very much for being on the Executive Committee also.

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

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

18 "Biden bemoans bitterness in D.C." We
19 heard that yesterday, and that was a lot of fun. One
20 says, "Biden calls upon the nation's governors to
21 help end the era of poisonous politics." Calls upon
22 the governors to help with that, for which we are

1 grateful, too. Here's another one: "Vice President
2 Biden asks Governors help during Nashville trip";
3 once again calling upon the governors. Let's see,
4 I've got one more here: "Biden calls upon Governors
5 to lead the nation."

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

11 **(Laughter)** **(Applause)**

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

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

1 but certainly to America.

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

13 This is an education initiative and a
14 workforce initiative, but it's also a jobs
15 initiative. It's a pathway to help all of our states
16 achieve prosperity. It begins by recognizing some
17 very simple truths; and that is that today's world is
18 more complex, it's changing faster than ever,
19 especially since the time when our parents were
20 growing up, especially with technology and all the
21 ways companies change so very rapidly and have to be
22 able to adjust.

1 Those changes are making new demands on
2 our students, our employees, our employers,
3 industry, and certainly upon our state leaders.
4 Individuals need more education and work skills
5 for today's jobs. Businesses need a deeper, more
6 diverse talent workforce; states must also make very
7 targeted investments into workforce programs, and to
8 make sure that we're helping to spur economic growth.

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

22 And the leadership begins with starting to

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

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

17 So we cannot expect to be able to lead the
18 world in innovation and job creation if we can't keep
19 up academically. Nor can we provide our citizens
20 access to a middle-class life or beyond, if they
21 desire, if they don't have access to good-paying
22 jobs. So when I started this initiative last year, I

1 shared with all of our governors some data, that
2 fewer jobs in our economy are available to
3 individuals that only have a high school degree. And
4 we talked about the importance of having more than a
5 high school degree to be able to compete.

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

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

22 But unfortunately, the U.S. is falling

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

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

17 So as governors, we have to create
18 pathways to prosperity to the middle class on the
19 notion that a postsecondary education is no longer a
20 luxury for some but it's a necessity. It's a
21 necessity to be able to create the types of jobs,
22 help our employers find the highly skilled workforce

1 that they need so they can be successful; and frankly
2 for the American people to be able to achieve the
3 American dream and to be able to reach the middle
4 class.

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

19 So the challenge is very clear, the one
20 that we face. Too few Americans are succeeding in
21 postsecondary education, and too few of our students
22 are graduating from high school prepared to either

1 enter into a career or either enter into college
2 itself.

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

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

22 So states are going to have to work very

1 closely together with education leaders, with the
2 private sector, with the public policymakers, to
3 close the skills gap. We hear a lot about the skills
4 gaps that we have in our nation. We have to work to
5 better align our education systems, our workforce
6 training programs, to meet the needs of our employers
7 in our nation.

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

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

1 results so we can know that we're getting the results
2 that we need to have.

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

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

12 So over the past year, my initiative,
13 *America Works*, has brought together governors, has
14 brought together educational leaders, employers,
15 workforce training programs, economic development
16 professionals, leaders, private sectors so that we
17 can spur innovation, have collaboration, have a
18 national conversation about how we can create a
19 stronger, more vibrant economy, more opportunities,
20 raise up the middle class and give our children the
21 opportunities and the education that they need so
22 they can be successful.

1 So here's the results. Over the past year,
2 we've held more than 30 one-on-one meetings
3 throughout the nation with state and national
4 experts, with all the different industry sectors that
5 I just mentioned to talk about best practices that
6 are already underway across our nation.

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

15 Then we released an interim report at the
16 winter meeting that described to governors about the
17 program itself and the benefits to individuals and to
18 the economy of having a better educated workforce.
19 It's pretty simple. We provided each of your states
20 with specific data and information so that you could
21 look at your current educational attainment levels
22 and your individual states, look at your current

1 industries, your current businesses, and we could
2 identify those areas where we mismatch, where we have
3 skills gaps—a skills gap within our different
4 economies.

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

22 And so we've had a very productive time

1 this past year, meeting with all of our various
2 officials, bringing together all of our state
3 leaders; and it has been a great year on *America*
4 *Works: Education and Training for Tomorrow's Jobs*.
5 And I frankly think that it's probably one of the
6 most important issues that our nation faces right
7 now, and we're very proud of the tremendous work that
8 the National Governors Association has done on our
9 behalf.

10 So what I wanted to show you was the book
11 itself, and I think each of you have a copy of this
12 on your desk, but it also lists all the different
13 components. It has some great examples of what's
14 being done across our nation. This is a wonderful
15 guideline; I think it's something that will really be
16 very helpful to all of us. I'm proud to be able to
17 present this to you.

18 This report also describes four policy
19 components, lays out the elements within each
20 component, that each of you can actually take and use
21 as a guideline, some very specific suggestions, and
22 ideas that you can implement back in your individual

1 states. It provides, as I said, examples; it
2 illustrates the best practices and it also offers
3 guiding ideas and answers a lot of questions that
4 policymakers have to help us be able to set
5 priorities in our states.

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

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

16 GE Foundation.

17 Carnegie Library of New York.

18 Noyce Foundation.

19 Baird Corporation, and

20 Battelle.

21 Those are all the foundations that provided financial
22 support, expertise and helped us be able to put the

1 chair's initiative together and to help us learn some
2 important lessons and opportunities that we can
3 improve upon in our states.

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

1 needs.

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

5 **(Applause)**

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

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

20 Prior to assuming his current position,
21 Steve served for five years as the Group Chief
22 Executive at the Health and Public Service Operating

1 Group. Under his leadership, they delivered double
2 digit revenue growth in the local currency in the
3 fiscal years 2012 and 2013. Between 2004 and 2009,
4 Rohleder served as Chief Operating Officer, leading
5 the company's business strategy and geographic
6 operations, ensuring company-wide operational
7 excellence.

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

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

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

20 **(Applause)**

21 MR. ROHLEDER: Thank you, Governors Fallin
22 and Hickenlooper, [I] appreciate it very much. I also

1 wanted to thank Governor Haslam. I'm from Austin,
2 Texas, and we pride ourselves on our live music, but
3 after last night's show, I know who is the king;
4 there's no doubt about where country music is
5 centered, Governor. So thank you for your southern
6 hospitality; [I] appreciate that very much.

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

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

21 Governor Hickenlooper, I'd like to
22 recognize Colorado as well for doing a great job with

1 a blueprint that ties together agencies, businesses,
2 education and workforce development. That kind of
3 approach will be crucial to attacking the workforce
4 challenges ahead, and it's exciting to see the
5 progress being made.

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

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

22 This issue affects all of you as leaders

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

8 Losing the battle for talent will lead to
9 diminished economic prospects for our states and our
10 communities, and ultimately it will result in a lower
11 standard of living for our people. For most of our
12 history here in the U.S., we could take talent for
13 granted. We have plenty of it. But in the future it
14 will be a scarce resource. Strategies that have
15 worked in the past when talent was plentiful are not
16 going to work in the future. As Oklahoma and
17 Colorado and many states have shown, there are
18 individual strategies and tools that we can use in
19 the battle for talent, but it will take your
20 leadership to put all of those strategies and tools
21 together if we're going to win this battle for
22 talent.

1 Before we dig into the actions that you
2 might consider taking, let's ground ourselves in why
3 we care about this issue in the first place. We may
4 not know for certain the full economic benefits of
5 focusing on this battle for talent, but we can be
6 sure what is likely to happen if we don't make it a
7 priority.

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

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

22 And unfortunately, we're headed that way

1 because of trends we're seeing in three areas:
2 population, participation and productivity. The
3 first trend is population: Not enough people who can
4 work. For the first time in our history, the working-
5 age population is shrinking as a share of the total
6 population. And the reason is simple: Baby Boomers
7 are retiring and not being replaced at the same pace.
8 By 2030, the percentage of the population that's
9 working age will shrink by 9 percent, roughly to the
10 level it was in 1970.

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

20 The final trend is productivity: not
21 enough worker productivity. On top of the population
22 and participation problems, we're facing unreliable

1 growth in workforce productivity. And in fact, in
2 5 out of the last 10 years, it's been below 1
3 percent.

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

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

20 Not only are states competing with states,
21 but collectively we're all competing in a global
22 talent pool. Over the past ten years, we know that

1 the U.S. has battled for talent in countries like
2 India, China, Latin America. And frankly, as those
3 countries develop middle classes, the battle is going
4 to intensify. And there are new countries ready to
5 step into the fray, countries in Southeast Asia and
6 sub-Saharan Africa will emerge as major pools of
7 educated, low-cost talent in the next 5 to 10
8 years.

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

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

21 Now as CEO of North America, I can tell
22 you our talent strategy and how we're developing has

1 never been more important. We now have more than
2 293,000 employees in 120 countries. We hire more than
3 65,000 people a year. We have to compete every day
4 to get talent we need, and it's only getting harder.
5 But we're not unique; no matter what size or
6 location, every company is in a constant battle for
7 talent. Businesses are constantly looking at and
8 evaluating talent pools.

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

20 Ultimately, the deciding criterion was
21 education infrastructure and our assessment of the
22 continued pool of educated talent. Today that center

1 houses and employs more than 1,200 people.

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

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

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

19 And I can tell you, as one CEO to another,
20 that you have the opportunity to be that hinge that
21 joins together businesses that are looking to a
22 partner. This battle for talent is just as important

1 as managing your health care costs or dealing with
2 natural resources issues, or focusing on revenue
3 generation. And we know that states that get it
4 right will excel. Those that recognize this is
5 important, and those that take steps to aggressively
6 attract, develop and deploy talent, will be our
7 country's economic leaders. Those states that get it
8 right will be the most competitive; they will attract
9 both businesses and workers, and those states that
10 don't will increasingly find themselves falling
11 behind.

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

18 A research organization called Burning
19 Glass Technologies used its analytic tools with the
20 state employment system to pinpoint a talent-rich
21 location in Upstate New York. That's where an \$8.5
22 billion computer chip manufacturing plant is now

1 under construction. Proof positive that real-time
2 talent information can be a competitive advantage.

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

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

18 There's also some international examples
19 we can draw on. Take Germany, for example, which has
20 acted aggressively on its talent strategy. In 2003,
21 Germany faced an unemployment rate of 10.3 percent,
22 well before the Great Recession. At the time, the

1 German Federal Employment Agency was considered
2 bloated and bureaucratic, and the German government
3 set out to completely redesign its approach to
4 labor markets. They wanted to move away from a
5 legalistic administrative agency to a performance-
6 driven organization. They wanted to focus on meeting
7 employer demand, not just job-seeker needs. And they
8 wanted to integrate job seekers into the economy as
9 quickly as they could.

10 Their ultimate goal was to become the most
11 effective broker possible between labor supply and
12 demand. By bringing together a combination of policy
13 modifications, process changes and new technology,
14 it worked. Within 36 months, Germany lowered
15 unemployment by 33 percent, going from 4.5 million to
16 3 million while doubling the number of jobs filled
17 per year.

18 As a result of their reforms, in the last
19 five years, when most of the countries in Europe
20 experienced the fiscal volatility of the Great
21 Recession, I think we all know Germany has had a
22 relatively low and steady unemployment rate, and the

1 German economy was the engine for recovery in Europe.

2 We need to be similarly aggressive in our
3 talent strategies if we're going to win the battle.

4 In fact, one governor we interviewed was very direct
5 and said, "I'm spending hundreds of millions of
6 dollars on workforce development, and I don't know
7 what the hell I'm getting." That's as direct as you
8 can be.

9 That's the right challenge. We need
10 specific actions that deliver clear outcomes, and
11 Utah has to be our North Star. So where do we start?

12 Coming out of our research, we identified
13 four strategies that we think governors can deploy
14 now and win the battle for talent. Ultimately it's
15 about four things: analytics, pipeline, pathways
16 and focus. Let me walk you through each one.

17 First: analytics. This is about real-
18 time information and insights into supply and demand
19 of talent. You'll notice I'm not talking about jobs
20 data; we have lots of data on jobs but little
21 information on talent. Let me give you two examples
22 of why this matters.

1 Let's start with a job, a welder. In
2 Virginia over the last year, there were 1,102 jobs
3 posted to hire welders, as defined by the Standard
4 Job Classification System. And that's a pretty
5 healthy number. But it grossly understates the
6 demand for talent in welding. Our research partner
7 identified that in the same year there were 1,102
8 welding jobs posted, there were another 3,318 postings
9 that required welding talent. The landscape for jobs
10 in welding looks much different when you look at
11 talent needs rather than just job titles.

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

20 Imagine the competitive edge you could
21 gain if you had analytics producing real-time
22 information on the skills and competencies that are

1 in demand. Another thing you could do with the up-
2 to-date talent information is assess the degree to
3 which your education system is producing the talent
4 that your economy really needs. And I'm not talking
5 about whether you're getting the quantity of
6 graduates you need; you already have the data to
7 answer that question. I'm talking about using real-
8 time information to assess whether or not your
9 education systems are producing the quality of talent
10 you need.

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

22 The second idea is around pipeline. This

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

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

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

1 times faster than all other information
2 technology jobs.

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

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

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

21 The business community recognized this and
22 has to change its approach to find talent.

1 Businesses are more ready than ever to partner with
2 governments that they can count on for the talent
3 needs that they have.

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

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

19 These roadmaps show job seekers what they
20 could do with their skills based on what others have
21 done. They provide real-time information on how to
22 navigate the jobs marketplace and get the most out

1 of their skills and competencies. They also show
2 them how to get the skills and competencies they
3 might need for the next job that they want.

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

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

15 Fourth and finally, states need to focus
16 on outcomes. Today the federal government operates
17 47 different workforce programs with budgets of more
18 than \$18 billion annually. These programs drive
19 funding at the state level and within states,
20 multiple departments and agencies add their own
21 funding to make their own decisions and implement
22 programs across state, regional and local levels.

1 Individually, any of these programs may be great, but
2 collectively they don't add up to a winning strategy.

3 Now is the time to get all of these
4 programs and funding streams focused on a small set
5 of central outcomes. And one outcome that we should
6 start with is raising the standard of living. The
7 Workforce Innovation and Opportunity Act that was
8 just passed this week gives you greater authority
9 and flexibility to do that.

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

21 You could create a unified, enterprise-
22 wide budget for workforce and talent-related

1 programs. This would include workforce development,
2 unemployment, human services and education. And then
3 use that budget to get the greatest return you can.

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

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

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

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

22 How will we get real-time information and

1 the analytic insights we need? How will we assure
2 employers that we have pipelines to the talent they
3 want? How will we provide job seekers with roadmaps
4 showing the possible pathways for putting their
5 talents to work? And how will we integrate and focus
6 all that we do on a single set of outcomes?

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

18 Meeting those challenges is tough; we've
19 learned it the hard way at Accenture, trust me. It's
20 been a long, difficult journey before we found the
21 way to get it right. During my six years as COO, I
22 personally experienced the boom and bust of the

1 economy, and it became crystal clear we needed a
2 more aggressive approach in finding and acquiring
3 talent. We needed a talent strategy that was second
4 to none.

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

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

20 Again, pick up the phone and ask the tough
21 questions about where the money is going and why.
22 Find out how your programs and budget align to that

1 strategy. Winning the battle for talent is every bit
2 as important as other key issues like health care,
3 natural resources and taxes. It's crucial to your
4 state's prosperity.

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

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

12 Thank you very much.

13 **(Applause)**

14 GOVERNOR FALLIN: Thank you, Stephen.
15 That was great information. I appreciate you sharing
16 all that. As I was here thinking about all the
17 different steps you went through, and I think it
18 matches up with a lot of what governors are doing
19 right now, but all governors want to know what
20 employers need as far as talent and work skills. You
21 have certain things that you need within your
22 company, a different industry may have certain skill

1 sets they need; what's the best way for we as
2 governors to get that specific information from you?

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

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

22 In terms of aggregating that talent, it's

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

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

22 GOVERNOR FALLIN: Governor Nixon and

1 Governor [Scott] Walker.

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

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

19 But quick question: Talk to us for just a
20 second about wage rates, compensation, things of that
21 nature. Because at one point you talked about
22 educated, low-cost talent and what not, because I

1 think there's a whole lot of folks that are trying to
2 figure out relatively simply how they make money,
3 how they raise a family, how they make more money
4 later and all that sort of stuff; and from our
5 perspective often we're dealing with businesses.
6 It's that initial cost that we deal with. But
7 clearly, the people in a talent pipeline are folks
8 that are trying to get more economic independence as
9 they move through that pipeline.

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

19 MR. ROHLEDER: Great question. I think I
20 can start with wage determination is tied-in a
21 business context-is tied specifically to skills
22 that are needed and in demand, and that are possessed

1 by those people.

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

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

18 So my point is, Governor, that we have to
19 understand that there's a direct correlation between
20 a wage that's being paid and the education and the
21 talent level of that person. And we have to
22 constantly push that talent level to be more relevant

1 to what employers really want. So if employers see
2 high-tech manufacturing and computer systems skills,
3 if you will, more relevant in that environment, then
4 we have to move the talent coming out of high school,
5 coming out of our community colleges, coming out of
6 college in that direction so that you have that pool
7 of talent.

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

10 GOVERNOR FALLIN: Governor Walker.

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

18 But I was thinking in your presentation,
19 particularly in your answer to Jay's last question,
20 it really is focusing in on ways we need to do a
21 better job of connecting the skills to people either
22 looking for a job, or in many cases looking for a

1 better job, the skills that they need to match up
2 with the jobs that are open or will be in the next
3 few years, particularly for retirement.

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

16 And so a suggestion I would make, and
17 we've talked about these things in the past, but
18 three particular categories: military personnel.
19 We've got about double the unemployment rate among
20 military personnel coming back from Iraq and
21 Afghanistan and other places like that, tremendous
22 opportunity, far too many sitting on the sideline;

1 it's more than just a skills gap, it's trying to
2 figure out to get them in.

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

13 And then the third group—and some of us
14 have done this—although, back to the 90s when
15 NGA was real involved in welfare reform, over the
16 years a lot of states have been granted a waiver from
17 the work requirements for childless adults when it
18 comes to things like food stamps. We just opted out
19 of the waiver, for example, this past year. It's
20 costly; it cost us about \$17 million, which is why most
21 states—I think there's 46 that still have a waiver
22 —don't take that, but that's because you

1 have to pay if you don't take the waiver, you have
2 to pay for employability skills. But again, to me,
3 groups like that, people who are currently-
4 temporarily, hopefully-on government assistance,
5 need ways to transition them to the workplace. Those are
6 all three groups that could help move your chart up
7 there in terms of people who will be in the workforce
8 in the future.

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

19 Getting predictive information, to your
20 point, Governor, on looking forward, is going to be a
21 10-year to 20-year journey. What we have to do first
22 is get the matching that you're talking about and

1 identify those pools and stand up first to get
2 the underemployed and unemployed busy, and then
3 become predictive with where we think businesses are
4 headed and what their needs are. It is going to be a
5 two- or three-step process. And I don't think we
6 should kid ourselves; this is literally a 10-year to
7 20-year journey. And you don't have to look any
8 further than industry to see how they've evolved over
9 time. But thank you.

10 GOVERNOR FALLIN: Governor Herbert.

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

14 I had the opportunity, as governor of
15 Utah, to meet with, on a quarterly basis with many of
16 the CEOs in our state. We meet with different
17 sectors of our economy, try to stay in touch with
18 what their concerns are, what we're doing right, what
19 we can do better; and clearly as we talk about the
20 talent pipeline, it's probably the number one issue
21 for the business entrepreneurs in Utah. We are
22 trying to, in fact, address that issue of education

1 and skill gap, areas where we're trying to improve that
2 and minimize that, emphasis on STEM education, the
3 trades, things that we really need to have better
4 alignment.

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

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

21 Another point, it says: "Employers can't
22 find the skills they need." I understand, that's

1 part of what we've observed. But then you go on to
2 say, "Do not look to government for help." Again, my
3 experience has been that they *do* look to government
4 for help; they're putting increased pressure on us to,
5 in fact, improve education, to eliminate the skills
6 gap, to have better alignment with what they're
7 looking for.

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

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

22 And I'm just wondering, what am I missing

1 here—at least in my experience—because I think
2 people are looking to government, sometimes even too
3 much looking to government for assistance.

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

15 Maybe that's different. But if you look
16 at the less skilled, less educated, they absolutely
17 are relying on government. So you have to kind of
18 bifurcate the segments of the population that we're
19 talking about. We probably should have been more
20 specific in the report about that, to get specific
21 about who is still relying on government and who
22 isn't, to your point. So, point taken on that.

1 On businesses not relying on government, I
2 would tell you the same thing. I think that there's
3 a lot of businesses that will meet with government;
4 but frankly, if I'm a restaurateur and I have 60
5 percent turnover in my bar or restaurant, and I'm not
6 going to government to ask for help in terms of
7 developing new skills. It's just not going to
8 happen, right? I'm going to continue to go out and
9 use any resource I can to replenish that talent when
10 I need it.

11 So I think businesses have started
12 dialogue; I think the larger businesses really want
13 to source talent in the United States; I know that
14 for a fact because we personally hire roughly 5,100
15 people per year off college campuses, and another
16 6,000 in the U.S. just from experience from the
17 market.

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

21 So my point is, look, if businesses are
22 willing to have that dialogue, we have to connect

1 them closer. We have to connect them closer and
2 actually tie that to actions. And this is where you
3 guys can really step in. If a senior business person
4 senses that there's a commitment from the top of the
5 state to really change, and put change on the table
6 and do some creative innovative things, trust me that
7 partnership will form and will flower.

8 GOVERNOR HERBERT: Thank you.

9 GOVERNOR FALLIN: Well, thank you so much,
10 Let's give Steve Rohleder a big round of applause.
11 Thank you for the great information.

12 **(Applause)**

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

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

20 Governor.

21 GOVERNOR TOMBLIN: Thank you, Madam
22 Chair. It's my pleasure to bring you up to date;

1 we've been working very hard, working with Governor
2 Haslam and his team down here on how they put
3 together this year's NGA event; and so we're in the
4 process of getting things going and invite everyone
5 to start making your plans to come to West Virginia.
6 It's the first time since 1950 that we have hosted
7 the NGA.

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

19 It will be July 23rd through the 26th next
20 year. I don't know if you've noticed, but we have
21 our booth set up out here with information, and many
22 of the governors have already requested to start

1 blocking rooms now, so especially if you are bringing
2 families and need special accommodations with
3 adjoining rooms and so forth, now would be a good
4 time to start planning that.

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

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

19 **(Applause)**

20 GOVERNOR FALLIN: Thank you, Governor.
21 And for any of you who have not been to the
22 Greenbrier, it's a very special place, absolutely

1 gorgeous, lot of fun things to do there. So we'll be
2 looking forward to coming to your state.

3 Our next session will begin at 12:30 with
4 the governors-only business session, so Governors,
5 if you'll prepare for that; and then we'll have committee
6 meetings this afternoon. And then tonight we get to
7 go to The Hermitage and we get to see where President
8 Andrew Jackson lived, and also hear a famous Oklahoman,
9 Carrie Underwood, who now lives in Tennessee.
10 Governor, I'm still hounding you about that today.
11 But we'll have some great entertainment again
12 tonight.

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

15 *(Whereupon, at 12:12 p.m., the Special*
16 *Session adjourned.)*

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NATIONAL GOVERNORS ASSOCIATION

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

1 P R O C E E D I N G S

2 (11:35 a.m.)

3 CLOSING SESSION

4 GOVERNOR [MARY] FALLIN: Good morning, everyone.

5 AUDIENCE: Good morning.

6 GOVERNOR FALLIN: Did everybody survive

7 the wonderful entertainment we had last night?

8 Governor [Bill] Haslam, what a fantastic way to close off

9 our last evening of our National Governors Association meeting.

10 Let's give Governor Haslam a round of

11 applause.

12 **(Applause)**

13 GOVERNOR HASLAM: I think you should sing

14 for us.

15 GOVERNOR FALLIN: Makes you want to sing,

16 after coming to Nashville. Puts a little kick in

17 your walk, you know? Just being here. But it's been

18 a fantastic trip, and certainly a wonderful meeting,

19 and we want to also thank your staff, your sponsors,

20 your host who have helped put this wonderful meeting

21 together, certainly along with our NGA staff.

22 And this is our closing session of our

1 2014 NGA Summer Meeting, and it's been a great
2 pleasure to be able to serve as your chair.

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

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

17 So we're very pleased this morning that
18 our next speaker comes from a very unique
19 perspective: leading a company that is succeeding
20 both on Main Street and eStreet. Beginning as a
21 company in 1966 as the Sound of Music, its name was
22 changed to Best Buy in 1983. The company now has

1 more than 140,000 employees globally and more than
2 1,400 retail locations in the United States. Each
3 year, about 1 billion people shop online at
4 BestBuy.com, and 600 million shoppers visit Best
5 Buy's U.S. stores.

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

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

16 He has a very strong reputation of being
17 able to turn around companies, to be able to
18 transform them bringing his expertise, and also
19 certainly as his past work in the French division of
20 Electronic Data Systems. In his three years there,
21 the company reversed its revenue slide from \$1.3
22 billion francs to an annual revenue of \$2.1 billion,

1 while significantly increasing its profit margin.

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

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

12 **(Applause)**

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

21 I am the fourth chief executive officer of
22 this company, Best Buy, in its 50-year-close to 50-

1 year-history; and for me it's a great honor to have
2 the opportunity to speak with the governors of the
3 states who are united in these great United States
4 of America. And the topic of the "Future of Main
5 Street" is really an important topic that we are
6 going to be speaking about. It's an important topic
7 because, of course of the importance of the retail
8 industry in the economy of all of the states.

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

18 So from a jobs standpoint, it's enormous.
19 Of course from the state's standpoint, do I need to
20 tell you that the sales tax that we collect is about
21 \$250 billion--\$250 billion. It's about, on average,
22 30 percent of the revenue of each of the

1 states; and at Best Buy, we are happy to provide \$2.6
2 billion for your various taxes, mainly sales tax.

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

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

17 So it's an important topic; it's also a
18 very timely topic. Why is it a timely topic?
19 Because of the rise of e-commerce. E-commerce is
20 significantly transforming the retail industry
21 throughout the U.S. E-commerce started 10, 15 years
22 ago; it's now about \$260 billion of revenue for the

1 U.S. in 2013, growing very rapidly. It actually grew
2 at about 17 percent compared to the previous year.

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

15 Now in contrast, mall traffic is going
16 down. During last holiday, mall traffic in December
17 was down 14 percent year-over-year. 14 percent. And
18 given the importance of, again, retail in each of
19 your states, that's very significant. Therefore, you
20 know, the question is, is there in the future the
21 death of Main Street? We have to ask this question.

1 Or more positively, what does Main Street
2 need to do to thrive in an environment where
3 technology is significantly transforming the shopping
4 experience? What do we need to do to be successful
5 in that context?

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

17 So I base my remarks, of course, on the
18 transformation of Best Buy. Governor, you
19 highlighted a bit of our history, we're very proud of
20 our history. Best Buy is one of these amazing
21 American success stories, founded by Dick Shultz in
22 1966, and now in the U.S. it's a \$35 billion company

1 and has been very successful.

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

16 And probably with this complacency, we
17 stopped our emphasis on the customers. We got
18 distracted, we had leadership issues—and of
19 course all this led to a bit of a drama two years
20 ago that was highly publicized in the media.
21 So this is when I joined, because I love
22 challenges; I was not suicidal.

1 **(Laughter)**

2 And so in the fall of 2012, we did a
3 diagnosis of the situation, and we saw that we had two
4 problems: we had declining sales and declining
5 margins. Only two problems, so that was the good
6 news, but they were significant.

7 **(Laughter)**

8 But we also took the time to identify our
9 assets. And we had some amazing assets. We had an
10 amazing customer base, and I know that many, many of
11 you—most of you—are customers, and an amazing
12 employee force—we talked about 140,000 employees
13 passionate about customer service, passionate about
14 what they do with our stores. Great assets. Seventy
15 percent of the American population lives within 15
16 minutes of a Best Buy store. That's an amazing
17 asset and this, combined with the relationship we
18 have with our vendors, turned out to be a great
19 opportunity. We're very significant for the tech
20 community because we're the only place of scale where
21 they can really showcase the fruit of their billions
22 of dollars of R&D investment for customers. And

1 increasingly, products are complex, difficult to
2 understand, and so they need a place where to
3 showcase this. And of course we had our website,
4 which was already quite significant at the time.

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

22 So with the traffic we have in our stores,

1 600 million visitors, these are people who come to us
2 with great intentions; so they're ours to lose. So the
3 decision we made at the time was to match Internet
4 prices. So our blue shirts are now empowered; you
5 come to our stores and we will provide the price that
6 you can find on the main website.

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

16 So advice, service and convenience.
17 Advice, starting on the site; so we're reinventing
18 our website on the site—you have to be able to
19 find shopping guides, how do I choose a TV, how do I
20 choose a tablet, how do I compare? What information
21 can I have? With rich content videos, now you can
22 provide a lot of advice on the site.

1 Advice in the stores. We have invested
2 significantly in the training of our blue shirts,
3 associates. We've also worked with our vendors to
4 make the shopping experience a great shopping
5 experience; so companies like Samsung, Microsoft,
6 Google, Intel, Sony have invested hundreds of
7 millions toward people to really display—it's
8 really impressive—their newest technology and how
9 everything works together. And we've super-trained
10 blue shirts to be able to talk about these products.

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

20 So advice, service. This technology is
21 very complex. So in terms of help with the design of
22 your home theater solution or your home network,

1 setting it up, transferring data from your old phone
2 to your new phone, we will really take care of you
3 and make sure that you walk out working from our
4 store with all of this technology ready to go. Also
5 help, when you have to use the products, help with
6 troubleshooting, help with repair. We have a big
7 service focus and we're very proud to be celebrating
8 the 20th birthday of the Geek Squad, which is one of
9 our secret weapons; and in fact, the Geek Squad will
10 be ringing the bell at the New York Stock Exchange
11 tomorrow in celebration of that birthday.

12 So advice, service, convenience.
13 Convenience of being a multichannel retailer. This
14 is an interesting fact: About 50 percent of the
15 orders on our website, the customers decide to pick
16 up the order in one of our stores. Now get this: We
17 have free shipping from our website, and the
18 customers decide to go to the store because of the
19 convenience; you can get it now. Now is really good
20 from a customer standpoint; you can make sure that
21 you like what you're seeing, you can get the help and
22 the advice. So that's very significant.

1 We've also established what we call ship
2 from store. So we have throughout the country 12
3 distribution centers, but we also have 1,400 stores.
4 And all of our stores now can ship to the customer
5 directly or to another store. So we've unlocked
6 about \$2 billion of inventory, and when people go to
7 the site, even though we may not have the product in
8 one of the central distribution centers, we'll get it
9 for them from one of the stores. Or if not in the
10 store, we don't have the product in that particular
11 store but we'll get it to you. That's a significant
12 development.

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

18 So advice, service and convenience is how
19 we fight the battle. Now that means a significant
20 transformation for every function at the company, if
21 you think about it; I think I've highlighted some of
22 them. Of course, merchandising, marketing, e-

1 commerce, the supply chain, everything is being
2 transformed very significantly.

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

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

21 Now not all of the transformation is fun
22 and painless. We have taken out so far \$860 million

1 of cost out of the system to be competitive; we have
2 committed to a billion dollars. But because we're
3 very advanced with our cost takeout, our focus now is
4 shifting to growth. And our game is to be able to
5 grow; it's not always easy because you have product
6 cycles, you have deflation; the TV from this year is
7 much cheaper than the TV from two years ago. But
8 we're determined to grow the top line, great
9 opportunities around new technology.

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

17 The connected home. Everything in our
18 homes is now connected. How can we help our
19 customers take advantage of that? Appliances, with
20 the housing recovery, we're focusing on doing our
21 share, and of course we can; like \$4K ultra high-
22 definition TV. So significant growth opportunities

1 for us.

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

19 So from that standpoint, if I generalize,
20 the key drivers of these transformations are a
21 refocus on the customer, building an amazing customer
22 experience; leveraging a retailer's unique assets. I

1 told you the Best Buy story; everyone is going to be
2 somewhat different. Building new capabilities; we
3 need to innovate to the benefit of our customers.
4 And from that stipulate that this is still early days in
5 that revolution, and I have the image from Jim
6 Collins, the famous business author, about "the need
7 to fire bullets before you fire cannonballs." So
8 this is the idea that you have to try a great number
9 of things—and in retail you can experiment;
10 because, you know, we have 1,400 stores, so we can try
11 things in a number of stores and then see whether
12 this works. I call this the bicycle theory.
13 It's very difficult to direct the bicycle that stands
14 still; you fall. But if the bicycle is moving, if
15 it's not moving in exactly the right direction, it's
16 not a problem because you can always course-adjust.
17 So there's another experimentation that needs to take
18 place.

19 Now in that context, of course my comments
20 about Main Street and the future of Main Street would
21 be incomplete if I didn't talk about the help we need
22 from the governors. And this is about marketplace

1 value. Today in 2014 in this country, retailers who
2 don't have a physical presence do not collect the
3 sales tax. Retailers who don't have a physical
4 presence do not collect the sales tax. And the
5 customers are supposed to voluntarily report it, and
6 of course most of them don't.

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

20 This is clearly an issue that needs to be
21 fixed. I don't know that anyone in the government
22 should be picking the winners in this country. We

1 are ready to fight when the playing field is level,
2 but the government shouldn't pick the winners. This
3 is also a states' rights issue.

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

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

20 The number of stores that have closed:
21 15,000 store closures in the past few years, 5,000
22 announced for this year. Operating income margin at

1 Best Buy is about 3 or 4 percent. When we match
2 Internet prices, I cannot match the sales tax; I
3 cannot fight with an 8 percent price as a package.
4 And so jobs are being lost every day; decisions
5 about store closures being made every day are
6 influenced by this situation.

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

20 **(Laughter)**

21 —not good.

22 So let's talk about football. We are on

1 the 5-yard line. I think if we all work together,
2 we can push this over the finish line this year and
3 create a great outcome for the employees, for the
4 economies, for the states and therefore for the
5 country; and so I know that you're committed to this.
6 I think speaking to your delegation, speaking to
7 leadership in Congress, has the opportunity to be very
8 helpful. The governors have a huge voice on this.
9 And so I am delighted to hear that you're working on
10 this.

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

20 So in conclusion, I want to again thank
21 you for inviting me and giving me the opportunity to
22 speak to the governors of the states, and talk about

1 our industry. It's an honor for me, and I'm very
2 happy to take, time permitting, questions from any
3 one of the governors present this morning.

4 So thank you very much.

5 **(Applause)**

6 GOVERNOR FALLIN: Governor Haslam.

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

10 What percentage of your existing
11 business is done online now?

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

18 GOVERNOR FALLIN: Governor Herbert.

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

21 What do you see the obstacles—you say
22 we're on the 5-yard line and we can probably push

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

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

15 So everybody agrees it needs to be fixed.
16 The Senate voted last year, in May, with the
17 Marketplace Fairness Act. It's now in the House.
18 There is a congressman from Utah, Jason Chaffetz, who
19 has done terrific work; there were some perceived
20 issues in the Senate bill. He's worked each of
21 them to make sure that the solution is simple, is
22 fair, can be implemented, that it can be phased; that

1 the states have some influence on how it can get
2 done, so there's excellent work that has been done.

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

16 And so then it comes back to the House,
17 and then I think leaders of the House will have to
18 make sure it gets done either in September or in lame
19 duck. You know, the obstacles, instead of talking
20 about the escalating, it's good to talk about what we
21 can do. Each governor, talking to their delegation,
22 both on the Senate and the House side, highlighting

1 the urgency, highlighting—many states have
2 highlighted that—they could have used it, proceed
3 to lower the tax rate. In some states, that's very
4 impactful. It's not for us to discuss how the states
5 should use the proceeds; there's a great thing in
6 this country which is called democracy, and it's a
7 federal system, so it's for the states to decide
8 this.

9 So for the governors to clearly talk to
10 their delegation, talk to the—you can do this with
11 leadership in both houses—and press the urgency of
12 the matter. There's no technical obstacle today to
13 solving this. The reason why the Supreme Court 20
14 years ago decided against it is, they felt it was too
15 complex. We are the country that took man to the
16 moon, does these extraordinary things. Calculating
17 the local sales tax, software can do this; there are
18 eight available companies that provide the software.
19 It's not difficult; in fact, we do this every day.

20 And they've limited the ability to audit
21 because there was a concern about so many states
22 auditing small companies at the same time. I think

1 the work that has been done in the House will solve
2 this. There's no technical obstacle. So I'd like to
3 say that defining what to do is often easy; defining
4 how to do it sometimes is more difficult, but you
5 can.

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

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

20 GOVERNOR HERBERT: Can I just say one more
21 thing? It's an interesting time we live in, and we
22 talk about, we hear talk about corporate greed, and

1 some of the challenges that we have in the
2 marketplace out there.

3 Best Buy is a remarkable story; started in
4 1968, really a success story that we all can learn
5 from. I do know that *Forbes* Magazine named you like
6 the best top company in America here a few years ago.
7 But just as impressively, they named you one of the
8 top 10 most generous corporations in America.

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

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

16 MR. JOLY: Governor, thank you so much for
17 this question. This is something that's very dear to
18 the heart of everybody at Best Buy. We feel that
19 when you lead a major corporation, we have
20 responsibilities vis-a-vis all of the stakeholders.
21 Of course, we have a big responsibility vis-a-vis our
22 shareholders; we completely get that and so forth.

1 We have a big responsibility for our customers, for
2 employees, and we believe a big responsibility for
3 the communities in which we operate. We are very
4 grateful for the hospitality that each of your states
5 provide, and we feel that we're in the boat and
6 rowing together.

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

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

20 But it also means getting involved. Many
21 of us, you know, are involved in the local
22 institutions. The program that is the most

1 remarkable, I think, at Best Buy is this recycling
2 program. Recycling—of course the planet, we
3 really care about this planet—and being able to
4 recycle, in the last four years, 1 billion pounds
5 of electronic products is a great contribution to the
6 common good and the planet. And because of our
7 relationships with various vendors and so forth, we
8 then take the raw materials that are in these
9 products and we then recycle them. So it's not just
10 as if we get them out of your home; we do something
11 with them.

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

19 GOVERNOR FALLIN: Thank you.

20 GOVERNOR [SCOTT] WALKER: I'd say just based on
21 your generosity, I appreciate that particularly in my
22 neighbor of Minnesota, in particular in the Twin

1 Cities. Some people may not know this, but it was
2 just announced by the NFL that the Super Bowl is
3 going to be in the Twin Cities, and I said I
4 particularly feel generous because it makes my
5 commute to watch the Packers play in the Super Bowl
6 much shorter than it normally is. So I appreciate
7 that.

8 **(Laughter)**

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

12 **(Laughter)**

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

22 **(Laughter)**

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

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

15 GOVERNOR FALLIN: All right.

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

21 MR. JOLY: Well, thank you so much for
22 your interest.

1 GOVERNOR FALLIN: We appreciate your time.
2 Let's get a round of applause.

3 **(Applause)**

4 GOVERNOR FALLIN: Thank you very much.
5 Congratulations to you.

6 And we all like to shop at Best Buy, so.
7 We appreciate that.

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

1 expertise from your various industries to have you as
2 members of the National Governors Association.

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

10 (Applause)

11 I appreciate you, Honey, thank you for
12 everything.

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

22 Governor Jack Markell has already left,

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

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

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

1 providing great seminars for our staff.

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

7 **(Applause)**

8 GOVERNOR FALLIN: Where is he?

9 Well, you tell him "great job." We
10 appreciate him.

11 David Quam, David Moore, Jodi Omear.

12 **(Applause)**

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

17 **(Applause)**

18 Just a bang-up job on that.

19 **(Applause)**

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

1 take home with us.

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

8 **(Laughter)**

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

14 **(Applause)**

15 Thank you very much. Katie Altshuler, who
16 is our policy director, worked very hard with all
17 your staffs across the nation. Chelsea Barnett; Alex
18 Wentz, our communications director who is taking
19 pictures right now, actually doing a great job;
20 Travis Brauer, who has put together all of my
21 materials, and there are many other people, but these
22 are the core people here today. Thank you to my

1 staff.

2 **(Applause)**

3 It's a great pleasure. I know, Governor
4 Hickenlooper, you're going to have a ball. It's a
5 lot of fun to work with our fellow governors and our
6 corporate partners throughout the NGA.

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

11 GOVERNOR TOMBLIN: Well, thank you, Madam
12 Chair, and on behalf of your nominating ommittee,
13 we would like to say thank you for your for your
14 great leadership of this organization over this past
15 year. And we want you to know that your committee
16 has worked very hard, very diligently over the last
17 72 hours to come up with the recommendations for leaders
18 of this organization for 2015. We looked north and
19 we looked south, east and west, we did background
20 checks, we did-what is it, peer reviews. We did
21 all kinds of things.

22 **(Laughter)**

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

5 Governor Terry Branstad of Iowa;

6 Mark Dayton of Minnesota;

7 Pat McCrory of North Carolina;

8 Steve Bullock of Montana;

9 You, Madam Chair, Mary Fallin from
10 Oklahoma;

11 Dan Malloy of Connecticut; and

12 Scott Walker of Wisconsin.

13 And as NGA Vice Chair:

14 Governor Gary Herbert of Utah.

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

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

19 GOVERNOR FALLIN: Thank you for your work.

20 All those in favor, say "aye."

21 ***(Chorus of ayes.)***

22 GOVERNOR FALLIN: All those opposed,

1 "nay."

2 **(No response.)**

3 GOVERNOR FALLIN: Motion carries.

4 Governor Hickenlooper, congratulations as
5 the new chair of the National Governors Association.

6 **(Applause)**

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

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

16 Together we are all committed to that role
17 that we can influence and stress the importance of
18 governors and states working within NGA. I think
19 we each believe in governors and their role in
20 directing the laboratories of innovation and
21 democracy. We believe in NGA, NGA's role in
22 helping governors do better. There's certainly never

1 been a greater urgency for governors to play that
2 role. And Governor Fallin, you have done that.

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

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

13 ***(Applause) (Presentation)***

14 GOVERNOR HICKENLOOPER: Don't hit it yet.

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

22 Some of us may believe that government

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

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

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

22 So that's why I've chosen to focus for the

1 year 2014-2015 the National Governors Association
2 chair's initiative on what we're going to call
3 *Delivering Results*. As the stewards of revenues
4 collected by states as well as those that flow from
5 the federal government, governors oversee significant
6 operations in both scope and scale. That expansion
7 makes it even more important for governors to harness
8 the human talent in the innovative management
9 practices, new and emerging technologies and
10 sophisticated analytics to increase performance and
11 deliver results.

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

22 There's a large community, including

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

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

19 The knowledge gained from these meetings
20 will lead us to a summit in 2015, which I hope many of
21 my fellow governors will attend and be able to call
22 attention to the promising and best functioning

1 practices; and frankly, to borrow and quite nakedly,
2 to steal from each other. I'm looking directly over
3 at Governor Haslam, to Governor Walker.

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

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

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

19 ***(Conclusion of 2014 NGA Summer Meeting at***
20 ***12:22 p.m.)***

21

22